

TESTIMONY ON BILL 778/779

Good Afternoon, Mr. Chairman and distinguished Members of the Committee on Ways and Means. My name is Anthony P. Sgro, Chairman of the Guam Airport Authority Board of Directors. My colleagues and I are here before you this afternoon to provide testimony in support of Bills 797 and 798, regarding the issuance of general revenue bonds for the expansion of the Antonio B. Won Pat Guam International Air Terminal.

It is with some feeling of relief that we present our finance documents for your approval. Years of meticulous planning and negotiations have finally brought us to this point. Our presence here today represents yet another milestone in the pursuit of our capital development program. At long last, we are ready to move the expansion project forward and to acquire the necessary finance to begin construction.

The projects to be financed represent the single largest public

works program ever undertaken in the Territory. It includes the expansion of the international passenger terminal building, improved public roadways, a new air-cargo facility, and other capacity and safety projects. This means an estimated 300 million dollars worth of construction.

With tourism at the heart of Guam's economic base, this project is a careful investment in our future. We believe that the terminal expansion will bring refreshed meaning to the slogan "Guam, the Gateway to Micronesia." These are exciting times to be living and working on Guam, and we are inspired to offer this contribution to Guam's continued prosperity and overall development.

You can be assured that passage of these bills will not place an additional financial burden on the Government. The Government's general fund will not be taxed to support debt service or retirement of these bonds. Payment of this obligation will come solely from revenue generated from airlines and other airport concessionaires. Several members of this body are to be credited with this foresight

when they established the GAA back in 1975 through Public Law 13-57.

The Authority's staff and consultants have worked diligently in developing a viable plan to support this debt. The new agreement with our Signatory Airlines ensures their support for the size of the program, and their ability to afford the new rates and charges. We have also worked to update other revenue sources. Our concession agreements, in particular, have received much attention through our negotiations over the past months.

I expect that we will devote some discussion of the recent settlement between GAA and DFS Guam during the question and answer period. We are prepared to address your concerns, but let me comment here on a few important facts.

From the outset, our goals were four-fold:

- (1) to improve the terms of the Agreement;
- (2) to adjust revenues in support of the expansion finance

program;

- (3) to provide an opportunity for other local businesses to sell goods at the airport; and
- (4) to improve public service for retail facilities in terms of proper sizing, the variety of products sold and convenient access to stores.

The negotiations were indeed long and difficult. We had spent countless hours and meetings working to find ground on which both parties could find some degree of satisfaction. Through it all it was eminently clear that this Board inherited a strong and binding contract -- a difficult one in many respects. Please understand we are still not happy with the existing contract arrangement, but the proposed revision we have negotiated represents the best we could do under the circumstances. To continue the negotiations beyond this point would result in a delay of the program as well as increase its cost.

Notwithstanding these constraints, positive gains were made. We

had measured success in our four goals. A financial contribution was reached, proper retail facilities were programmed and an important concession in the exclusive sales arrangement was made. Some have offered that these gains were small and probably insignificant in comparison to earlier expectations. Yet we can still say we are much better off today than before, and certainly, in better standing than if we had subjected the negotiations to judicial interpretations. As a result, DFS has yielded and will pay for its share of the expansion. More significantly though, DFS has submitted to public demands to allow other businesses to operate at the airport.

While details of the agreement can be discussed later, let me conclude by pointing out that when we finish construction of the terminal early in 1997, there will be only four short years remaining in the Concession Agreement. These four years perhaps represent the limits of our exposure. As we approach the end of the Agreement, we will be able to address what we all perceive to be the shortcomings and disadvantages of the current arrangement.

Next time, industry standards for airport concessions will prevail, and among many other improvements, multiple vendors will be accommodated.

Passage of these bills, as I said, will ensure that the Authority will not become an added financial burden on the Government. We have done extensive analyses on this matter and consulted with experts to "make" this project financially viable. This move will be beneficial to everyone --- residents and tourists alike.

We will all benefit from the final outcome: an expanded airport facility which would be able to better suit the needs of Guam's growing travelling public. But aside from merely serving those who utilize airport facilities, the expanded air terminal will ultimately help feed into the island's economy.

As you know, tourism is a very important piece in Guam's economic puzzle. The selling of these bonds would be an added insurance that the quality of Guam's most vital tourism facility is

enhanced. The number of airport users is rapidly growing and that number is already too great for the existing Air Terminal to manage. Tourism cannot grow without having our airport facilities upgraded and expanded. Therefore, the passage of bills 797 and 798 are necessary to improve the current airport service to Guam's travelling public.

I encourage this body to approve the issuance of bonds. An expansion is necessary to ensure the island's visitor trends and forecasts are satisfied. Surely, you have all noticed it in your travels. By passing these bills, you will be helping GAA to do something about it.

Before concluding, I would like to introduce a few people who have helped so much in putting this program together. You of course know the board and management of the GAA as well as Mr. Carl Taitano, so let me start with:

Mr. Michael Moroney - our principal from the airport consulting

group of KPMG Peat Marwick in San Mateo, California

Mr. Stan Dirks - our bond counsel on this and several other Guam finance projects, from the law firm of Orrick, Herrington and Sutcliffe in San Francisco,

Mr. Frank Chin - representing our Senior Managing Underwriter, the firm of Smith Barney, and

Mr. Dick Cline - our Program/Construction Manager from the Ralph M. Parsons Company in Pasadena.

In conclusion, I would like to point out that the expanded terminal was designed to mirror our island, including symbolic images of our cultural heritage. We feel that by passing these bills, the Legislature will approve using the airport as a vehicle to take our rich cultural heritage into the 21st century.

Thank you for your attention.

TESTIMONY ON BILL NO. 797, AN ACT TO APPROVE THE TERMS AND
CONDITIONS RELATING TO THE ISSUANCE FOR THE GUAM AIRPORT AUTHORITY
GENERAL REVENUE BONDS AND
BILL NO.798 AN ACT TO AMEND ARTICLE 2 OF
THE GUAM AIRPORT AUTHORITY RELATING TO
THE ISSUANCE OF REVENUE BONDS
SUBMITTED BY
CHARLES P. CRISOSTOMO
ADMINISTRATOR OF THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY

GOOD MORNING MR. CHAIRMAN, ESTEEMED MEMBERS OF THE COMMITTEE ON
WAYS AND MEANS, LADIES AND GENTLEMEN:

MY NAME IS CHARLES P. CRISOSTOMO, ADMINISTRATOR OF THE GUAM
ECONOMIC DEVELOPMENT AUTHORITY. I AM HERE TODAY ON BEHALF OF THE
AUTHORITY TO PROVIDE TESTIMONY IN FAVOR OF THESE PROPOSED BILLS
AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR PURPOSES OF FUNDING
THE EXPANSION AND CAPITAL IMPROVEMENT PROJECTS OF THE GUAM AIRPORT
AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
\$300,000,000.00.

IN RESPONSE TO THE GUAM AIRPORT AUTHORITY'S INFRASTRUCTURE NEEDS
AND GOVERNOR ADA'S REQUEST FOR GEDA TO PURSUE FINANCING
ALTERNATIVES TO RESOLVE SUCH NEEDS, THE AUTHORITY IN COMPLIANCE
WITH PUBLIC LAW 19-12, FORMULATED AND DISSEMINATED TO VARIOUS
UNDERWRITING FIRMS AND ALL LOCAL BANKING INSTITUTIONS, REQUESTS FOR

PROPOSALS TO PROVIDE UNDERWRITING SERVICES RELATIVE TO THE FINANCING OF THE PROPOSED GUAM AIRPORT AUTHORITY EXPANSION. THIS REQUEST WAS CIRCULATED ON APRIL 03, 1990 WITH A SUBMISSION DEADLINE OF APRIL 18, 1990.

SUBSEQUENTLY, UPON EXPIRATION OF SAID DEADLINE ALL RESPONSIVE PROPOSALS SUBMITTED UNDERWENT A JOINT REVIEW BY THE GOVERNOR'S FINANCIAL ADVISOR AND THE AUTHORITY'S STAFF. THE COMPLETION OF THIS EXTENSIVE REVIEW RESULTED IN A FORMAL RECOMMENDATION BEING SUBMITTED TO THE GEDA BOARD OF DIRECTORS FOR APPROVAL. APPROVAL OF THE SELECTION OF UNDERWRITERS FOR THIS PROPOSED ISSUE WAS MADE ON A GEDA BOARD OF DIRECTORS MEETING HELD ON APRIL 26, 1990. AS A MATTER OF RECORD, THE UNDERWRITING MANAGEMENT STRUCTURE OF FIRMS SELECTED ARE AS FOLLOWS: SMITH BARNEY HARRIS UPHAM & CO. AS SENIOR MANAGER; AND AS CO-MANAGERS MERRILL LYNCH, SHEARSON LEHMAN HUTTON, PRUDENTIAL-BACHE, MORGAN STANLEY AND SAYBROOK CAPITAL CORPORATION/PIPER JAFFERY. THE SELECTION WAS RECOMMENDED AND APPROVED BASED ON THE CRITERIA SET FORTH IN THE RFP WHICH WERE OVERALL QUALIFICATIONS AND DEMONSTRATED EXPERIENCE WITH AIRPORT TRANSPORTATION BONDS, TECHNICAL EXPERTISE AND INNOVATION AS EXHIBITED IN THEIR RESPECTIVE FINANCIAL PLANS AS SUBMITTED, BOND MARKETING CAPABILITIES AND OVERALL UNDERWRITING FEES.

AT THIS SAME MEETING OF APRIL 26, 1990, THE GEDA BOARD OF DIRECTORS SELECTED THE LAW FIRM OF ORRICK, HERRINGTON AND SUTCLIFFE OF SAN

FRANCISCO, CALIFORNIA TO PROVIDE BOND COUNSEL SERVICES TO THE AUTHORITY FOR THE PROPOSED AIRPORT REVENUE BOND. THE FIRM HAS RANKED AMONG THE TOP FIVE FIRMS OVER THE PAST FEW YEARS BY THE "BOND BUYER" IN NEW YORK. IN ADDITION, THE FIRM HAS A LONGSTANDING WORKING RELATIONSHIP WITH THE AUTHORITY AND HAS PROVIDED BOND COUNSEL SERVICES TO THE TERRITORY SINCE THE LATE 1970'S.

SUBSEQUENTLY, THE GUAM AIRPORT AUTHORITY BOARD OF DIRECTORS FORMALLY ADOPTED RESOLUTION NO. 92-02 DETERMINING TO ISSUE AND SELL GENERAL REVENUE BONDS AND ALL RELATED DOCUMENTS AND RESOLUTION NO. 92-03 APPROVING ISSUANCE AND SALE OF GENERAL REVENUE BONDS AND ALL RELATED DOCUMENTS BY THE GEDA BOARD OF DIRECTORS ON FEBRUARY 21, 1992.

SUBSEQUENTLY, DURING A SPECIAL MEETING HELD ON FEBRUARY 28, 1992, BY THE GEDA BOARD OF DIRECTORS CONCURRED WITH THIS REQUEST AND DULY ADOPTED GEDA RESOLUTION NO. 92-02, APPROVING THE ISSUANCE AND SALE OF GAA GENERAL REVENUE BONDS AND ALL RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE ON WAYS AND MEANS, THE NEED FOR THE EXPANSION OF THE GUAM AIRPORT AUTHORITY FACILITIES IS EVIDENT. OVER THE LAST SEVERAL YEARS THE INCREASING NUMBER OF TRAVELLERS FROM KOREA, THE PHILIPPINES, HONG KONG AND TAIWAN ARRIVING DIRECTLY TO THE TERRITORY COMPOUNDED BY THE INCREASING

FLOW OF CONNECTING AIR TRAFFIC, IN TERMS OF BOTH PASSENGER AND CARGO, HAVE PLACED TREMENDOUS STRESS UPON THE CURRENT AIRPORT FACILITIES. CURRENT VISITOR ARRIVAL FIGURES PROVIDED BY THE GUAM VISITORS BUREAU (GVB) INDICATE THAT THE TERRITORY CONTINUES TO EXPERIENCE HEALTHY VISITOR TRAFFIC. GUAM EXPERIENCED MINIMAL DECLINES IN VISITOR ARRIVALS DURING AND AFTER THE PERSIAN GULF CRISIS, EVIDENCING THE TERRITORY'S GREAT RESILIENCY WITHIN THE PACIFIC RIM MARKET AND OUR INDEPENDENCE FROM OUTSIDE FACTORS. GUAM'S FUTURE RELIES HEAVILY ON ITS TRADE AND INVESTMENT RELATIONSHIPS WITH OUR IMMEDIATE ASIAN NEIGHBORS IN MAINTAINING CONSISTENT AND SUBSTANTIAL VISITOR ARRIVALS. AS GVB'S MOST CURRENT YEAR TO DATE FIGURES AS OF APRIL 1992 SHOW AN AGGREGATE INCREASE OF 61% IN ALL VISITORS COMPARE TO THE SAME PERIOD LAST YEAR IT IS STRONGLY RECOMMENDED THAT GUAM CONTINUE TO MAINTAIN ITS APPEAL AND ATTRACTION FROM BOTH A TOURISM AND INVESTMENT STANDPOINT. THIS IS INDICATIVE OF OUR EXPANDING AND UNPRECEDENTED EFFORTS ON THE PART OF THIS ADMINISTRATION TO PROMOTE THE TERRITORY INTERNATIONALLY. IT IS THEREFORE IMPERATIVE THAT THIS FACILITY INSTILL A POSITIVE AND LONGSTANDING FIRST IMPRESSION UPON TRAVELERS TO THE ISLAND. FROM A ECONOMIC MARKETING PERSPECTIVE THIS RESOURCE SHOULD BE UTILIZED TO THE FULL EXTENT POSSIBLE IN ORDER TO REINFORCE THE POSITIVE IMAGE GUAM SO RICHLY DESERVES.

THE AUTHORITY HAS FORMALLY TRANSMITTED ALL RELATED DOCUMENTS ASSOCIATED WITH THIS ISSUE VIA THE GOVERNOR OF GUAM TO THE

COMMITTEE AND MY STAFF AND I ARE PREPARED TO ANSWER ANY QUESTIONS THAT THE MEMBERS OF THE COMMITTEE MAY HAVE REGARDING THIS ISSUE. IN CLOSING, I WISH TO THANK THE COMMITTEE FOR PERMITTING THE AUTHORITY TO PROVIDE ITS TESTIMONY IN SUPPORT OF BOTH PROPOSED BILLS.

SINCERELY,



CHARLES P. CRISOSTOMO



Guam Visitors Bureau
Setbision Bisitan Guahan

July 22, 1992

Mary Lou
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Senator Carl T.C. Guterrez
Chairman, Committee on Ways and Means
21st Guam Legislature
155 Hesler Place
Agana, Guam 96910

Dear Mr. Chairman:

The Guam Visitors Bureau urges your approval of the Guam Airport Authority's request to issue bonds which will provide the funding necessary to finance its Terminal Expansion Program.

The first impression visitors have of Guam are the terminal facilities at the A.B. Won Pat International Airport. This impression can be positive or negative depending upon the visitors travel experiences and their time of arrival. In Guam's case, most visitors have mentioned the lines at Immigration as their first impression with most comments being more negative than positive. GVB's Research Department will be assessing these impressions as it reviews the information resulting from the administering of its February and June exit surveys. Suffice it to say, that these needed improvements are part and parcel of the Airport's Expansion Program.

The Bureau's recommendations on visitor satisfaction have been noted and incorporated into the terminal design. New programs such as the Hospitality Program have been jointly developed by the Airport, GVB and tourism industry representatives to ensure all users of the facilities are given the best possible service. The proposed terminal expansion will make it a full service facility better able to accommodate the needs of travelers.

From the Bureau's perspective, the benefits to be derived from constructing such a facility, giving the Airport Authority the ability to service the projected passenger and aircraft traffic needs, far outweigh the costs. Your approval of this request will put Guam one step closer to being able to provide the type of facility that will meet the needs of the entire community.

P.O. Box 3520, Agana, Guam 96910

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Thank you for allowing GVB an opportunity to note its support of the Guam Airport Authority's Terminal Expansion Program.

Sincerely,



JOEY B. CEPEDA
General Manager

xc: All Members, GVB Board of Directors
GAA Board/Management



Gerald S. A. Perez
Division President

July 27, 1992

The Hon. Carl T.C. Gutierrez
Chairman, Committee on Ways & Means
21st Guam Legislature
Agana, Guam 96910

Dear Mr. Chairman:

For the record, my name is Gerald S.A. Perez, President, DFS Guam. I am here today to testify in support of Bill 797 and Bill 798, both measures relating to the bond financing package associated with the expansion of the AB Won Pat International Airport.

By now, you and your Committee have heard many good things that the GAA is doing to upgrade our airport facilities to meet the projected growth of our local demand as well as the demand from our ever growing tourism industry. By now, you and your Committee have also become aware of the highly spirited and protracted negotiations which have taken place between the Authority and DFS.

The GAA was not happy with the existing agreement with DFS and sought to change it to raise more money for the project. DFS expressed a willingness to explore ways in which the GAA could be assisted, but felt very strongly about preserving the integrity of a contract which was felt to be already burdensome financially to the company. Despite hard work on both sides and many attempts to reconcile our differences, it was only recently that we were able to arrive at a compromise package that was agreeable to both sides. We at DFS are pleased that we were able to work out a mutually acceptable arrangement. We feel very good that the compromise agreement reached is the result of reason and cooperation prevailing over unproductive and confrontational dialogue.

Mr. Chairman, physical conditions at the present airport continue to deteriorate rapidly as the number of passengers increase with each passing year. We need to do something now and we believe that the Authority is on the right track in responding aggressively to the challenges before them.



DFS is in general agreement with the projections and basic assumptions which have been laid out before you by the Authority's financial consultants. We are now working very closely with the GAA's architects to ensure that the expanded terminal will be the best that our collective minds can build for, and at the least cost to, the people of Guam.

We have made great strides in moving forward with the project and have come a long way in resolving many of the difficult issues associated with competing priorities among airport users. Finally, from a financing point of view, it would appear that the timing now has never been better to proceed with the project.

I appreciate the opportunity to testify before your Committee this afternoon, and urge Committee approval and favorable Legislative action on both bills.

Sincerely,

A handwritten signature in black ink, appearing to read "G.S.A. Perez", with a long horizontal flourish extending to the right.

Gerald S.A. Perez
President
Guam Division



Thai

Thai Airways International Limited
Isla Plaza, Suite 201/202
388 South Marine Drive Rt. 1
Tamuning, Guam 96911
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(671) 649-THAI / 649-0503 / 4 (Reservations)
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July 27, 1992

Senator Carl T.C. Gutierrez
Chairman, Ways and Means Committee
21st Guam Legislature

Subject: Guam Airport Authority Expansion Program

My name is Angel Calugay and I am here on behalf of Thai Airways International Ltd., in support of the Guam Airport Authority's request for the approval from the 21st Guam Legislature, for the sale of bonds to finance the Terminal's expansion program.

In 1980-81 all the airlines enjoyed the move into the new terminal. Though it was a big step for Guam, many of us felt that it was still too small and not up to par with many major international terminals. When the word got out that Guam had a new terminal, many airlines started looking into Guam as a vacation spot as well as an alternate hub to Tokyo. From the U.S., Guam has welcomed Aloha, South Pacific Airlines, Hawaiian Airlines, Northwest Airlines. From the far-east, Guam has welcomed Garuda, All-Nippon Airways, Philippine Airlines, Korean Airlines, JapanAsia and us-Thai Airways Int'l. In addition to all this, Guam has seen chartered passenger and cargo flights, and other non-scheduled airlines come and go. With all this production in the past 11 years for such a small airport, it is truly amazing that GAA has survived such a growth without growing itself.

If we are to continue to envision and soon realize that Guam will someday be the international hub south of Tokyo, we must fast track GAA's plans for expansion. Other airlines are looking at Guam now, however, the biggest question these airlines have is "can Guam accomodate our schedule and does it have the facilities.

Thai Airways International has occupied space at the airport since April. The only space that was available to us for office use, was a small room on the basement/ground floor and not on the main level. We cannot be afforded ticket counter space nor cargo space at this time.

In the new plans, we have requested for a larger office space on the main level and have expressed the need for other areas related to airport operations. On the attached sheet, it will show our contribution to Guam's economy as of June, operating twice a week. We have plans to increase frequency in the very near future, and one of the contributing factors will be GAA's current facilities.

Thai Airways International offers the quickest way to Asia and Europe right now. Through combined marketing efforts with GVB, and an upgrading /expansion of GAA, Thai as well as other airlines will be bringing these countries closer to Guam and increase the economic productivity of existing



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ties that Guam has now.

Guam cannot continue to rely on the Japanese markets and must open its doors to other countries. Improving Guam's image by expanding and upgrading its airport to U.S. and international standards is of utmost priority before it can open these new doors.

Sincerely;

A handwritten signature in black ink, appearing to read "Angel M. Calugay Jr.", written in a cursive style.

*Angel M. Calugay Jr.
General Manager-GSA
Thai Airways International Ltd.*



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	<i>Passengers</i>		<i>Cargo/Mail</i>	
	<u><i>in</i></u>	<u><i>out</i></u>	<u><i>in</i></u>	<u><i>out</i></u>
<i>April</i>	578	697	8,465kgs	515kgs
<i>May</i>	579	866	10,448kgs	851kgs
<i>June</i>	1058	1233	25,379kgs	1505kgs

**passengers and cargo/mail have come from as far as London and go to as far as London in Thai's network with connections to/from other international carriers.*

Funds Paid out: (Apr, May, Jun)

<i>GAA</i>	<i>\$17,133.10 fees</i>
	<i>982.21 rent</i>
<i>Customs</i>	<i>5,407.92 overtime</i>
<i>Catering</i>	<i>30,175.05</i>
<i>Security</i>	<i>7,770.00 screening</i>

**these figures do not include funds earned by the hotel, transportation, and other corporations contributing to Guam's economic picture.*



GUAM AIRPORT AUTHORITY

(ATURIDAT PUETTON BATKON AIREN QUAHAN)

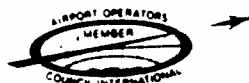
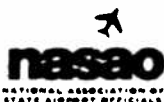
P.O. Box 8770 / Tamuning, Guam 96931 / Telephone: 646-0300, 646-0301, 646-0302
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TESTIMONY OF MRS. ISABEL R. RESPICIO,
GUAM AIRPORT AUTHORITY BOARD VICE-CHAIRPERSON,
BEFORE THE COMMITTEE ON WAYS & MEANS
JULY 27, 1992

MR. CHAIRMAN, SENATORS, LADIES & GENTLEMEN:

HAVING SERVED AS A MEMBER OF THE GUAM AIRPORT AUTHORITY BOARD OF DIRECTORS FOR THE PAST FIVE AND ONE-HALF YEARS, AND HAVING BECOME SOMEWHAT FAMILIAR WITH THE CIRCUMSTANCES WHICH HAVE LED TO THE PLANNING OF THIS AIRPORT EXPANSION PROJECT, I COME BEFORE YOU TODAY TO REQUEST YOUR SUPPORT AND APPROVAL OF THE BOND SALE WHICH WILL ENABLE THIS PROJECT TO BECOME A REALITY.

IT IS MY FEELING, BASED ON MY KNOWLEDGE OF THE ANTICIPATED GROWTH OF GUAM'S TRAVEL INDUSTRY AND THE SHORTCOMINGS OF THE EXISTING TERMINAL FACILITIES, THAT THE REALIZATION OF THIS PROJECT IS ESSENTIAL TO THE CONTINUED GROWTH OF GUAM'S MOST IMPORTANT INDUSTRY. OUR AIRPORT TENANTS ARE CRYING OUT FOR ADDITIONAL SPACE FOR THEIR TICKETING, OPERATIONS, MAINTENANCE AND ADMINISTRATIVE FUNCTIONS. ADDITIONALLY, UNLESS MORE AIRCRAFT PARKING SPACES BECOME AVAILABLE, IT MAY BE NECESSARY FOR US TO CLOSE OUR DOORS TO AIRLINES, FREIGHT FORWARDERS, AND OTHERS WHO WOULD LIKE TO COMMENCE OPERATIONS TO GUAM. IN SHORT, GUAM'S TOURISM AND TRAVEL INDUSTRY WILL STAGNATE UNLESS WE EXPAND THE AIRPORT FACILITIES.



TESTIMONY OF MRS. ISABEL R. RESPICIO
July 27, 1992
Page 2

FURTHERMORE, I FEEL THAT IT IS INCUMBENT UPON US, AS PUBLIC SERVANTS, TO WORK TOWARDS THE IMPROVEMENT OF AIRPORT SERVICES AND FACILITIES THAT ARE MADE AVAILABLE TO THE PUBLIC. ANYONE WHO HAS BEEN TO THE AIRPORT RECENTLY DURING PEAK TRAVEL TIMES IS AWARE THAT OUR PARKING LOTS ARE INSUFFICIENT; THAT THE TRAVEL LANES IN FRONT OF THE TERMINAL ARE CONGESTED; THAT THE TICKETING LOBBY, ARRIVALS AREA, AND DEPARTURES AREA ON THE SECOND FLOOR ARE OVERCROWDED; THAT THE AIR CONDITIONING SYSTEM CANNOT SUPPORT OUR PEAK HOUR TRAFFIC; THAT DEPARTING PASSENGERS ARE BEING ROUTED THROUGH THE IMMIGRATIONS AREA DUE TO AN INSUFFICIENT NUMBER OF DEPARTURE GATES AND THE LACK OF A TRANSIT LOUNGE; ETC., ETC. IT IS MOST EVIDENT THAT WE HAVE OUTGROWN THE EXISTING TERMINAL FACILITIES.

IN ANY PROJECT OF THIS SIZE, THERE WILL ALWAYS BE A HANDFUL OF PESSIMISTS WHO LIKE TO DWELL UPON THE POSSIBILITY OF THE WORST CASE SCENARIO OCCURRING. BUT AS WE ALL KNOW, NOTHING MUCH IS EVER ACCOMPLISHED BY PESSIMISTS. I, FOR ONE, HAVE THE UTMOST CONFIDENCE IN THE ABILITY OF OUR ISLAND TO CONTINUE TO DRAW TRAVELERS TO ITS TROPICAL SHORES IN LARGE NUMBERS, AND IN THE ABILITY OF THE GUAM AIRPORT AUTHORITY TO BEAR THE FINANCIAL RESPONSIBILITIES WHICH WILL RESULT FROM THIS BOND SALE. I HOPE THAT YOU SHARE THIS BELIEF WITH ME, AND THAT YOU AGREE TO SUPPORT A PROJECT WHICH WILL ENSURE THE CONTINUED ECONOMIC WELL-BEING OF OUR ISLAND.

TESTIMONY OF MRS. ISABEL R. RESPICIO
July 27, 1992
Page 3

THANK YOU FOR YOUR ATTENTION, AND PLEASE FEEL FREE TO CALL UPON ME
SHOULD YOU HAVE ANY QUESTIONS.



GUAM HOTEL & RESTAURANT ASSOCIATION

24 July 1992

Senator Carl Gutierrez
Chairman, Committee on Ways and Means
21st Guam Legislature
155 Hesler Place
Agana, Guam 96910

*W. W. W. W.
for Bond Hearing
C. G.*

Dear Mr. Chairman:

I will be off-island on July 27, and will not be able to attend the scheduled hearing. I am therefore submitting written testimony concerning the Guam Airport Authority's proposal to finance the terminal's expansion by selling bonds. The Guam Hotel & Restaurant Association strongly supports legislative approval of the bond issue.

The government of Guam and the individual hotels have invested millions of dollars in the tourism industry and have reaped satisfying financial returns for the past several years. However, Guam is witnessing worldwide competition for tourists. Fortunately, arrivals on Guam are still increasing, but not in sufficient quantities to fill the present and the anticipated number of rooms. The number of hotel rooms on Guam may double over the next five years. Depending on the quality of the hotel and variety of services offered, a hotel needs to keep an annual occupancy rate of between 65% and 70% to remain viable. Recent statistics indicate that some major hotels on Guam already are beginning to have occupancy rates below the magic 70% mark. In order to regain occupancies at a more profitable level, it is essential that the number of visitors increase at a rate of 20% per year for at least the next three years.

Although the A. B. Won Pat International Air Terminal can accommodate the current traffic, it is ill equipped to service the 1.6 million passengers expected to arrive on Guam in 1995. The Guam Visitors Bureau projects that hotel occupancy rates will decline to an unprofitable 59% in 1995 unless marketing efforts are intensified and the number of tourists is significantly increased. An intensified marketing of Guam as a tourist destination assumes that the airport's terminal will be able to handle the additional load. We suggest that it cannot in its present state.

To say that tourism is an economic mainstay of Guam's economy is an understatement. Tourism is an economic necessity, for it contributes both directly and indirectly to the government's coffers. Since each visitor spends about \$1,200 on Guam, total expenditures will approximate \$55 million in 1993, \$64 million in 1994 and \$73 million in 1995 -- if they can all land on Guam's soil. Thus, gross receipts taxes will generate an additional \$42 million in revenues over the next three years. Similarly, hotel occupancy taxes will yield another \$21 million. Income taxes paid by some 10,000 employees in 1995 will contribute to the territory's economic welfare as well. Since hoteliers purchase 85% of their goods and services locally, allied industries and ultimately the government of Guam will benefit from an expanded tourism base in a trickle-down effect.

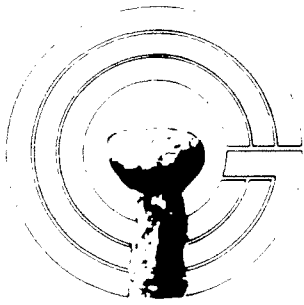
In fine, Mr. Chairman, the Guam Hotel & Restaurant Association recommends legislative approval for the proposed sale of bonds. The expansion project will result in a facility which can accommodate the increased numbers of tourists Guam needs to assure Guam's presence in the international marketplace for the next ten years and beyond.

Sincerely yours,



Kenneth L. Carriveau
Executive Director

cc: Executive Manager, GAA



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

July 27, 1992

Senator Carl T.C. Gutierrez
Chairman
Committee on Ways and Means
21st Guam Legislature
155 Hesler Street
Agana, Guam 96910

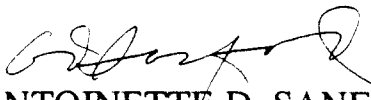
Subject: Bill Nos. 797 & 798 - GAA Bonds

Dear Mr. Chairman and Members of the Committee:

The Guam Chamber of Commerce became aware of today's public hearing on Bill Nos. 797 and 798 late last week and would like the comfort of receiving additional time to review the bills in order that the Chamber's Board of Directors may make an informed position on the measures. We request the opportunity to submit our comments on the bills after this afternoon's public hearing which we understand will be made a part of the Committee's reports on the bills. Since the Chamber Board of Directors will be meeting on Friday, July 31, 1992, we will be able to forward our comments to the Committee on Ways and Means after the meeting.

Thank you very much.

Sincerely yours,


ANTOINETTE D. SANFORD
Acting Chairperson of the Board


ELOISE BAZA
President

TESTIMONY OF MR. LEO D. SLOTTICK,
MEMBER, GUAM AIRPORT AUTHORITY BOARD OF DIRECTORS,
BEFORE THE COMMITTEE ON WAYS AND MEANS
July 27, 1992

July 27, 1992

Mr. Chairman and Members of the Committee:

Mr. Chairman as you know, despite what has been passed around, I have nothing to do with your letter concerning the DFS matter but I do agree with it.

Since 1987 I have tried to get Duty Free Shoppers to agree to revise the concession contract and give GAA the terms that would approximate those enjoyed by other airports. I thought DFS should have been amenable to that change because of previous very doubtful DFS actions which revised that contract to their benefit. I have been unsuccessful and I am tired and disgusted with the whole matter. I hope this statement will assist in setting the record straight because it is my swan song.

The financial results for the first 10 of DFS' 20 year concession contract are in and I believe that they are very enlightening. DFS has reported that in the first 10 years of their 20 year contract they had a little over \$300 million dollars in sales. A casual knowledge of the way they markup their merchandise will verify that a 60% gross profit percentage is very conservative. Using that conservative percentage and stating that they had a gross profit of \$180 million dollars for the 10 year period would not be out of line and by deducting their rent of \$60 million leaves them with \$120 million dollars to pay for their expenses. But outside of the people actually working at the airport, I am having a very difficult time identifying their expenses. Since they are located inside of the Terminal, they do not pay for utilities, security, maintenance, etc. They pay no gross receipt taxes which is no small item

depreciation deductions because everything up to and including the showcases were supplied to them. They have no interest costs because contrary to the story that they put out and which your chairman repeat to me that they had laid out \$140 million dollars to build the Terminal, DFS actually got this 20 year contract without investing a dime. They not only did not put out \$140 million dollars, they did not put out 140 cent. So with the exception of paying their airport help which is really a minor expense most of that \$120 million dollars was pure profit. That averaged out to just about \$10 million dollars a year which is not a bad return for a zero investment.

DFS first ten years were great but the next ten years starting 1992 are going to be even better. For example, DFS will report sales just about \$50 million dollars for 1992. This will give them at the very least \$30 million dollars in gross profit for the year. They will pay only \$5.4 million dollars for their 1992 rent as a result of the deal that gave back to DFS a huge sum of money after the original contract had been signed and sealed. This will leave them just about \$24 million dollars in profit for the year, or just about \$2 million dollars a month. That is why I consider so disgusting the \$10,000 per month they reluctantly consented to in the latest Agreement they made with Jesse Torres and even that lousy \$10,000 a month won't kick in until 1997 or thereabouts. They are not the most generous people around.

Let me now try to set the record straight on the two recent statements made by their spokesman on TV to further their campaign to gain public sympathy for their efforts to acquire millions of dollars of additional concession space in the expanded terminal without paying for that space. These public assertions by DFS were made to portray GAA as

money hungry, welshing ingrates who were harassing the poor, ethical, and downtrodden DFS. Their spokesman publicly declared that DFS views with horror GAA's desire to change some terms of the concessionaire contract because to DFS this contract is sacred and that DFS, having the highest ethics and filled to the brim with honesty, would never do anything but honor their contractual obligations to the letter. That statement coming from DFS is insensitive to say the least because DFS in 1979 engineered the slickest, smoothest maneuver in Guam's history to change an important provision of this very same contract which resulted in a 31% or \$60 million dollar reduction in the DFS rental obligation without giving GAA anything at all in return. How they got away with it still puzzles me but to condemn GAA for advocating a contract change after what they did is the height of arrogance.

The DFS spokesman also publicly proclaimed that DFS was obligated to lay out from their own funds \$80 million dollars to GAA and that GAA was not satisfied with that fantastic sum of money and wanted more. You wouldn't believe how many people DFS got to sympathize with them by their TVing that mess of garbage and I don't know how often I was told that GAA was cruel and heartless because of the way GAA was treating that charitable and ethical company whose generosity to GAA was so unappreciated by GAA. In the first place GAA has offered to let DFS out of their contractual obligations at any time without penalty so their claim that they are bearing the burden of an 80 million dollar unbreakable obligation is pure bologna. But what is downright silly is that the \$80 million dollars which is supposedly of such great concern to DFS is nothing more than 10 years of future space rent that DFS is going to pay from future airport sales just as they previously had paid the \$60 million dollars space rent from past terminal sales and not only will those future airport sales pay for their future obligation but DFS will

net tens of millions of dollars to boot and no-one knows that better than
DFS.

As far as I am concerned these are my last words on this subject. I am not being paid enough to continue a process to the point where it becomes nerve wracking and frustrating and that was what this became long time ago. Furthermore in all honesty I must admit that were I in their shoes I would do the same as DFS is doing. DFS is in business and in business you just do not give away tens of millions of dollars because the other side was either stupid, jealous, dishonest or all three. In my opinion DFS should publicize their accomplishment of putting together a deal that will net them hundreds of millions of dollars without having invested a dime. In the business world such a tour de force merits an award and they might as well crow about it because there is no way they are going to be able to hide the profitability of this concession from their competitors and there is no way that I believe they will ever again be able to con GAA, although I would not bet on that.


LEO SLOTNICK

TESTIMONY OF MR. LEO D. SLOTNICK,
GUAM AIRPORT AUTHORITY BOARD MEMBER,
BEFORE THE COMMITTEE ON WAYS & MEANS
July 27, 1992

7/20/92

I am testifying as an individual and not as a Board member because what I will say might not reflect the views of the majority.

I am in favor of the project which will be financed by the Bond Issue before you today. It has been conceived in accordance with forecasts and the forecasts were carefully done. I have great confidence in the team which brought the concept about and know that they are the best in the business. Our consultants KPMG and Parsons are world class as is our Architect Genseler. I favor building to the limit of our financial ability because to do less will result in more costs later and I can assure ^{you} that there is one area that I can qualify as an expert, and that is in "the more costs later category."

I also have great confidence in the Bond Indenture and in those responsible for the Bond Management because again these are the best in the business. In addition to the Bond Counsel, the lead Bond Underwriters etc. who are topnotch, there must be recognition given to Carl Taitano. I am convinced that Carl in what he does is one of Guam's shining lights. I believe that it is because of Carl that GovGuam bonds are being so well received in the market place now. I have personally seen him at work and his knowledge of the bond business is astounding. Frankly I believe that he would be a

priceless possession if only because he can stay awake reading a bond indenture, but he is much more than that. He is a veritable expert in the work that he does and I can assure you that had Carl been handling Guam's bonding in the days gone by, there never would have been the unfortunate experiences that we have had in the past. You can bet your bottom dollar that had Carl been around when the Airport Bonds were floated in 1979, GAA would be in a position of much greater strength today. I urge you to do your utmost to get these bonds to the market place as quickly as possible because delays will cause the project cost to increase and we are close to our financial capability now and I would rather see our funds used for cement and mortar than for increased fees to the technical people who will have to be reimbursed in one way or the other for delays. A delay will result in horrendous costs so please be as expeditiously as possible.

The remainder of this prepared statement concerns the 1979 Amendment to the concessionaire agreement which I will submit for your perusal and I would like to confine the rest of my remarks to the latest DFS agreement which was the subject of your Chairman's letter to GAA.

I am urging that you fast track the bond matters even though I believe that the Duty Free Agreement is rotten. I say this because I believe our people did the best they could at this time but they were up against a very tough opponent and a

stacked deck and that deck was stacked against them in 1978 and 1979.

Let me explain. The Terminal that we presently occupy was dreamt up in the late seventies when we who were on the ground at that time felt that a new terminal was about the last thing we needed. But when Duty Free bid what would amount to \$140 million dollars for 15 years or \$203 million dollars for 20 years for the exclusive concession rights in a Terminal to be built using that money as the means to build it, the temptation was great. Things, if you can recall, were not very good at that time, the economy was bad, if what we had then could be called an economy, and a big project was welcomed with open arms.

A contract signed in 1978 contained three provisions that reflected the advantageous position of DFS, a company with money who were ready to risk substantial sums to get a place to do business in a place that their forecasts revealed that there would be business. And after 10 years I can tell you that their forecasts were absolutely uncanny. Make no mistake DFS is a very sharp outfit who had a phenomenal run of success until they stumbled in Hawaii but they will rise again. The provisions that are in this contract that I feel are so onerous were either missed by our people at the time or because the \$203 million seemed so generous no one gave a rap.

And had the contract remained as written, there would be no argument now. But 10 months after the contract was signed and sealed, a chain of events occurred which gives back \$63 million dollars to DFS in the next 10 years with absolutely nothing given to GAA in return. It is these events that I feel should have invalidated the extraordinary favorable provisions in the DFS contract and I have been arguing since 1987 that DFS should recognize that their actions in 1979 were less than, to be kind, ethical and that they should make amends. And while I did not ask to have the original payment schedule reinstated, I believe a more equitable arrangement should have been made and this should still be the case.

I say this because what happened at that time is so transparent that amends should be and can be made. Let me spell out what I believe happened in 1979. A \$41 dollar Bond issue was floated to finance the Terminal, as you can see things were a lot cheaper in those days. This was a 7 1/2 % and 8% Tax free bond with the rental payments by DFS to GAA as the guarantee. Now because DFS was privately owned, it did not have to furnish financial statements and it never does, and because they refused to furnish financial information to the rating authorities, the Bond was unrated. In order to make the Bond issue viable, DFS had to get a bank letter of credit guaranteeing their semi-annual payments to GAA at their expense which they did from the Bank of America. The indenture calls for the rental payments made to GAA by DFS

to be sent direct to the Bond Trustee. In other words those Bonds were as good as DFS and the Bank of America were. And since this was before the S & L scandals and before DFS got their bells rung in Hawaii, the Bonds were ironclad. And since they were high interest paying, tax-free, and strongly enhanced, they were something that any sophisticated investment advisor would buy in a flash, and believe me, there were literally hundreds of buyers in the U.S. who would have snatched them up in seconds had they be given the opportunity.

I won't go into details but after \$36 million dollars of these Bonds were sold, GAA was informed that there were \$5 million dollars worth of these Bonds which were unsold and the DFS price for seeing that these were purchased was \$63 million dollars or the Bond Issue and, of course, the Terminal would go down the tubes.

Of course, the demand was not put in those words but the result was just that. Now I claim that this was very wrong. I am certain that if responsible DFS people could be prevailed upon to examine this whole transaction, there is no way that they would deny the facts that I have laid out.

And while I feel that the project should not be held back by the present agreement, I feel that there should be an attempt made to convince DFS that there actions in the past were less than what might be expected from a company which professes such high moral standards.

A handwritten signature in black ink, appearing to read "R. W. Smith", is written over the bottom right portion of the text.

7/24/92

1 There is no question in my mind, Mr. Chairman , that you are justified in your critical assessment of the Agreement which, Jess Torres, GAA's Executive Manager, made with Duty Free Shoppers in which DFS got much more space in the expanded terminal and for which GAA got practically nothing in return. As you well know , I had nothing to do with your letter contrary to the story being passed around that I was its author. I can assure you that had I been its author, I would have been far more critical than you were. For instance, I would have multiplied by a factor of at least 15 your quoted \$3.50 per square foot rate for Terminal concession space and I would have spelled out in no uncertain terms my disgust at the \$10,000. per month contribution that DFS has agreed to pay after they occupy their expanded spaces. \$10,000 per month is two tenths of one percent of the DFS present monthly sales which makes it, in my opinion, an insulting and demeaning provision because their contribution should be in the additional hundreds of thousands dollars per month range . It is ridiculous to even include that measly \$10,000. per month in an Agreement which grants them millions of dollars worth of terminal space at no rental cost. I would be in favor of very quietly passing their magnificent contribution along to the University to fund a course in contractual law and would donate the present DFS contract to the first class to be used as a shining example of the pitfalls which some contracts contain.

But in my opinion, Jesse is being wrongfully blamed for the shortcomings of that agreement. The blame should rightly revert to the GAA people who in 1978 signed the original contract with DFS that contained the onerous provisions that Jesse was stuck with and with those who in 1979 let DFS get away with a massive rebate and got nothing in return and especially with those who in 1992 were cowed by the DFS threat to unleash their Attorneys unless GAA caved in. GAA did cave

in which allowed DFS to call the shots. Jesse was left with no leverage and without leverage there is pleading not negotiation. Pleadings are beggars and beggars generally do not get very much which is what Jesse got, not very much.

DFS has done rather well in the threat department. By threatening in 1979 to allow the 1978 Bond Issue to go down the drain and with it the planned Terminal, DFS got a 31% rent reduction in their \$203 million dollar 20 year rental guarantee and by threatening to cloud the Bond Issue you are considering today they got millions of dollars worth of concession space for peanuts.

It is well to note that beneath that benevolent exterior, there is very tough, very wealthy outfit, that can hurt you, and it requires nerve, stupidity, and a touch of insanity to take them on. It is especially stupid when there is absolutely nothing to gain personally. Since I am not too bright and probably not too sane either, I am going to advise you not to be taken in by their story which portrays them as the Santa Claus that unselfishly gave Guam a gift of a new Terminal when Guam was poor, friendless, and in dire need of a new terminal. The truth of the matter was that it was DFS that wanted and needed the space that a new terminal would provide in order to exploit the airport concession that they had purchased from Ken Jones and DFS needed that airport terminal space a lot more than Guam needed a new airport terminal at that time. Actually DFS were business people who recognized an opportunity and grabbed it. It was DFS that willingly and eagerly committed \$203 million dollars for a 20 year exclusive concession. They wanted that location because they knew it would do business and they knew that they could get it cheaply and after they got it, they managed to reduce their obligation by \$62 million dollars in as sharp a deal as I have ever encountered. And even though hundreds of millions are frequently mentioned, the truth of the

matter is that it actually cost DFS \$3 million dollars in DFS cash to get this deal going. That \$3 million and the cost of the initial inventory was the only out of pocket cost that DFS incurred or ever will incur in their 20 year lease period. You heard in the past that DFS put up \$140 million dollars which according to them gave them an ownership interest in the Terminal but that is just not true, \$3 million is what they laid out period.

The results for the first 10 years of their airport contract are in and despite a very slow start, DFS managed to generate \$300 million dollars of sales in the first half of their contractual years. They paid GAA 60 million dollars in rents for that period which left them \$240 million dollars minus their cost of the goods they sold as their gross profit. With their extraordinary markup and the fact that they include the gross receipt tax in their selling price even though they do not pay it makes for a very fat profit margin which is carried down to the bottom line almost intact because except for labor they pay nothing for utilities, security, maintenance, gross receipt taxes, and all the rest of the expenses that we who must do business like ordinary beings endure. Even their showcases in which their merchandise is displayed were provided to them without charge. But best of all the airlines deliver the customer to the Airport Duty Free Establishment and they do it for free unlike the Tour Guides and Taxi drivers who must be paid by DFS for hustling them into their Hospital Road Store. So believe me they are doing very well and the best is yet to come.

But as unfair as that Agreement is, I urge you not to allow it to delay the planned extension. Guam's future is very dependent on a superior infra-structure and an adequate air terminal is essential. I would hope that you would treat the agreement as a separate item and I would also hope that you would look into my

assertions and should they prove factual that you would assist in convincing DFS that Guam merits the same treatment that is accorded similar locations.

LEO SLOTNICK

1990 - 1992 GIAT PASSENGER STATS

ARRIVAL PASSENGER STATS
(CALENDAR YEAR)

MONTH	%			%	
	1990	1991	CHANGE	1992	CHANGE
January	71,074	96,013	35.09	107,254	11.71
February	76,102	71,165	-6.49	110,504	55.28
March	84,034	71,944	-14.39	110,734	53.92
April	74,602	74,481	-0.16	97,167	30.46
May	85,936	83,259	-3.12	106,636	28.08
June	92,259	93,723	1.59		
July	95,607	101,825	6.50		
August	99,916	105,661	5.75		
September	85,105	100,254	17.80		
October	77,867	92,868	19.26		
November	82,971	87,250	5.16		
December	84,664	103,450	22.19		
TOTAL:	<u>1,010,137</u>	<u>1,081,893</u>	<u>7.10</u>	<u>532,295</u>	

DEPARTURE PASSENGER STATS
(CALENDAR YEAR)

MONTH	%			%	
	1990	1991	CHANGE	1992	CHANGE
January	79,449	97,980	23.32	109,698	11.96
February	85,529	72,066	-15.74	112,677	56.35
March	72,336	55,401	-23.41	108,535	95.91
April	75,654	74,194	-1.93	102,265	37.83
May	88,708	75,135	-15.30	104,820	39.51
June	95,479	101,980	6.81		
July	99,695	99,898	0.20		
August	111,872	108,531	-2.99		
September	88,720	101,374	14.26		
October	87,236	92,593	6.14		
November	85,366	88,485	3.65		
December	82,585	100,051	21.15		
TOTAL:	<u>1,052,629</u>	<u>1,067,688</u>	<u>1.43</u>	<u>537,995</u>	

TRANSIT PASSENGER STATS
(CALENDAR YEAR)

MONTH	%			%	
	1990	1991	CHANGE	1992	CHANGE
January	7,847	18,537	136.23	25,946	39.97
February	5,938	16,865	184.02	26,859	59.26
March	5,062	19,990	294.90	28,490	42.52
April	10,497	15,939	51.84	23,286	46.09
May	5,246	13,094	149.60	19,597	49.66
June	4,777	10,834	126.80		
July	5,985	21,575	260.48		
August	7,473	26,486	254.42		
September	6,034	26,357	336.81		
October	15,199	23,317	53.41		
November	14,453	19,075	31.98		
December	15,717	22,578	43.65		
TOTAL:	<u>104,228</u>	<u>234,647</u>	<u>125.13</u>	<u>124,178</u>	

Source: GIAT Records
TOTALS = REVENUE PASSENGERS

**Total Passenger Movements To and From Guam International Air Terminal
Fiscal Year 1986 – 1991**

Fiscal Year	Total Pax	% Change
1986	1,001,126	
1987	1,194,523	19.32
1988	1,444,502	20.93
1989	1,667,375	15.43
1990	1,935,801	16.10
1991	2,085,547	7.74

Total Passenger Movements = Arrivals + Departures

**GIAT PERCENTAGE CHANGES IN PASSENGER MOVEMENTS
FY 1986 – 1991**

FISCAL YEAR	ARRIVALS	% change	DEPARTURES	% change	TRANSIT	% change
1986	501,788		499,338		20,405	
1987	595,432	18.66	599,091	19.98	35,975	76.30
1988	722,334	21.31	722,168	20.54	49,670	38.07
1989	824,139	14.09	843,236	16.76	64,056	28.96
1990	943,059	14.43	992,742	17.73	91,839	43.37
1991	1,043,828	10.69	1,041,719	4.93	215,046	134.16

Totals = Revenue Passengers

Source: GIAT Records

GUAM AIRPORT AUTHORITY
SUMMARY
FY 1992 STATISTICS

	<u>PASSENGER</u>		<u>ACFT MOVMT</u> GTOW:		<u>ACFT MOVMT</u> # OF FLTS.	<u>CARGO</u>		<u>MAIL</u>	
	<u>OFF:</u>	<u>ON:</u>	<u>TRANSIT:</u>	<u>[1000 LBS.]</u>		<u>OFF:</u>	<u>ON:</u>	<u>OFF:</u>	<u>ON:</u>
OCT 91	92,868	92,593	23,317	285,230	2,328	27,800,089	3,027,131	1,176,112	419,948
NOV 91	87,250	88,485	19,075	260,913	2,184	908,257 (A)	3,066,415	102,238 (B)	233,122
DEC 91	103,450	100,051	22,578	289,785	2,426	1,095,629 (A)	3,244,468	144,806 (B)	538,566
JAN 92	107,254	109,698	25,946	291,724	2,422	1,789,103	2,070,038	695,337	393,551
FEB 92	110,504	112,677	26,859	249,172	2,488	1,872,673 (C)	1,587,904 (C)	84,530 (C)	5,939 (C)
MAR 92	110,734	108,535	28,490	280,101	2,480	1,884,162 (C)	1,821,890 (C)	98,210 (C)	3,979 (C)
APR 92	97,167	102,265	23,286	291,314	2,668	1,963,313 (C)	2,216,461 (C)	133,009 (C)	305,090 (C)
MAY 92	106,636	104,820	19,597	295,207	2,814	1,822,714 (C)	2,115,406 (C)	94,184 (C)	6,255 (C)
JUN 92	0	0	0	0	0	0	0	0	0
JUL 92	0	0	0	0	0	0	0	0	0
AUG 92	0	0	0	0	0	0	0	0	0
SEP 92	0	0	0	0	0	0	0	0	0
TOTALS:	815,863	819,124	189,148	2,243,446	19,808	38,995,930	19,149,713	2,528,426	1,996,440

TOTAL METRIC TONS:

17,688 8,606 1,147 906

NOTE: METRIC TONS = 2,204.62 LBS.

TOTALS = WEIGHTS IN LBS.

(A) & (B) - DOESN'T INCLUDE COAM'S NOV91 & DEC91 IN-BOUND CARGO/MAIL STATS.

(C) - DOESN'T INCLUDE COAM'S FEB92, MAR92, APR92, MAY92 CARGO & MAIL STATS.

4 June 1992

MEMORANDUM OF UNDERSTANDING
Concerning the Resolution of Issues of
Duty Free Shoppers Tenancy in the
Renovated and Expanded Terminal Facility at
A.B. Won Pat Guam International Air Terminal

I. Purpose of Memorandum of Understanding

Mr. Jerry Perez, President - Duty Free Shoppers (DFS) Guam, and Mr. Jess Torres, Executive Manager - Guam Airport Authority (AUTHORITY), have been negotiating issues related to DFS's terminal concession space and operations in the renovated and expanded terminal facility for sometime. It appears that all of the issues have been resolved. The purpose of this "Memorandum of Understanding" is to summarize and memorialize the arrangements discussed and the conclusion reached between Mr. Perez and Mr. Torres to prevent any misunderstandings in presentations of the results of the negotiations to senior officials of both organizations, the governor's office, and the legislature.

The parties have discussed the following subjects and reached the following conclusions for presentation to their respective management officials:

A. Terminal Renovation and Expansion Program

Program Phasing. The terminal renovation and expansion program will be constructed in phases. Phase I is scheduled to be constructed in approximately 30 months. Phase II will begin at the completion of Phase I and will take approximately 18 months to construct. The actual period of construction may vary based upon intervening events. The attached scheme "A" exhibit shows the portion of DFS central concession areas which will be available at the end of Phase I construction and Phase II construction.

B. Warehouse and Support Facilities

Additional Warehouse. DFS existing warehouse and support facilities (basement level) will be retained by DFS. In addition, DFS has requested 10,000 square feet of storage space. The AUTHORITY does not have this requested additional 10,000 square feet of storage space in the terminal plan. Also, additional warehouse storage space is required for Guam Business Enterprises.

Support space. In the spirit of cooperation, recognizing the need for additional facilities to accommodate the Guam Business Enterprises' and DFS's needs, DFS and the AUTHORITY agree that the 2,500 square feet of space beneath and adjacent to the planned

concession area will be made available to DFS for onsite merchandise storage and staging, and in addition, 2,500 square feet of space for merchandise storage and staging will be made available to DFS by the AUTHORITY at the 'concession services core' area, as depicted at the latest drawing. The remaining balance of 5,000 square feet requested by DFS for merchandise storage and staging can be accommodated in the cargo building at an off-site location.

Alternatives for Warehouse Space. The balance of DFS's warehouse and support facilities requirements (which exceed the 5,000 square feet of space mentioned above) can be met (a) under the concourse at the east end of the building, or (b) at an off-site location.

(a) **Under Concourse Storage Space.** A 5,000 warehouse storage facility, under the concourse, at the east end can be developed. This space can only be accessed from the airside. Also, there would not be access from the storage area to the sales floor. All merchandise would have to be "trucked" from the east end to the west end and then be transported through the building to the central concessions area. To be "cost neutral" this alternative would require the amortization of the cost of the space created. As per Gensler, the Authority's architect, it estimates the costs of creating this space to be about \$7.00 per square foot.

(b) **Offsite Warehouse Space.** The AUTHORITY has a budget allowance in the terminal program for the development of a cargo building in the industrial park area. The 5,000 square feet DFS requirement for additional warehouse and support space can be satisfied in the cargo building development.

The AUTHORITY plans to lease space to DFS in the cargo building on 'net basis'. Rents on the 5,000 square feet of DFS storage space, for the duration of the DFS concession agreement, will be based on the allocated amortization cost of the cargo building project. After the year 2002 expiration date of the DFS concession agreement, rent will be calculated as described below.

(c) **Additional Offsite Warehouse Space.** DFS has expressed an interest in leasing space in excess of the 5,000 square foot short fall discussed above. The AUTHORITY is willing to lease space to DFS in an offsite development on the same terms, conditions, and rental basis as space is leased to other rental users of such a facility.

Rents on space in excess of 5,000 square feet discussed above will be based upon recovery of the following: (1) project amortization of building and site improvements, (2) ground rent based upon a 10% return, and (3) 15% for administration. (All tenants in the building would pay rents on the basis described

above.) The maximum duration of a lease in the cargo building would be ten years from the date of the lease. It is estimated that the annual rental for this space will be between \$12 to \$15 per square foot per year.

Existing Facilities. DFS will continue to occupy the existing concession, warehouse, and support spaces until the end of Phase I construction. After completion of construction and certification as suitable for occupancy by the program architect of the Phase I concession space, DFS will relocate from the existing departure level concession space. DFS will construct and complete their relocation within a reasonable period of time. This relocation and construction period will be determined prior to DFS and GAA signing the amendment agreement. DFS will continue to use the existing lower level warehouse and support space throughout both Phase I and Phase II.

Satellite Shops. The east satellite shop will be constructed during Phase I and be available for use and occupancy during Phase II construction. The west satellite shop will be constructed during Phase II construction and will be available for use and occupancy at the completion of the program.

II. Duty Free Shoppers Concession, Warehouse, and Support Facilities

A. Retail Facilities

Concession Space. The AUTHORITY will offer DFS an amendment to the concession agreement which will lease the following space on the concession areas of the renovated and expanded terminal facilities:

- (1) 15,000 square feet of space in the central concession area,
- (2) two 1,250 square foot concession areas on the concourse of the renovated and expanded terminal, and
- (3) 1,634 square feet of space to be made available to Guam Business Enterprises.

The attached exhibit known as scheme "A" illustrates the central concessions area and the DFS and Guam Business Enterprises spaces.

III. Terminal Access for Guam Business Enterprises

Definition. A Guam Business Enterprise is a business owned and operated by residents of the territory of Guam having the appropriate licenses and approvals to conduct a business in the territory.

Commitment to Guam Business Enterprise. DFS will integrate three Guam Business Enterprises into the central concession area. This will be accomplished through subconcession agreements between DFS and the subconcessionaires. At least one of the Guam Business Enterprises' concession will be able to sell newspapers, periodicals, sundries, and travellers necessities. The remaining two Guam Business Enterprise opportunities will be for non-duplicating specialty concessions mutually acceptable to DFS and GAA.

Guam Business Enterprise Facilities. The AUTHORITY will provide DFS with (1) 1,634 square feet of concession space in the central concessions area, and (2) 1,600 square feet of support space at an appropriate location which are to be subleased by DFS to Guam Business Enterprises.

Phasing in the Guam Business Enterprise Program. At the end of Phase I construction DFS will integrate one Guam Business Enterprises into the facilities available at the end of Phase I. The remaining two Guam Business Enterprises will be integrated into the concession area at the end of Phase II construction.

Guam Business Enterprise Program. The subconcession plan, the subconcessionaires and the terms of the subconcession agreements are subject to the prior review and written acceptance of the AUTHORITY. DFS is free to determine the terms and conditions of the subconcession agreements; however, DFS will be fair and nondiscriminatory in implementing the subconcession program.

Program Assistance. The AUTHORITY will assist DFS with the subconcession programs as requested by DFS. In reviewing the various elements of the program, the AUTHORITY will be fair and reasonable. Review and acceptance of the program will be accomplished on a timely basis.

Guam Business Enterprise Concession Fee. The payment to be required of subconcessionaires will be a percentage concession fee of 10 per cent. The AUTHORITY reserves the right to increase the percentage concession fee a minimum of one (1) per cent after the second year and every year thereafter until the expiration of DFS's concession agreement with the AUTHORITY. Also, there will be a minimum annual guarantee fee. To the extent that the percentage concession fee exceeds the minimum annual guarantee, the Guam Business Enterprise will pay the percentage concession fee. If the percentage concession fee does not exceed the minimum annual guarantee, the Guam Business Enterprise will pay the minimum annual guarantee. The percentage concession fee or the minimum annual

guarantee, whichever is greater, will be paid as additional concession revenue to the AUTHORITY.

It is estimated that the Guam Business Enterprises combined business may produce \$120,000 in additional annual income to the AUTHORITY. If properly operated, it is estimated that the three GBEs can produce a potential \$250,000 annually in additional income to the AUTHORITY in future years.

IV. Additional Payments to the AUTHORITY

A. DFS Additional Concession Fee

DFS will pay the AUTHORITY an additional concession fee of \$10,000 per month in consideration of the additional space being offered to DFS. This additional concession fee will begin at the end of Phase I. The additional concession fee will be prorated during Phase II construction. The proration will be in proportion to the amount of additional concession space (net of existing space) provided to DFS (as the numerator) and 7,000 square feet (as the denominator).

B. DFS Capital Reimbursement for Additional Space

Cost to be Reimbursed. DFS will reimburse the AUTHORITY the cost of providing DFS with the additional 7,000 square feet of space. The cost to be reimbursed will be for the cost of the space, plus the cost of finishes and tenant improvements in the additional DFS space (7,000 square feet) itself.

Amount of Payment. To make the additional DFS space (7,000 square feet) in the central concessions area "cost neutral", DFS will reimburse the AUTHORITY for the annual debt service (which is estimated at \$238,000 per year) associated with this space through the end of the term of the concession agreement.

Calculation of Payment. According to Gensler - the AUTHORITY's architect, the costs of the additional DFS space is \$2,849,000 (calculated by multiplying 7,000 square feet by construction costs of \$407 per square foot). The amortization of the additional DFS space was calculated based upon an interest rate of 7.5 percent and amortization period of 25 years. Debt service 'coverage' is not to be charged.

Phasing in Payments. Payment of the reimbursement will begin when DFS occupies space in the central concessions area at the beginning of Phase II of the construction program. During Phase II of the construction program only a portion of the additional space will be available to DFS. The reimbursement paid by DFS to the AUTHORITY will be in proportion to the additional space which is available for DFS to use. The proration will be

based on the amount of additional concession space provided to DFS (as the numerator) and 7,000 square feet (as the denominator).

Verification of Payments. DFS agrees to validate the calculation, phasing in, and verification of payments to the AUTHORITY, and upon acceptance by the AUTHORITY of the calculation, phasing in, and verification of payments, AUTHORITY agrees to insert these payments into the proposed draft amendment to the concession agreement.

V. Unreimbursed Tenant Improvements

A. Allowance for DFS Tenant Improvements for Replacement Space

DFS has the right and responsibility for the design and construction of tenant improvements in the space covered by the concession agreement. The details concerning the allowance for DFS tenant improvements will be included in the amendment to the concession agreement.

For the replacement space (8,000 square feet), the AUTHORITY will provide DFS a monetary allowance of \$1,600,000 for the design and construction of tenant improvements.

B. Guam Business Enterprise Tenant Improvement Allowance

The AUTHORITY will provide to DFS up to \$200 per square foot (not to exceed \$326,800 in total) for finishes and tenant improvements to the areas to be assigned to Guam Business Enterprises. The amount of the allowance may be adjusted to reflect the actual space to be occupied by Guam Business Enterprise.

C. Satellite Shops

The AUTHORITY will provide DFS with an allowance of up to \$150 per square foot for tenant improvements to the satellite shops at the east and west ends of the concourses, subject to a maximum limit of \$375,000. DFS will not reimburse the AUTHORITY for the tenant improvement allowance.

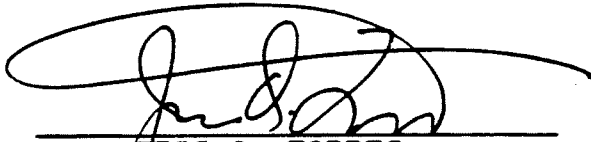
VI. Amendment to Concession Agreement

DFS will execute an amendment to the concession agreement which will delete, from the concession agreement, the existing second level space at the end of construction Phase I when new facilities are available to DFS. The amendment will also cover the transitioning from Phase I DFS space to the final DFS space at the

Page 7

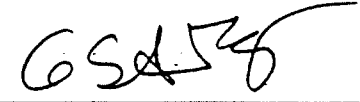
completion of Phase II.

The above recommendations have been thoroughly reviewed and is acceptable by both Mr. Jerry Perez, President, DFS Guam, and Mr. Jess Torres, Executive Manager, GAA, and is ready for submittal to the respective approving authorities of DFS and GAA.



JESS Q. TORRES
Executive Manager, GAA

6/4/92



GERALD S.A. PEREZ
President, DFS Guam

6/4/92

Comparison of Benefits Concerning the Resolution of Issues of Duty Free Shoppers Tenancy in the Terminal Renovation and Expansion Program A.B. Won Pat Guam International Air Terminal

Authority Benefits - Summary

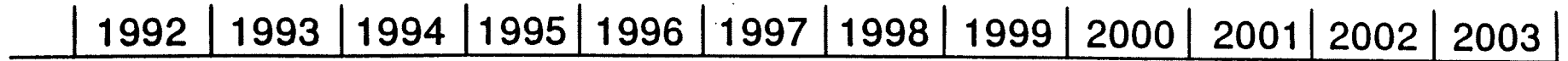
1. Three Guam Business Enterprises (GBEs) in the expanded terminal.
 - (a) One (1) newspapers, periodicals, sundries and travellers necessities GBE.
 - (b) Two (2) non-duplicating specialty concession GBEs.
2. It is estimated that the Guam Business Enterprises combined business may produce a minimum of \$120,000 in additional annual income to the AUTHORITY. If properly operated, it is estimated that the three GBEs can produce a potential \$250,000 annually in additional income to the AUTHORITY in future years.
3. A Guam Business Enterprise percentage fee of 10% of gross revenues or a minimum annual guarantee, whichever is greater.
4. From DFS an additional concession fee of \$120,000 annually payable monthly. This fee will be phased in as additional space becomes available to DFS beginning in Phase II.
5. An annual reimbursement from DFS of \$238,000 for the additional 7,000 square feet of central concessions area through the end of the concession agreement. The reimbursement will begin as debt service on DFS additional space becomes payable.

DFS Benefits - Summary

1. Additional Space
 - (a) 7,000 square feet central concessions space.
 - (b) two (2) 1,250 square feet satellite shops at concourses.
 - (c) 1,634 square feet central concession spaces to accommodate Guam Business Enterprises.
 - (d) 5,000 square feet of additional storage and staging space at terminal building.
2. Non-reimbursable Allowance
 - (a) \$326,800 allowance for tenant improvements to the Guam Business Enterprises space (1,364 square feet x \$200 per square feet).
 - (b) \$375,000 allowance for tenant improvements to the satellite shops spaces (2,500 square feet x \$150 per square feet).
3. Reimbursable Allowance
\$1,400,000 for tenant improvements to the 7,000 square feet of central concessions area.

DUTY FREE SHOPPERS

CONCESSION TIMELINE



CONSTRUCTION PHASE 1



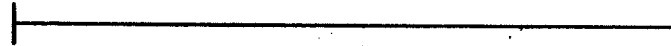
- EXISTING CONTRACT
- 8,000 s.f. OF CENTRAL RETAIL SPACE
- NO INCREASE IN MINIMUM PAYMENTS

CONSTRUCTION PHASE 2

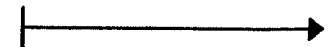


- AMENDED CONTRACT (PARTIALLY IN EFFECT)
- 8,800 s.f. OF CENTRAL RETAIL SPACE (RELOCATED)
- 800 s.f. OF GBE SPACE
- ONE GUAM BUSINESS ENTERPRISE (GBE) PROVIDED
- ADDITIONAL PRORATED ANNUAL CONCESSION FEE
- ADDITIONAL PRORATED ANNUAL PAYMENT FOR CAPITAL RECOVERY
- PERCENTAGE/MINIMUM FEE FROM GBE DIRECT TO GAA

EXPANSION PROJECT COMPLETE



- AMENDED CONTRACT (IN FULL FORCE)
- 15,000 s.f. OF CENTRAL RETAIL SPACE
- 1,634 s.f. OF GBE SPACE - 3 GBEs PROVIDED
- FULL ADDITIONAL ANNUAL CONCESSION FEE FOR REMAINDER OF TERM
- FULL ADDITIONAL ANNUAL PAYMENT FOR CAPITAL RECOVERY AT APPROX. \$238,000 OR \$1,109,080 FOR REMAINDER OF TERM
- PERCENTAGE/MINIMUM FEES FROM THREE GBE'S DIRECT TO GAA



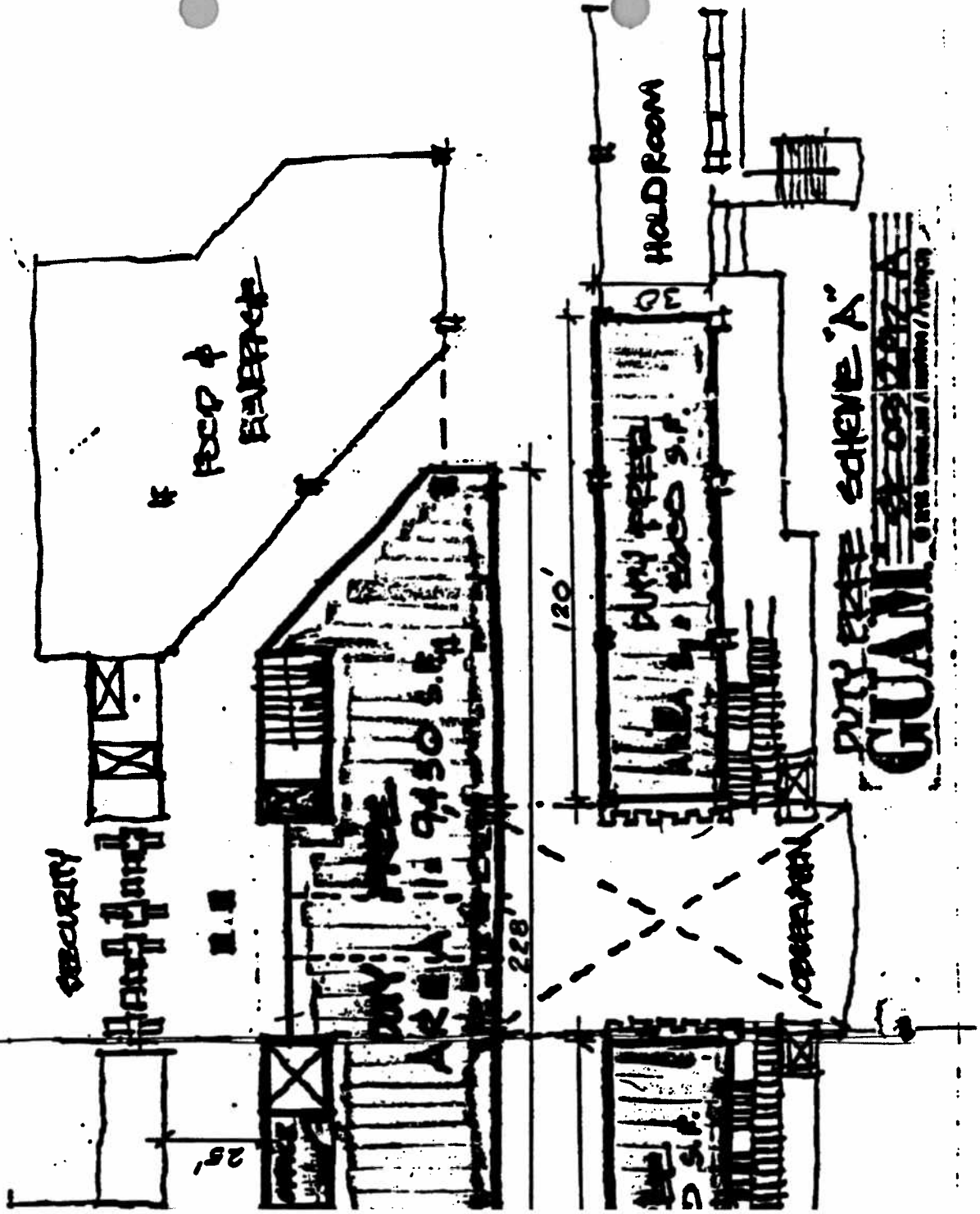
NEW CONCESSIONAIRES



BID NEW MERCHANDISE CONCESSIONS

JULY 1995

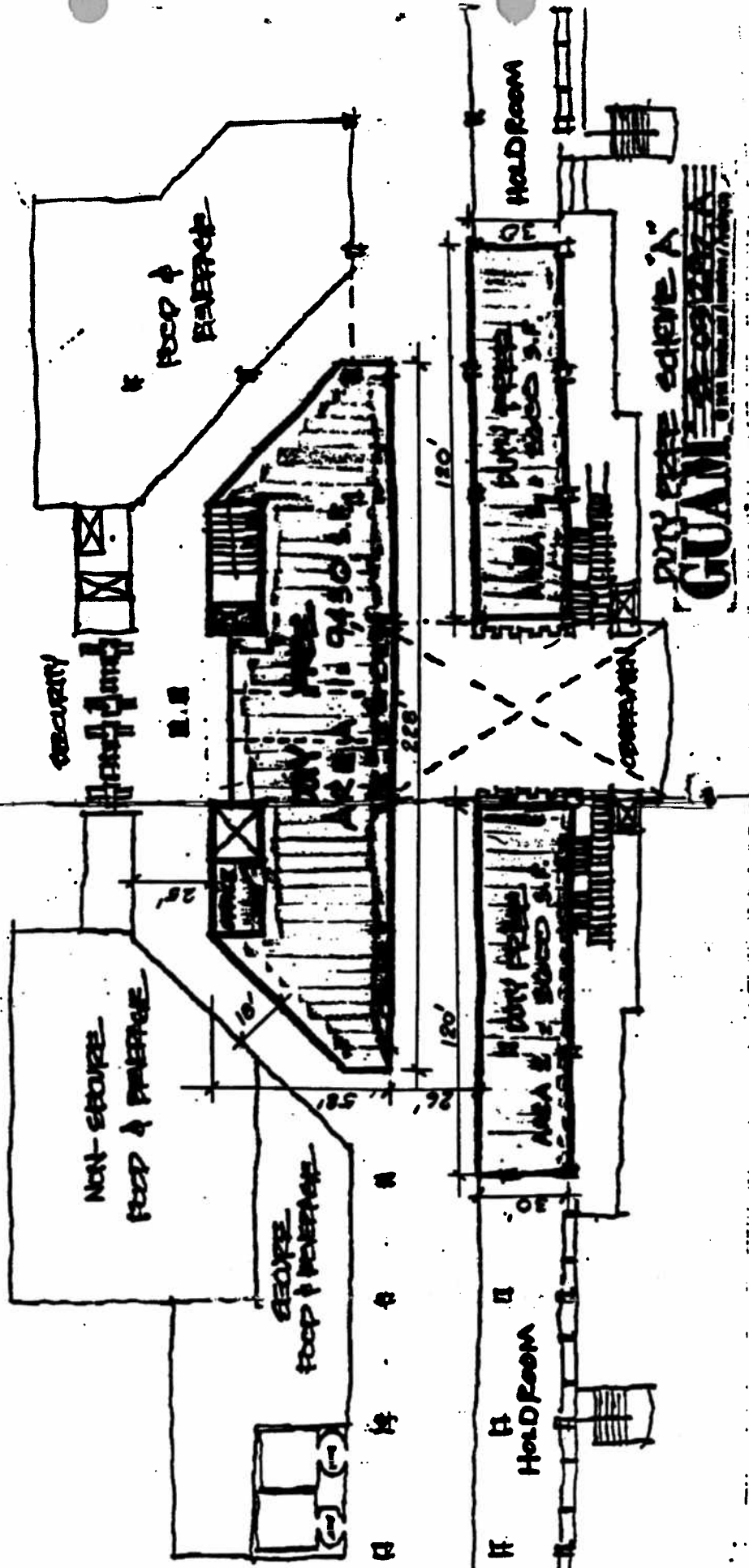
PHASE I + 6000 S.F. + 3600 = 9,600 S.F.



TOTAL S.F. = 16,634

FEB. 1997 PHASE II
 7,034.

JULY 1995
 PHASE I + 6000 S.F. + 3600 = 9,600 S.F.



TOTAL S.F. = 16,634



COPY

Ernest S. Alvarez
Assistant President

September 4, 1992

Mr. Anthony Sgro
Chairman
Guam Airport Authority
Tamuning, Guam 96931

Hand Delivered

Dear Mr. Sgro:

It has been a number of days now since we have had a chance to reflect upon the bond financing hearing held in late July, and our work sessions with Senator Carl Gutierrez. Many of the issues associated with the Memorandum of Understanding that Mr. Jess Torres and I had signed on June 4, 1992 have been clarified with the senator. The major issue lingering, however, was the senator's concern that GAA should be getting more financial compensation than has been agreed to in the MOU.

I believe that you and the Board have resolved your concerns over Substitute Bill No. 797, and that much progress was made at yesterday's meeting to facilitate expedient action by the Legislature. The purpose of this letter is to confirm our willingness to pay another \$10,000 monthly, over and above what we have already agreed to do in the MOU, following further discussions in our joint work sessions with Senator Gutierrez. Thus, in addition to making the GAA financially whole on the 7,000 sq. ft. of additional retail space, DFS will end up paying the Authority about \$1.2 million more than is now called for in our present concession agreement.

Without waiving any of our contractual rights, DFS is agreeing to the \$10,000 in additional monthly payment based upon the following considerations:

- GAA has attempted to renegotiate an agreement with DFS to increase revenues. Many months of hard work on both sides, however, resulted in an impasse which threatened to delay timely completion of the airport expansion.
- Working together in good faith, and both recognizing the need to move forward on the project, GAA management and DFS have worked out a compromise package which resolved key issues of concern. The specific issue of paying for additional space has been resolved in a compromise solution that now enables the GAA to proceed without further delay.



- This compromise avoids the prospect of litigation to which we as a company had been prepared and determined to exercise. Upon reflection, however, litigation would have been more costly to both DFS and the GAA. It would have been costly because it means higher legal fees, escalated construction expenses, and fewer visitors to Guam than hotels now need to operate profitably. Ultimately, it would have meant lost sales and revenues to DFS, the GAA, and GovGuam.
- This additional compensation over and above what was agreed to in the MOU is also made to show good faith on our part and our willingness to work cooperatively with the GAA, the Governor, and the Legislature in building the best and most affordable airport for the people of Guam. These monthly payments will total well over \$600,000 more in GAA revenues over and above what is called for in the MOU, for a combined total of about \$1.2 million in additional income to the Authority.

There is much uncertainty in the tourist retail business these days. More competition, the Japanese economy, the Gulf war, and typhoons are but few of the reasons for guarded optimism looking forward. It is with this in mind, and our commitment to protect the remaining financial obligation to the Authority (\$77.3 million as of July 1992) which give us serious concern over paying any more at this time. Therefore, the amount offered above is felt to be fair under the circumstances and given the correct perspective.

Mr. Chairman, all of us at DFS want to be as helpful and as cooperative as we reasonably can in helping you and the Board achieve your objectives with the expansion program. We are therefore willing to contribute financially and in other ways as outlined in our MOU. We are also sensitive to the Legislature's concern, and have therefore agreed to pay more.

DFS and the GAA both have come a long way toward resolving major fundamental differences in our contract. We have agreed to increase our financial commitment to the Authority, and would hope that, in return, the GAA would also understand the reasons for the position we have taken, be sensitive to them, and give them due consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'G S A P', is written over the typed name of Gerald S.A. Perez.

Gerald S.A. Perez
President
Guam Division

cc: Executive Manager

Introduced

TWENTY-FIRST GUAM LEGISLATURE
1992 () Session

MAY 1 '92

1
2 Bill No. 797 (cs)

3 Introduced by

4 COMMITTEE ON RULES
At the request of the Governor

5 AN ACT TO APPROVE THE TERMS AND CONDITIONS
6 OF THE ISSUANCE OF GUAM AIRPORT AUTHORITY
7 GENERAL REVENUE BONDS

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

9 Section 1. The Legislature hereby finds and declares as
10 follows:

11 (a) Title 12 Guam Code Annotated Section 1204 provides
12 that the Board of Directors of the Guam Airport Authority is
13 authorized to issue and sell general revenue bonds for the
14 purpose of providing money to be used for the cost of
15 acquisition, purchase, construction, reconstruction
16 improvement, betterment or extension of the Antonio B. Won Pat
17 Guam International Air Terminal and related facilities, and
18 Title 12 Guam Code Annotated Section 1216 provides that the
19 Board may authorize the issuance of refunding bonds for the
20 purpose of refunding any bonds then outstanding and issued
21 under Article 2 of Chapter 1 of said Title 12.

22 (b) Title 12 Guam Code Annotated Section 2103(k)
23 provides that agencies and instrumentalities of the government
24 of Guam shall issue bonds and other obligations only by means
25 of an through the agency of the Guam Economic Development
26 Authority.

27 (c) Title 12 Guam Code Annotated Section 2103(k)
28 provides that the Guam Economic Development Authority shall

1 not sell any bond without the approval of the Legislature of
2 the terms and conditions of the issuance of the bonds.

3 (d) The proposed form of indenture pursuant to which
4 Guam Airport Authority general revenue bonds are proposed to
5 be issued has been presented to and approved by the Board of
6 Directors of the Guam Economic Development Authority and has
7 been presented to this Legislature.

8 (e) The Board of Directors of the Guam Economic
9 Development Authority has adopted a resolution approving the
10 sale of Guam Airport Authority general revenue bonds for the
11 purposes of financing certain additions, betterments and
12 improvements of the Antonio B. Won Pat Guam International Air
13 Terminal and related facilities and, as part of such financing
14 program, refunding the Guam Airport Authority General Revenue
15 Bonds, Series 1979.

16 Section 2. This Legislature pursuant to Title 12 Guam Code
17 Annotated Section 2103(k), hereby approves the terms and conditions
18 of the issuance by the Guam Airport Authority of its general
19 revenue bonds in one or more series in an aggregate principal
20 amount not to exceed Three Hundred Million Dollars (\$300,000,000),
21 with a final maturity not exceeding thirty-five (35) years and
22 bearing interest at a fixed or variable rate not exceeding twelve
23 percent (12%) per annum if interest on a series is tax-exempt and
24 fifteen percent (15%) per annum if interest on a series is taxable.
25 The bonds shall be issued pursuant to an indenture, and one or more
26 supplemental indentures for each series, with terms and conditions
27 similar to the terms and conditions contained in the form of
28 indenture presented to this Legislature.

1 The initial series of long term bonds shall not be issued
2 unless Guam Economic Development Authority and Guam Airport
3 Authority shall have received a report of a qualified airport
4 consultant estimating the amount of projected net revenues of the
5 airport for each fiscal year from the date of issuance of the first
6 series of the bonds to and including the third full fiscal year
7 after estimated date of completion of the additions, betterments
8 and improvements being financed by the bonds, and in each such
9 fiscal year the amount of such net revenues are projected to be
10 equal to or greater than 1.25 times the amount of annual debt
11 service on the bonds payable from such revenues, and subsequent
12 series, if any, shall not be issued without compliance with the
13 additional bonds requirements of the indenture.

14 Notwithstanding the foregoing, debt obligations either
15 maturing not more than three years after the date of issuance
16 thereof, or subject to redemption at par at any time beginning not
17 later than three years after the date of issuance thereof, may be
18 issued upon satisfaction of only such conditions relating to
19 feasibility as may be required by the purchaser of such obligations
20 or by the provider of any insurance, letter of credit or other
21 credit enhancement for such obligations; and the satisfaction of
22 such conditions shall be evidenced solely by the issuance of such
23 obligations. Any such obligations shall be secured by revenues to
24 be received under airline agreements currently in effect, shall be
25 repayable from the proceeds of a subsequent issuance of bonds as
26 hereinabove authorized, and shall be subordinate to all currently
27 outstanding bonds of the Guam Airport Authority issued under the
28 Trust Indenture executed by said Authority in 1979.

1 NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE BONDS AND ANY
2 OBLIGATIONS OF GUAM AIRPORT AUTHORITY UNDER ANY REIMBURSEMENT OR
3 OTHER SIMILAR AGREEMENT SHALL BE LIMITED OBLIGATIONS PAYABLE SOLELY
4 FROM THE REVENUES AND OTHER ASSETS OF GUAM AIRPORT AUTHORITY
5 PLEDGED FOR SUCH PURPOSE AND SHALL NOT BE A DEBT OR LIABILITY OF
6 THE GOVERNMENT OF GUAM.

7 Section 3. The Guam Airport Authority and Guam Economic
8 Development Authority shall undertake their best efforts to cause
9 a portion of the bonds approved by Section 2 to be offered for sale
10 in the territory of Guam, as well as in other jurisdictions, if and
11 to the extent that such offer in the territory of Guam and any
12 sales resulting from such offer do not increase the cost to the
13 Guam Airport Authority and Guam Economic Development Authority of
14 issuing and repaying such bonds.

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GUAM ECONOMIC DEVELOPMENT AUTHORITY

ATURIDAD INADILANTON IKUNUMIHA GUAHAN

GEDA

BOARD OF DIRECTORS OF THE GUAM ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. 92-02

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

WHEREAS, the Guam Airport Authority ("GAA") has determined that there exists a need for certain additions, betterments and improvements to the Antonio B. Won Pat Guam International Air Terminal complex (the "Project") and proposes to issue and sell general revenue bonds (the "Bonds") pursuant to Chapter 1 of Title 12 of the Guam Code Annotated (Sections 1101 et seq.) (the "Act") for the purposes of financing such additions, betterments and improvements and, as part of such financing program, refunding GAA's outstanding General Revenue Bonds, Series 1979 (the "1979 Bonds");

WHEREAS, pursuant to 12 Guam Code Annotated Section 2103(k) agencies and instrumentalities of the Government shall issue bonds and other obligations only by means of and through the agency of the Guam Economic Development Authority ("GEDA");

WHEREAS, GAA has by resolution requested that GEDA approve the issuance and sale of the Bonds;

WHEREAS, this Board of Directors has determined that it is in the public interest for GAA to sell the Bonds for the purpose of financing the Project and refunding the 1979 Bonds; and

WHEREAS, there have been presented to this Board of Directors the proposed forms of an Indenture pursuant to which the Bonds in one or more series would be issued and a bond purchase agreement pursuant to which each series of the Bonds would be sold;

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

Section 1. The issuance and sale of the Bonds are hereby approved in accordance with 12 Guam Code Annotated Section 2103(k).

Section 2. The form of Indenture presented to this meeting, relating to the Bonds and to be approved by the Board of Directors of GAA for execution and delivery on behalf of GAA, is hereby approved for execution and delivery on behalf of GAA, with such additions, changes and modifications as said Board may approve upon consultation with the Administrator of GEDA and legal counsel, such approval to be conclusively evidenced by the adoption of one or more bond resolutions by said Board and by execution and delivery of such Indenture and appropriate supplemental indentures on behalf of GAA.

Section 3. The form of Bond Purchase Agreement presented to this meeting, relating to the Bonds and to be approved by the Board of Directors of GAA for execution and delivery on behalf of GAA, is hereby approved for execution and delivery by GAA, with such additions, changes and modifications as said Board and the Administrator of GEDA may approve upon consultation with legal counsel, such approval to be conclusively evidenced by the adoption of one or more bond resolutions by said Board and by execution and delivery of one or more Bond Purchase Agreements on behalf of GAA and GEDA.

Section 4. The Executive Manager of GAA, upon appropriate authorization and delegation by the Board of Directors of GAA, and the Administrator of GEDA are hereby expressly authorized to determine, consistent with the Act and upon approval by the Governor of Guam, the number of series of Bonds (not to exceed three) to be issued under this resolution, the aggregate principal amount thereof (not to exceed 35 years), the interest rates [not to exceed twelve percent (12%) per annum if interest on a series is tax-exempt and fifteen percent (15%) if interest on a series is taxable], interest payment dates, denominations, forms, registration privileges, terms and place or places of payment, terms of redemption, security and other terms of each series of the Bonds and the designation of the various accounts provided in the Indenture.

Said Executive Manager and Administrator are hereby also expressly authorized to arrange, upon approval by the Governor, for such bond insurance, letter of credit or other supplemental security arrangements for each series of the Bonds as they may deem in the public interest, and to enter into any reimbursement or other similar agreements deemed by them to be necessary or appropriate in connection therewith.

The Bonds shall not be issued unless GEDA and GAA shall have received a report of a qualified airport consultant estimating the amount of projected net revenues of the airport for each fiscal year from the date of issuance of the first series of the Bonds to and including the third full fiscal year after estimated date of completion of the additions, betterments and improvements being financed by the Bonds, and in each such fiscal year the amount of such net revenues are projected to be equal to or greater than 1.25 times the amount of annual debt service on the Bonds payable from such revenues.

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

Section 5. The Executive Manager of GAA, upon appropriate authorization and delegation by the Board of Directors of GAA, and the Administrator of GEDA are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale of the Bonds and otherwise to effectuate the purposes of this resolution. Such actions may include, but are not limited to, the approval of the distribution for each series of Bonds of such preliminary official statement and final official statement as said Executive Manager may approve upon consultation with the Administrator and legal counsel (such approval to be conclusively evidenced by the execution of the final official statement by said Executive Manager), the distribution of other information and material relating to the Bonds and the holding of any appropriate information meetings concerning the Bonds.

Section 6. The actions authorized by this resolution shall not be taken without the approval of the Legislature of Guam of the terms and conditions of the issuance of the Bonds in accordance with the Act and with 12 Guam Code Annotated Section 2103(k).

Section 7. This resolution shall take effect from and after its adoption.

SECRETARY'S CERTIFICATE

I, CECILIA C.A. PEREZ, Secretary of the Board of Directors of the Guam Economic Development Authority, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the members of the Board of Directors of said Authority duly and legally held at the special meeting place thereof on Friday, February 28, 1992, of which meeting all of said members had due notice and at which at least a majority thereof were present;

At said meeting said resolution was adopted by the following vote:

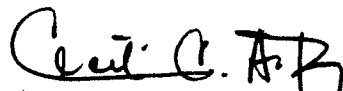
Ayes: 6

Noes: 0

Abstain: 1

Said original resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: February 28, 1992



Secretary of the
Board of Directors

(SEAL)



GUAM AIRPORT AUTHORITY

BOARD OF DIRECTORS
OF THE
GUAM AIRPORT AUTHORITY

RESOLUTION NO. 92-02

**RESOLUTION DETERMINING TO ISSUE AND SELL
GENERAL REVENUE BONDS, AND APPROVING AND AUTHORIZING
RELATED DOCUMENTS, AGREEMENTS AND ACTIONS**

WHEREAS, the Guam Airport Authority ("GAA") has determined that there exists a need for certain additions, betterments and improvements to the Antonio B. Won Pat Guam International Air Terminal complex (the "Project"); and

WHEREAS, GAA proposes to issue and sell general revenue bonds (the "Bonds") pursuant to Chapter 1 of Title 12 of the Guam Code Annotated (Sections 1101 et seq.) (the "Act") for the purposes of financing such Project and, as part of such financing program, refunding GAA's outstanding General Revenue Bonds, Series 1979 (the "1979 Bonds"); and

WHEREAS, this Board of Directors has determined that it is in the public interest for GAA to sell the Bonds for the purpose of financing the Project and refunding the 1979 bonds, and this Board desires to express such determination and to authorize the appropriate officers and employees of GAA to proceed with arrangements for the sale of the Bonds; and

WHEREAS, there have been presented to this Board of Directors the proposed forms of an indenture pursuant to which the Bonds in one or more series would be issued and a bond purchase agreement pursuant to which each series of the Bonds would be sold;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Guam Airport Authority as follows:

Section 1. The form of Indenture presented to this meeting, relating to the Bonds, is hereby approved for use in structuring and arranging for the sale of the Bonds, with such additions, changes and modifications as the Executive Manager of GAA or members of GAA staff designated by the Executive Manager (referred to herein as "appropriate officials") may approve upon consultation with legal counsel, such approval to be conclusively evidenced by the form of such Indenture submitted to this Board for final approval.

Section 2. The form of Bond Purchase Agreement presented to this meeting, relating to the Bonds, is hereby approved for use in structuring and arranging for the sale of the Bonds, with such additions, changes and modifications as appropriate officials of GAA may approve upon consultation with legal counsel, including without limitation changes in the underwriters named therein (the "Underwriters"), such approval to be conclusively evidenced by the form of such Bond Purchase Agreement submitted to this Board for final approval.

Section 3. The appropriate officials of GAA are hereby authorized and directed to cause to be prepared a preliminary official statement for use in offering the Bonds for sale to investors, and the Executive Manager is hereby authorized and directed to determine when such preliminary official statement is sufficiently final for distribution to the public.



Upon such determination, the Executive Manager is hereby authorized and directed (i) to execute such certification as may be requested by the Underwriters to evidence the determination by GAA that such preliminary official statement is final for purposes of Rule 15c2-12 under the Securities Exchange Act of 1939, and (ii) to authorize the Underwriters to distribute such preliminary official statement to potential purchasers of the Bonds and other interested parties.

Section 4. The appropriate officials of GAA are hereby authorized and directed to participate with the Administrator of the Guam Economic Development Authority ("GEDA") in determining, consistent with the Act and upon approval by the Governor of Guam, the number of series of Bonds (not to exceed three) to be issued as contemplated by this resolution, the aggregate principal amount thereof (not to exceed \$300,000,000), and the maturity or maturities (not to exceed 35 years), the interest rates (not to exceed twelve percent (12%) per annum if interest on a series is tax-exempt, or fifteen percent (15%) if interest on a series is taxable), interest payment dates, denominations, forms, registration privileges, terms and place or places of payment, terms of redemption, security and other terms of each series of the Bonds and the designation of the various accounts provided in the Indenture.

The appropriate officials of GAA are hereby also expressly authorized to participate with said Administrator in arranging, upon approval by the Governor, for such bond insurance, letter of credit or other supplemental security arrangements for each series of the Bonds as they may deem in the public interest, and in negotiating the terms of any reimbursement or other similar agreements deemed by them to be necessary or appropriate in connection therewith.

The Bonds shall not be issued unless GEDA and GAA shall have received a report of a qualified airport consultant estimating the amount of projected net revenues of the Airport for each fiscal year from the date of issuance of the first series of the Bonds to and including the third full fiscal year after estimated date of completion of the Project being financed by the Bonds, and in each such fiscal year the amount of such net revenues are projected to be equal to or greater than 1.25 times the amount of annual debt service on the Bonds payable from such revenues.

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

Section 5. The appropriate officials of GAA are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to structure and arrange for the sale of the Bonds and otherwise to effectuate the purposes of this resolution. Such actions may include, but are not limited to, the distribution of information and material relating to the Bonds, in addition to the preliminary official statement hereinbefore authorized, and the holding of any appropriate information meetings concerning the Bonds. The foregoing is subject to the limitation that neither the Indenture nor the Bond Purchase Agreement, nor any reimbursement or similar agreement relating to any supplemental security arrangements for the Bonds, shall be executed or delivered, nor shall any Bonds be sold, issued or delivered, until this Board shall have adopted a resolution approving such documents in substantially final form and authorizing the sale, issuance and delivery of such Bonds.



Section 6. The actions authorized by this resolution shall not be taken without the approval of the Legislature of Guam of the terms and conditions of the issuance of the Bonds in accordance with the Act and with 12 Guam Code Annotated Section 2103(k).

Section 7. This resolution shall take effect from and after its adoption.

SECRETARY'S CERTIFICATE

I, Deirdre M. Lum, Secretary of the Board of Directors of the Guam Airport Authority, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the members of the Board of Directors of said Authority duly and legally held at the regular meeting place thereof on February 21, 19 92, of which meeting all of said members had due notice and at which at least a majority thereof were present;

At said meeting said resolution was adopted by the following vote:

Ayes: Six

Nays: None

Absent: One

Said original resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: 2/21/92



Deirdre M. Lum

Secretary of the Board of Directors



GUAM AIRPORT AUTHORITY

BOARD OF DIRECTORS
OF THE
GUAM AIRPORT AUTHORITY

RESOLUTION NO. 92-03

**RESOLUTION REQUESTING APPROVAL OF THE
ISSUANCE AND SALE OF GENERAL REVENUE BONDS
AND RELATED DOCUMENTS, AGREEMENTS AND ACTIONS**

WHEREAS, the Guam Airport Authority ("GAA") has determined that there exists a need for certain additions, betterments and improvements to the Antonio B. Won Pat Guam International Air Terminal complex (the "Project"); and

WHEREAS, GAA proposes to issue and sell general revenue bonds (the "Bonds") pursuant to Chapter 1 of Title 12 of the Guam Code Annotated (Sections 1101 et seq.) (the "Act") for the purposes of financing such Project and, as part of such financing program, refunding GAA's outstanding General Revenue Bonds, Series 1979 (the "1979 Bonds"); and

WHEREAS, pursuant to 12 Guam Code Annotated Section 2103(k) agencies and instrumentalities of the Government shall issue bonds and other obligations only by means of and through the agency of the Guam Economic Development Authority ("GEDA"); and

WHEREAS, pursuant to Section 1208 of the Act no general revenue bonds shall be issued without the approval of the Legislature; and

WHEREAS, in connection with the Bonds it is desirable that the Act be amended in certain respects;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Guam Airport Authority as follows:

Section 1. The appropriate officials of GAA are hereby authorized and directed to cause to be prepared forms of an indenture, including any appropriate supplemental indenture, pursuant to which the Bonds in one or more series would be issued and a bond purchase agreement pursuant to which each series of the Bonds would be sold, and to submit such forms to GEDA for approval; and to prepare and submit to the Legislature proposed amendments to the Act and proposed legislation approving the Bonds;

Section 2. The Board of Directors of GEDA is hereby requested to approve the forms of indenture and bond purchase agreement submitted to it pursuant to Section 1 and to approve the issuance and sale of the Bonds.

Section 3. The Legislature is hereby requested to approve and adopt the proposed amendments to the Act submitted to it pursuant to Section 1 and to approve the terms and conditions of the Bonds as provided in Section 1208 of the Act as so amended.

Section 4. This resolution shall take effect from and after its adoption.



SECRETARY'S CERTIFICATE

I, Deirdre M. Lum, Secretary of the Board of Directors of the Guam Airport Authority, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the members of the Board of Directors of said Authority duly and legally held at the regular meeting place thereof on February 21, 1992, of which meeting all of said members had due notice and at which at least a majority thereof were present;

At said meeting said resolution was adopted by the following vote:

Ayes: Six

Nays: None

Absent: One

Said original resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: 2/21/92

Deirdre M. Lum

Secretary to the Board of Directors

GUAM AIRPORT AUTHORITY

and

as Trustee

INDENTURE

Dated as of _____, 1992

Relating to Guam Airport Authority
General Revenue Bonds
