



**Minutes of Regular Meeting to the Board of Directors of the  
Guam Economic Development Authority  
February 23, 2023**

*Call to Order*

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority (“GEDA” or the “Authority”) was held on Thursday, February 23, 2023 at the hour of 1:36 p.m., at the GEDA conference room, Suite 511, GITC Building, Tamuning, Guam. The meeting was called to order by Chairman David J. John to consider items on the Agenda.

*Inifresi*

- § 2. GEDA Board of Directors and all others in attendance recited the *Inifresi*.

*Quorum and Attendance*

- § 3. **Roll call.** As determined by the roll call made by Chairman David J. John the following individuals were present:

<i>Directors:</i>	<i>Office or Position:</i>
David J. John	Chairman
Siska Hutapea	Secretary/Director
Andrew Park	Director (via zoom)
Ernesto Espaldon Jr.	Director (via zoom)
Dr. Doreen Crisostomo-Muna	Director
Melanie Mendiola	CEO/Administrator
Carlos P. Bordallo	Deputy Administrator
Terrence M. Brooks	Legal Counsel

*Also, in attendance were:*

Edward Camacho	GEDA
Christina Garcia	GEDA
Diego Mendiola	GEDA
Claire Cruz	GEDA
Christina Merfalen	GEDA
Jennifer Calvo-Guzman	GEDA
Yong Pak	GEDA
Celia Anderson	GEDA
William Kier	GEDA
Senator Roy Quinata	37 <sup>th</sup> Guam Legislature

Haidee Gilbert

Pacific Daily News

***Approval of Agenda***

- § 4. The motion to approve the agenda was made by Director Siska Hutapea. The motion was seconded by Director Ernesto Espaldon Jr. The Directors then voted, and the motion was unanimously passed.

***Approval of Minutes***

- § 5. Secretary/Director Siska Hutapea made the motion and was seconded by Director Andrew Park to approve the January 19, 2023, board meeting minutes. The Directors then voted, and the motion was unanimously passed.

***Chairman's Remarks***

- § 6. Chairman David J. John reported the following:
- a. Administrator Mel and I had a good sit down with the governor in January to discuss some of our agency priorities. She continues to favor moving forward on the economic diversification initiatives, especially in aquaculture, additive manufacturing, and technology. She also has involved GEDA in many of the capital improvement projects going on around the island, managing them as opposed to just obtaining financing as we have traditionally been doing. We also have been working with the Lieutenant Governor's Office on the next step towards improving the licensing and permitting process. We are helping to craft the amendments to rules and regulations governing the number of agencies signing off on permits and the respective timelines in order to hopefully streamline construction. Last month, I had mentioned being a speaker at the Chamber's Economic Outlook for 2023. The common acknowledgement of the forum was the economy showed great signs of growth through the collections and reducing of unemployment, but tourism is still in distress. GEDA and the Office of the Governor have had multiple meetings with the businesses affected by the sluggish return of the Japanese market. Mel will talk more about this later. Guam has been identified as a potential hub for WUSTA, the Western US Trade Association. WUSTA is a non-government entity with close ties to the USDA. The most significant program is a 50% match fund grant for small businesses engaged in marketing their products for exports abroad. WUSTA is sponsoring the first trade mission for Guam based businesses to Palau in a few short weeks. Although all Western states, small businesses are eligible to apply for support and attend, as this is a pilot, WUSTA is funding five Guam small businesses, most of whom either participated in our GUMA incubator partnership or the STEP program. The biggest hurdle for export identified by the team is the cost of freight. So, the more we learn, the better we as an agency can be in shaping policies or angling for federal support to help with this challenge. We are keeping up the momentum on all fronts, thanks to the team and of course, our active and engaged board directors.

*CEO/Administrator's Remarks*

§ 7. Administrator Melanie Mendiola reported the following:

- a. Celia or Jennifer will be placing phone calls to the board members and messages concerning travel dates because it looks like there's quite a bit of movement happening in the month of May. We want to see if we can get a solid perspective on target dates for the May board meeting. That's the month that we are doing Select USA. We here at GEDA do have some sense of urgency when it comes to getting things done. But as I am about 10 weeks away from my impending maternity leave, this is a literal countdown to get some things in good shape for while I'm gone. As Chairman John mentioned, we've been tapped to assist in many of the Governor's CIP projects, most notably Simon Sanchez and the Medical Campus. These are both very challenging projects and so they do require tremendous agency resources. Right now, the bulk of the heavy lifting on Simon Sanchez is being done by our Public Finance team led by Tina Garcia, and the Medical Campus by the Real Property team led by Diego Mendiola. We, along with the Governor, have met with many stakeholders serving the Japan market, as well as stakeholders in the restaurant industry affected on many fronts, but most significantly, the restaurants by the cost of food. Governor Leon Guerrero expressed her willingness to support a bridge, we're calling it a LEAP Bridge grant, so it's not Leap 2.0, which would enable businesses still suffering to obtain supplemental support. Like LEAP, we will be working with the Office of Senator Joe San Augustin on legislation, so that the legislature may match the funding needed for this program. But the ones really running the ball in this program and the launch of this program are those that asked for the program to start. Those are the key stakeholder groups, the Guam Tourism and Travel Assn. (GTTA), the Japan businesses that the Japan Consulate has been working with, and the Restaurant collective group as well. So, they'll really be running the ball, but GEDA will be there to support them along the way, and the Governor, as well, has pledged her support. GEDA started off supporting, helping 2,500 businesses at the start of the pandemic. That number shrunk to 1,600 businesses in 2021, 920 in 2022 through LEAP. We've identified a target; we think there's about a little over 200 businesses that are still not quite back to where they were pre pandemic or still suffering as a result of the sluggish return of tourism from Japan. And while we see the BPT outperforming, we see unemployment shrinking, and we do see new businesses opening. We can't ignore the investment of many businesses that got us to the point where we were serving 1.6 million visitors pre pandemic, so the Governor supports them, but I think what we identified as the pressing need is these businesses need to tell their story to the individual legislators to get their buy in because there are obviously many competing priorities out there for funding.
- b. Speaking of new businesses, our partnership with GUMA is proving to be very effective. They had over 120 prospective entrepreneurs at their last training, at their kickoff at GCC. If you recall, we've been a key partner in this effort since the start of the administration, though most significantly in the last 12 to 18 months or so. GEDA

will be doing a presentation for these businesses on Saturday. This weekend we'll be running a training program about all our programs for small businesses. We were also asked to do a presentation at the Women's Chamber as well as the Association of Government Accountants concerning economic recovery. We did that a couple of weeks ago. As I discussed, we're seeing the economy growing through GDP. We see inflation slowing, but the one area we still see pockets of the economy that are hurting, specifically ones that are serving Japan. One area I did highlight was building permits. The building permit three-year average, up to 2021, was about \$350,000. And in 2022, the building permit total was \$1,050,000. This is nonmilitary work. It's work outside the fence. However, one can assume that most of the work outside the fence was still in some key way supporting the military buildup with infrastructure work, for example, as well as new construction on the commercial and other fronts. We see this as a tremendous opportunity, but also a tremendous challenge for new development and the organic growth of our island in areas such as affordable single-family housing, which points me back to, as you know, Director Doreen, I shared the minutes from 50 years ago and what may have been significant.

- c. Fifty years ago, when Chairman Jesus Leon Guerrero, the father of the governor, was running the meeting, one item on the agenda was to reactivate the GEDA Mortgage Revenue Bond Program because affordable housing through affordable mortgage rates were hard to come by without the assistance of GinnieMae, Government National Mortgage Association, similar to Fannie Mae, Freddie Mac. GinnieMae, because of Nixon austerity measures, cut out the support for Guam. So, leaders from Guam had to do some lobbying to bring back the funding. But in the meantime, GEDA was asked, was tasked with the job to float a mortgage revenue bond so that we could continue the development of housing and give mortgages out to households in Guam to build single family homes. I texted Joe Borja, the Director of Land Management, because I told him he's the oldest person I know in real estate. And I said, I didn't realize we were building real houses. I hadn't realized in 1973, we had moved beyond Quonset huts. And then I quickly learned that the Kaiser Development, in fact, was one of the very first housing developments done in the '70s, followed thereafter by Baza Gardens and Latte Heights, and all those, the many others that existed. I thought that was interesting because here we are again, I've done this so many times where it's like we've come full circle. We're back to affordable housing being on the table as a major issue. It was an issue back in 1973 as well. In closing, I had to show all of you this wonderful commercial put together by our media consultant.
- d. Chairman John and Administrator Mendiola welcomed Senator Roy Quinata. We did want to share this commercial that we're very happy and proud of. Our marketing company, contractor RIMS, put it together, but it's reporting the successes of Prugraman Pinilan, our program for daycares, businesses, and non-profit organizations.

*Committee and Standing Reports*

§ 8. Administrator Melanie Mendiola reported the following:

- a. The Qualifying Certificate report, I did want to share for the record because there was a question about when Don Don Donki's QC would be considered. It will probably be on our board agenda for the March meeting. And that was because there were some phone calls about expressing wanting to put in testimony. We asked those interested to please submit something written. In order to accommodate time for that, as well as time for the review committee, the internal key to review committee, and then time to prep it for the board, it will likely be in the March agenda.
- b. No further Committee Reports.

*Old Business*

§ 9. Administrator Mendiola reported the following:

- a. American Rescue plan grant funding updates. About LEAP funding, we still have about 50% of applicants have not yet requested forgiveness. But the last round of LEAP grants were probably transmitted in June or August of last year, so many of these businesses still have time. Even if they run through the money, they might not be doing their paperwork. The total payout was \$62 million. Twenty-two million dollars still needs reporting for forgiveness. We're not getting any signs of distress of not being able to meet their deadline, so they seem okay. The Japan businesses as well as the GTTA, the Guam Tourism and Travel Association, and the restaurants have all come together and said they'd like to continue to advocate for some funding. We gave them some prospective numbers to consider. We'll be working with them in the coming weeks as far as draft legislation that Senator Joe Agustin has agreed to introduce. But really what they need is support from the members of the legislature. They'd like to go ahead and run the ball and take that up and try to convince the legislature that this is a worthwhile need for the business community. We support them in that effort.
- b. Under Prugraman Pinilan, we have one program that is currently active that I wanted to discuss and for the board members on the Zoom, we'll transmit this list to you. These are the after-school providers, nonprofit and for profit, as well as summer camps that have received funding under Prugraman Pinilan. Many of you are in the community. Many of you get asked occasionally for anything GEDA offers to help. If you see someone glaringly missing, specifically, maybe an after-school program that you're involved in. I noticed the Guam Girl Scouts is missing, so I plan to reach out to them. The deadline is coming up and this is the last round so if you see anyone that's missing that you'd like to encourage to apply, this is for after school programs as well as for summer camp programs. The money must be expended by the end of this fiscal year. The max award is \$50,000 per project and \$100,000 max per organization.

Director Espaldon asked how much is left in that pot? Administrator Mendiola answered that there's still quite a bit. We have about \$7 million. We're getting tight on the time to expand the money. Because we still saw some lagging interest some of the more popular programs already maxed out at \$100,000, we could probably lift the cap one more shot after the March deadline, if there's still, for some reason, money available. We could probably lift the cap and say you can run one more program and make it up to \$125K or \$150K or something along those lines. Director Espaldon asked, if there are folks that are asking, who's the best point of contact ID for that? Administrator Mendiola advised that would be Jen Guzman, our Project Director on this. Director Espaldon asked if we were not able to spend that money in that period of time, is there the possibility of reprogramming? Administrator Mendiola answered that it's been across the board under Prugraman Pinilan, and depending on the source of funds, there were some deadline extensions that we saw at the end of the last fiscal year. So we are hopeful that there could be deadline extensions at the end of this fiscal year, but it largely just depends on the appetite of the federal agency at the time.

#### *New Business*

§ 10. Administrator Mendiola reported the following:

- a. As you're all aware, our Vice Chairman's term ended and was then renewed by popular demand. But what that did was that left the vacancy with our Vice Chair position. What we need to do is I think, sir, you would call for nominations from the board and then an election. Director Siska Hutapea nominated Ernesto Espaldon Jr. for Vice Chairman. Director Andrew Park seconded. The Directors then voted, and the motion was unanimously passed. Director Jun Espaldon accepted. Administrator Mendiola thanked Mr. Vice Chairman Espaldon, and asked if he will continue to maintain his position as the head of the Investment Committee with this carrying on of his duties? Director Espaldon acknowledged.

§ 11. Resolution 23-008:

- a. Chairman John reported that some time back, pre COVID, JMSH applied for a Qualifying Certificate (QC) for their hotel in Tumon, located behind the church. I think they intended to move forward, but this was before we were able to get workers in for non on base construction project. They were having a hard time getting contractors lined up, and then COVID hit, and everything went south. But it sounds like the time for this is up and we need to clean the books of the QC. They can always reapply in the future if the project becomes active again. During their period, they never received benefits. It was a project that was forthcoming and it got derailed for a couple of things out of their control. In order to clean the books and make sure that we don't have anything outstanding, we and JMSH wish to cancel the QC.

- b. Secretary/Director Siska Hutapea made the motion and was seconded by Dr. Doreen Crisostomo-Muna. The Directors then voted, and the motion was unanimously passed.

§ 12. Resolution 23-009:

- a. Relative to authorizing the Guam Economic Development Authority to open a savings and checking account in the name of Destinu Guahan Venture Corporation. Under the SSBCI, which we are pending the announcement from the treasury tomorrow, the opening of a checking and savings account is primarily for the distribution of the venture capital fund portion of the SSBCI program. The way that this would work is if Guam had an abundance of venture capital companies running around, they would come in and they would operate as fund of funds where we would assign a certain amount of funding to VCA, VCB, and then the VCs would then give out money to the startups or to the businesses looking to build their business. Since Guam and other states lack venture capital companies, some states have started their own venture capital companies. This has evolved over some time with the help of our legal counsel as well as the volunteer time of our board chair and our vice chair in putting this together. So Destinu is the name of the venture capital corporation and the resolution is to appoint the signatories on the corporation's bank accounts. Basically everything is staffed and will be run by GEDA. It's a wholly owned venture corp of the Guam Economic Development Authority. Just to refresh everyone's memory, Guam was approved for approximately \$59 million through the SSBCI program. The SSBCI program is something we already have on the books, which we use as a loan guarantee program like SBA. We get the money in tranches, the first tranche of approximately \$19 million came in and is sitting in our bank account. But we cannot do anything with this money until the Department of Treasury made the big announcement and says that Guam is kicking this program off. Puerto Rico was the first territory to be announced, although we are convinced that we were the first that was approved, but they were the first announced. Maybe it's based on size. In any case, the money that was designated for this program is going to be used for three purposes, loan guarantee, collateral support, and the third is venture capital. The venture capital is the newest piece that we are getting off the ground. We will be doing quite a bit of more promotion, more road show marketing for that. It's mostly going to be internal. The recipient must be a company in the territory. They don't have to be doing business completely in the territory, but there are some concentration requirements about the footprint in Guam. It'll come in the big announcement. The other thing I did want to mention is that the key point of SSBCI VC is that one must come with a 50/50 match. So if you come in for \$250,000 under the VC program, you have to come in with \$125,000 of your own resources or investors, something like that. It's not a grant program. It's definitely more along the lines of VC. So the way that we're looking to run it here at GEDA is we're looking to run it in rounds of funding where there will be deadlines for businesses to turn in, like their business plan and all of that. Then there will be an evaluation committee made up of members of the board as well as members of the GEDA team, possibly

committee volunteers from the community to approve, negotiate, and some amount of leverage that you'll give to the designee at GEDA, starting off with me as the de facto, to negotiate to this extent or offer this much. But ultimately, the whole point of the SSBCI venture capital is to provide capital to communities across the United States and the territories to get new businesses off the ground and grow the US economy.

- b. Director Espaldon made the motion and was seconded by Secretary/Director Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

§ 13. Loan Charge Offs:

- a. Administrator Mendiola reported that there are two charge offs that are for your review and consideration. The first is a Guam Development Fund loan for Carlos and Imelda Gabertan. And the second one for SofinTek, an indoor skydiving startup business. In accordance with GDF's standard operating procedure, Chapter 14, the GDFA SOP Chapter 14 says that a charge off is an acknowledgement of a loss on GEDA's records on the loan account. It does not affect GEDA's legal rights against a debtor. Both businesses, we've taken all the steps in accordance with our SOPs to recover the loan proceeds. Also, we've looked at the collateral, whether or not it was usable, could we liquidate it, and so on and so forth. After many of these steps, as well as legal counsel, and I did close work with our legal counsel, we are basically at the point where we'd like to ask the board to, in accordance with our SOP, to write this off. The first is Working Capital Line. The Outstanding Balance is \$32,470, and that's for Gabertan, which was running a farm that was no longer in operation. The owner of the farm became sick and he lost his lease. The second one was a startup business, indoor skydiving, Skydrenaline Zone. The loan amount is for outstanding balance of \$482,690 and that was after bankruptcy was filed and bankruptcy chapter 13 was filed in 2017. As you can see, the collection history spans from 2014 to 2022. There was a final payment received by a bankruptcy trustee in June of 2022 and in October bankruptcy was discharged. Attorney Terry Brooks reported that as you can see from the first one, the debtors are not able to work anymore. The second one, we followed through the bankruptcy, we were able to get possession of the actual wind tunnel and were able to sell that to David Su for 700,000 dollars. Then Mr. Ono paid off a portion of the debt on bankruptcy. The debt is not fully paid, but it's been discharged in bankruptcy and there's nothing further that can be done. There was a substantial collection. Secretary/Director Siska Hutapea asked that the original loan was 600,000 and the outstanding balance of \$482,000. That includes the receipt from the sale of the wind tunnel? Attorney Terry Brooks answered that it also includes interest that's been running on this for years and years. Director Crisostomo questioned whether we still have the right to collect after a write off. Attorney Terry Brooks answered: Just because you write off a loan, a creditor can still collect on the debt, unless it is discharged in bankruptcy. On the books, it's written off as a loss, however, it's still legally collectible. In the case of Mr. Gabertan, because of his physical situation, he is completely unable to make payment. So even though we have



the right to sue, it's unlikely that anything would be collected. We have other cases, for instance, where they've written off the debts, but we're still trying to collect the written off portion. There are two different things. Administrator Mendiola added that we have one situation in my time here, wherein the bankruptcy discharged the debt similar to this situation. However, the person was allowed to remain in their home. There was a GEDA judgment lien on the home and at some point she wanted to give it to her daughter. For her to be able to pass the title on to her daughter, she had to come in and satisfy or make an arrangement with GEDA to satisfy the outstanding lien amount. And so even though it was not collectible in our eyes from an accounting point of view, she was prevented from transferring her home until the lien was paid. Terry Brooks stated that GEDA is a lender of last resort. And almost by definition, GEDA has more defaults. It doesn't happen very often, considering our total portfolio. Even less from SSBCI because SSBCI is first underwritten by the banks and we come in as a participating lender or guarantor, so there's even fewer defaults.

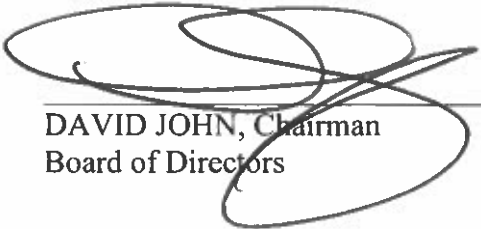
- b. Speaking of audit, we are wrapping up our information for the government audit. Nonetheless, we were identified as needing a single audit. Once a sub recipient of federal funds hit a certain level, you are subject to your own standalone audit, as opposed to part of a component unit of the government in Guam. We have been identified as needing a single audit. This was inevitable. We went from getting no federal funds to getting a lot through all our programs. It was either going to happen this year, or it was going to happen next year, but it is going to happen. This shouldn't affect the completion of our audit as it stands, but the single audit will take more time, cost more money, but nothing I think we still have a cushion in the existing audit amount. Just wanted to bring that to your attention.
- c. Secretary/Director Siska Hutapea made the motion to approve the charge off for GDFA-01-2019 regarding the Gabertan loan and was seconded by Director Espaldon. The Directors then voted, and the motion was unanimously passed.
- d. Secretary/Director Siska Hutapea made the motion to approve the charge off for GDFA-I14-003 SofinTek Inc., and was seconded by Director Park. The Directors then voted, and the motion was unanimously passed.

#### *Public Comments*

- § 14. There were no public comments.

#### *Adjournment*

- § 15. A motion for the meeting to be adjourned was moved by Secretary/Director Siska Hutapea and was seconded by Director Espaldon. Adjournment of the meeting was unanimously approved.



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DAVID JOHN, Chairman  
Board of Directors

Attest:



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SISKA HUTAPEA  
Secretary, Board of Directors