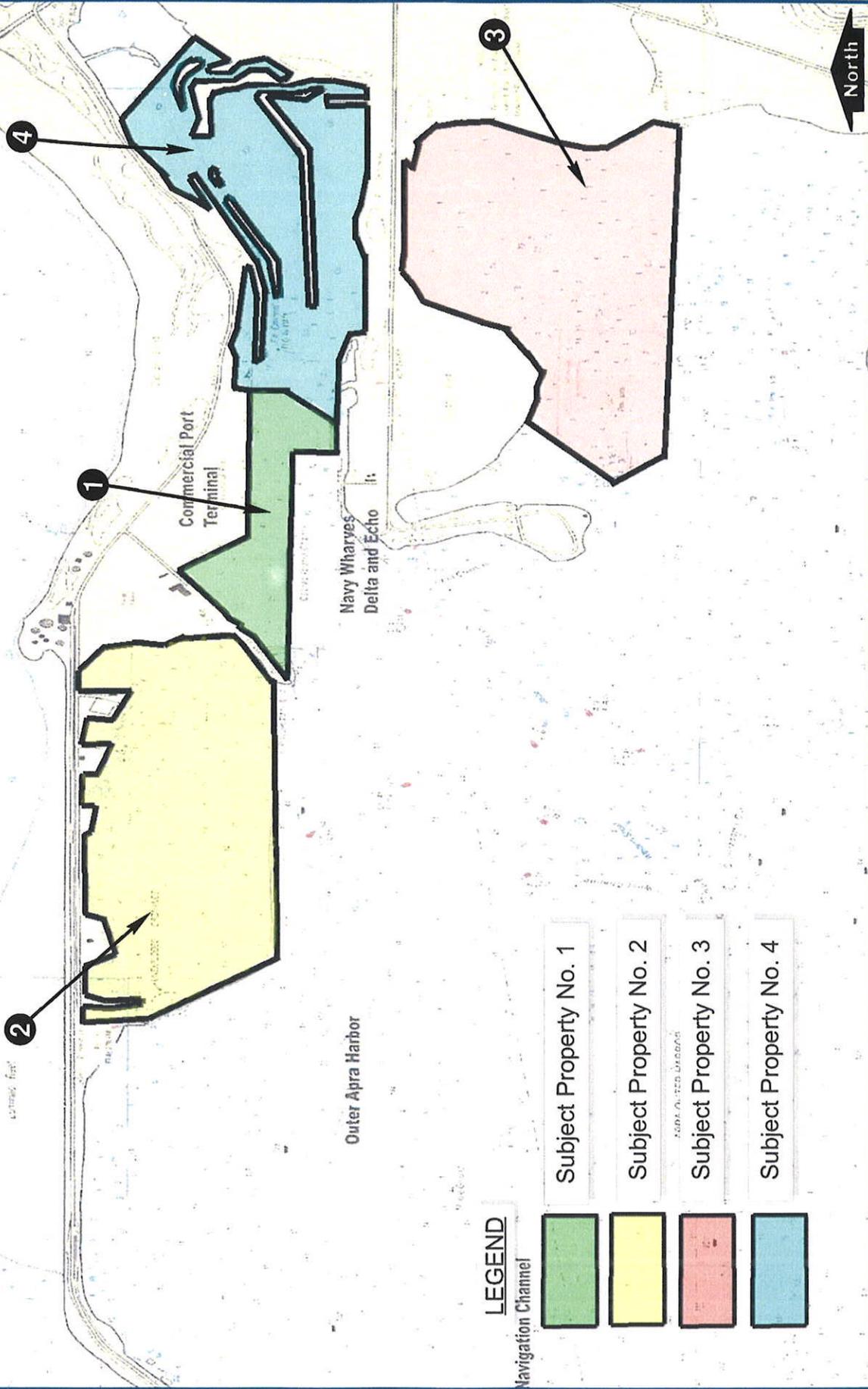


Summary Appraisal Report
Regarding
Commercial Port of Guam – Apra Harbor
Submerged Land Study
Piti, Island of Guam

For
Port Authority of Guam
Piti, Guam

May 2010

MAP IDENTIFYING SUBJECT PROPERTIES
Piti, Island of Guam



LEGEND

Navigation Channel



Subject Property No. 1



Subject Property No. 2



Subject Property No. 3



Subject Property No. 4

May 31, 2010

Mr. Enrique J.S. Agustin
General Manager
Port Authority of Guam
Jose D. Leon Guerrero Commercial Port
1026 Cabras Highway, Suite 201
Piti, Guam 96915

Dear Mr. Agustin:

Subject: Summary Appraisal Report Regarding Commercial Port of Guam
Submerged Land Study, Cabras Island, Piti, Island of Guam

The Port Authority of Guam ("PAG") owns the fee simple interest in various submerged land parcels located within Apra Harbor, adjacent to Cabras Island and within the Harbor of Refuge and Sasa Bay, Municipality of Piti, Island of Guam. The subject properties are identified as submerged Parcels 1 to 4 and range in land areas from approximately 42 to 189 acres. The fastland adjacent to the submerged parcels varies widely from Commercial Port pier frontage to mangrove forest at Sasa Bay. Subject water depths range from very shallow to 45± feet.

The Jesus D. Leon Guerrero Commercial Port of Guam provides the people of Guam with ocean commerce, shipping, recreational and commercial boating as well as sea vessel navigation. PAG provides a critical role with a reported 90 percent of the day-to-day goods and supplies consumed by Guam residents passing through the Port, and closer to 100 percent of its fuel needs. The Commercial Port became operational in 1969 and requires a significant modernization. The proposed \$15± billion military build-up on Guam through 2014 (and beyond) is expected to result in a massive increase in demand at the Commercial Port. However, military build-up timelines and projections appear to be softening.

Most recently, an agreement between PAG and the U.S. Department of Transportation's Maritime Administration allows for federal assistance in the Port's efforts to upgrade and modernize the facilities. The Maritime Administration is the lead agency following the Guam Legislative approval of the 2007 Port Modernization Master Plan. The Master Plan calls for a wide range of upgrades and a preliminary capital cost estimate of \$193± million.

Mr. Enrique J.S. Agustin
May 31, 2010
Page 2

The Port Authority of Guam recently retained Captain, Hutapea & Associates, Inc. to complete various appraisal and consulting assignments. This assignment involves appraisal services estimating current fair market ground rent for the four subject properties. You represent PAG in these matters and require appraisal services for ground rent related, internal decision-making purposes.

Our assignment was to prepare a Summary Appraisal Report including an estimate of the fair market ground rent for the subject properties. The function of this appraisal report is to provide informed market based conclusions, in addition to relevant supporting data, upon which internal decisions may be based. The intended users of our report include the client, its authorized representatives and any auditors or regulators that may be involved with oversight. This report is subject to the Assumptions and Limiting Conditions contained in a following section. The effective date of this appraisal assignment is April 23, 2010, the date of inspection by the appraiser.

The subject properties involve vast areas that we analyzed in three zones which reflect potential utility based on proximity to shoreline, depth and other factors. Our analyses assume reasonable market terms and conditions. Short term uses may better reflect the open yard space rate multiplied by the appropriate zone percentage discount. Landfill leases require further study and may vary due to cost of landfill required. Our conclusions could be subject to further adjustment due to lease term, size and other factors as detailed herein.

Local real estate market conditions have transitioned from one characterized by massive foreign investment, increasing prices and high liquidity (2005 through mid-2008) to one characterized by limited activity and heightened caution, partially stemming from the global credit and liquidity crisis. Comparable market data analyzed herein may reflect a period of stronger transaction activity and foreign investment. However, industrial land market conditions have continued to improve. Further, future demand for certain port-related uses is projected to increase significantly between 2010 and 2013 (and beyond) as military expansion-related construction peaks, and then declines to normalized levels following the build-up. It is likely that PAG will receive growing interest and use of submerged land in the near term along with massive port upgrades.

Based on our research and analyses completed, subject to the Assumptions and Limiting Conditions stated in this report, as of April 23, 2010, we estimate the fair market rent for the subject properties was:

SUMMARY OF CONCLUSIONS
 Various Port Authority of Guam Submerged Parcels
Piti, Island of Guam

Property	Indicated Market Rents (\$/SF/Mo) [1]		
	Zone 1	Zone 2	Zone 3
1	\$0.11	\$0.08	\$0.04
2	\$0.08	\$0.05	\$0.03
3A	\$0.04	\$0.03	\$0.02
3B	\$0.002	\$0.001	\$0.001
4	\$0.04	\$0.03	\$0.02

[1] Could vary if landfill use. Minimum lease rent based on open yard space multiplied by zone percentage adjustment may be applicable for short term, small submerged land area uses. Damages may apply. \$/SF/Mo reflects PAG unit rate basis for land leases.

This study involves an economic analysis and therefore coral reef and other possible conservation values were not considered herein. Historic ship wrecks were also beyond the scope of this assignment. Ship wrecks and other submerged land uses may require additional damage analyses to determine a fair total compensation for use of the subject submerged land. The reader's attention is directed to the Assumptions and Limiting Conditions included in a following section; partially with respect to Coral Reefs and Conservation Value, as well as Damage, Landfill, and Unexploded Ordnance.

Details regarding our research and analyses are contained in the body of this report. An Executive Summary is contained in a following section. W. Nicholas Captain, MAI, CRE has completed numerous appraisals regarding port, harbor front properties and submerged land on Guam and Hawaii. He is competent to complete this report.

Mr. Enrique J.S. Agustin
May 31, 2010
Page 4

The undersigned hereby certifies that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- I have not completed any services regarding the subject property within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity;
- my engagement in this assignment was not contingent upon developing or reporting predetermined results;
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I made a limited personal inspection of the subject properties;
- as of the date of this report, W. Nicholas Captain, MAI, CRE has completed the requirements of the continuing education program of the Appraisal Institute; and,
- no one provided real property appraisal assistance to the person signing this report.

Thank you for the opportunity to complete this real estate appraisal assignment for you.

Sincerely,

CAPTAIN, HUTAPEA & ASSOCIATES



W. Nicholas Captain, MAI, CRE
President

Guam Certified Appraiser
License No. CA-09-017
Certificate Expires 02/10/11

WNC/gfl/nj

TABLE OF CONTENTS

Title Page
Letter of Transmittal
Table of Contents

	<u>Page No.</u>
Introduction	1
Assignment	1
Executive Summary	3
Appraisal Development and Reporting Process	7
Definition of Terms and Concepts	8
Assumptions and Limiting Conditions	11
Guam Background Data	14
Neighborhood Description	16
Commercial Port of Guam	24
Background	24
Ship Repair Facility (SRF) Transfer and Operations	27
Current Status	27
Civilian Related	29
Cabras Island Industrial Park	31
Future Plans	31
Prevailing Market Conditions	35
General Market Conditions	35
Military Activity	40
Tourism	41
Government of Guam	43
Real Estate Market Conditions	43
2009 and 2010 Update	44
Industrial Market Overview	49
Areas of Industrial Development	49
Government of Guam Ownership	50
Industrial Market Characteristics	51
Industrial Building Inventory History	52
Industrial Rents and Occupancy	52
Absorption	56
Industrial Building Sales	57
Subject Property	60
Property Data and Summary	60
Identification	60
Submerged Land Summary	60
Improvements	61
Property History and Ownership	75
Ordinances Affecting Land Use and Development	75
Flood Zone	80
Assessed Values and Real Property Taxes	80

TABLE OF CONTENTS (Cont.)

	<u>Page No.</u>
Utilities	80
Easements and Encroachments.....	83
Natural and Manmade Constraints.....	83
Master Plan	83
Water Depth	84
Valuation	86
Rights Appraised	86
Highest and Best Use.....	86
Appraisal Methodology	87
Sales Comparison Approach.....	89
Market Ground Rent.....	104
Submerged Land Analyses	106

Addenda

- Exhibit 1 - Legal Descriptions of Subject Property
 - Exhibit 2 - Excerpt from Guam Zoning Law, Regarding M2, Heavy industrial Zone, M1, Limited Industrial Zone and C, Commercial Zone
 - Exhibit 3 - Excerpt from the Pending Zoning Code Regarding Zoning District 8: Industrial/Port Facilities
 - Exhibit 4 - Details to Pertinent Primary PAG Ground Lease
 - Exhibit 5 - Details to Pertinent Land Transactions
 - Exhibit 6 - Details to Pertinent Land Transactions - Subject Property No. 3
- Qualifications

INTRODUCTION

Assignment

The Port Authority of Guam (“PAG”) owns the fee simple interest in various submerged land parcels located within Apra Harbor, adjacent to Cabras Island and within the Harbor of Refuge and Sasa Bay, Municipality of Piti, Island of Guam. The subject properties are identified as submerged Parcels 1 to 4 and range in land areas from approximately 42 to 189 acres. The fastland adjacent to the submerged parcels varies widely from Commercial Port pier frontage to mangrove forest at Sasa Bay. Subject water depths range from very shallow to 45± feet.

The Jesus D. Leon Guerrero Commercial Port of Guam provides the people of Guam with ocean commerce, shipping, recreational and commercial boating as well as sea vessel navigation. PAG provides a critical role with a reported 90 percent of the day-to-day goods and supplies consumed by Guam residents passing through the Port, and closer to 100 percent of its fuel needs. The Commercial Port became operational in 1969 and requires a significant modernization. The proposed \$15± billion military build-up on Guam through 2014 (and beyond) is expected to result in a massive increase in demand at the Commercial Port. However, military build-up timelines and projections appear to be softening.

Most recently, an agreement between PAG and the U.S. Department of Transportation’s Maritime Administration allows for federal assistance in the Port’s efforts to upgrade and modernize the facilities. The Maritime Administration is the lead agency following the Guam Legislative approval of the 2007 Port Modernization Master Plan. The Master Plan calls for a wide range of upgrades and a preliminary capital cost estimate of \$193± million.

The Port Authority of Guam recently retained Captain, Hutapea & Associates, Inc. to complete various appraisal and consulting assignments. This assignment involves appraisal services estimating current fair market ground rent for the four subject properties. You represent PAG in these matters and require appraisal services for ground rent related, internal decision-making purposes.

Our assignment was to prepare a Summary Appraisal Report including an estimate of the fair market ground rent for the subject properties. The function of this appraisal report is to provide informed market based conclusions, in addition to relevant supporting data, upon which internal decisions may be based. The intended users of our report include the client, its authorized representatives and any auditors or regulators that may be involved with oversight. This report is subject to the Assumptions and Limiting Conditions contained in a following section. The effective date of this appraisal assignment is April 23, 2010, the date of inspection by the appraiser.

The subject properties involve vast areas that we analyzed in three zones which reflect potential utility based on proximity to shoreline, depth and other factors. Our analyses assume reasonable market terms and conditions. Short term uses may better reflect the open yard space rate multiplied by the appropriate zone percentage discount. Landfill leases require further study and may vary due to cost of landfill required. Our conclusions could be subject to further adjustment due to lease term, size and other factors as detailed herein.

Local real estate market conditions have transitioned from one characterized by massive foreign investment, increasing prices and high liquidity (2005 through mid-2008) to one characterized by limited activity and heightened caution, partially stemming from the global credit and liquidity crisis. Comparable market data analyzed herein may reflect a period of stronger transaction activity and foreign investment. However, industrial land market conditions have continued to improve. Further, future demand for certain port-related uses is projected to increase significantly between 2010 and 2013 (and beyond) as military expansion-related construction peaks, and then declines to normalized levels following the build-up. It is likely that PAG will receive growing interest and use of submerged land in the near term along with massive port upgrades.

Executive Summary**Subject Property No.1**

Identification:	Parcel 1
Location:	Portion of submerged Apra Harbor land within Cabras Island Channel, adjacent to greater Port area fronting F-1 Pier to F-6, south of Cabras Highway, Municipality of Piti, Island of Guam
Land Area:	171,720± square meters (42.431 acres)
Access:	Primarily via adjacent fast land (Commercial Port and nearby piers/wharfs). Water access from Apra Harbor and Harbor of Refuge
Water depth:	Ranges from 25 to 45± feet
Fee Simple Owner:	Port Authority of Guam
Effective Date of Appraisal:	April 23, 2010
Market Ground Rent Conclusion:	

<u>Parcel 1 Market Rent Conclusions</u>	
Zone 1:	\$0.11 per square foot per month
Zone 2:	\$0.08 per square foot per month
Zone 3:	\$0.04 per square foot per month

These market ground rent conclusions are subject to our comments and analyses and to the Assumptions and Limiting Conditions included in a following section; partially with respect to Coral Reefs and Conservation Value, as well as Damage and Landfill.

Subject Property No.2

Identification:	Parcel 2
Location:	Portion of submerged Apra Harbor land adjacent of Family Beach and extending to Seaplane Ramp, south of Cabras Highway, Municipality of Piti, Island of Guam

Land Area: 765,676± square meters (189.202 acres)

Access: Primarily via adjacent land between Mobil tank farm and Family beach. Additional water access via Apra Harbor

Water depth: Mostly 10-15± feet. Shallow along shoreline.

Fee Simple Owner: Port Authority of Guam

Effective Date of Appraisal: April 23, 2010

Market Ground Rent Conclusion:

Parcel 2 Market Rent Conclusions

Zone 1:	\$0.08 per square foot per month
Zone 2:	\$0.05 per square foot per month
Zone 3:	\$0.03 per square foot per month

These market ground rent conclusions are subject to our comments and analyses and to the Assumptions and Limiting Conditions included in a following section; partially with respect to Coral Reefs and Conservation Value, as well as Damage and Landfill.

Subject Property No.3

Identification: Parcel 3

Location: Portion of submerged land adjacent to Marianas Yacht Club and extending to mangrove area to east, south of Polaris Point Road, Municipality of Piti, Island of Guam

Land Area: 625,339± square meters (154.524 acres)

Access: Primarily via Marianas Yacht Club and adjacent fast land extending along roadway, with additional water access from Apra Harbor.

Water depth: Mostly very shallow (1-3± feet) with small portions at southwest 30± feet.

Fee Simple Owner: Port Authority of Guam

Effective
Date of Appraisal: April 23, 2010

Market Ground Rent
Conclusion:

Parcel 3A Market Rent Conclusions	
Zone 1:	\$0.04 per square foot per month
Zone 2:	\$0.03 per square foot per month
Zone 3:	\$0.02 per square foot per month

Parcel 3B Market Rent Conclusions	
Zone 1:	\$0.002 per square foot per month
Zone 2:	\$0.001 per square foot per month
Zone 3:	\$0.001 per square foot per month

These market ground rent conclusions are subject to our comments and analyses and to the Assumptions and Limiting Conditions included in a following section; partially with respect to Coral Reefs and Conservation Value, as well as Damage and Landfill.

Subject Property No.4

Identification: Parcel 4

Location: Portion of submerged Apra Harbor land adjacent to the northeaster end of Port compound from F-6 Pier extending to Port/GPA limits, north of Polaris Point Road and inclusive of harbor of Refuge , Municipality of Piti, Island of Guam

Land Area: 523,271± square meters (129.303 acres)

Access: Primarily via harbor of Refuge area fast land with additional water access via Cabras Island Channel.

Water depth: Mostly very shallow (1-3± feet) with small portions at west 20± feet.

Fee Simple Owner: Port Authority of Guam

Effective
Date of Appraisal: April 23, 2010

Market Ground Rent
Conclusion:

Parcel 4 Market Rent Conclusions

Zone 1:	\$0.04 per square foot per month
Zone 2:	\$0.03 per square foot per month
Zone 3:	\$0.02 per square foot per month

These market ground rent conclusions are subject to our comments and analyses and to the Assumptions and Limiting Conditions included in a following section; partially with respect to Coral Reefs and Conservation Value, as well as Damage and Landfill.

Appraisal Development and Reporting Process

In preparing this appraisal, the appraiser:

- Inspected the subject properties from adjacent fast land and detailed specific property and adjacent fast land characteristics.
- Inspected the subject neighborhood and became more familiar with the location specifics.
- Gathered and reviewed subject property data including land area, ownership, access, water depth and other pertinent documentation.
- Reviewed Master Plan Update for Commercial Port of Guam and considered trends and projected forecasts as well as impact on PAG land demand and values.
- Considered impact of subject access to inland transportation links.
- Gathered and reviewed information and statistics regarding proposed military build-up, unemployment, construction activity and other macro-economic data.
- Gathered and analyzed market data to support adjacent fast land value estimates.
- Gathered and analyzed market data regarding comparable submerged land transactions, supply, demand, land rates of return, and other micro-economic data.
- Reviewed published literature on valuation of submerged lands.
- Considered prior interviews with knowledgeable market participants regarding the overall real estate market on Guam as well as specific submerged land market characteristics.
- Confirmed and analyzed the data applied under the sales comparison approach.
- Reviewed discounts reflected by submerged land compared with adjacent fast land values.
- Considered zonal relationships within subject properties that impact utility.
- Gathered and reviewed rate of return data for land.
- Estimated market rent for submerged lands.
- Completed narrative appraisal report.

This is a FIRREA-compliant summary appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a summary appraisal report. As such, it presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop an opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses utilized herein is retained in our files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. We are not responsible for any unauthorized use of this report.

Definition of Terms and Concepts

This report includes numerous appraisal-oriented terms and concepts. We included the following definitions in order to assist the reader in comprehending this esoteric vocabulary.

Market Value¹

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and acting in what they consider their best interests;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto;
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Highest and Best Use²

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Fee Simple Estate³

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

¹ Appraisal Institute, *The Dictionary of Real Estate*, 4th ed. (Illinois: Appraisal Institute, 2002): page 177-178.

² Ibid, page 135.

³ Ibid, page 113.

Market Rent⁴

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

- a. Lessee and lessor are typically motivated.
- b. Both parties are well informed or well advised, and acting in what they consider their best interests.
- c. A reasonable time is allowed for exposure in the open market.
- d. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
- f. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

Ground Rent⁵

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land.

Fast Land

Term commonly used in the Pacific to describe dry, usable land located adjacent to a waterway, harbor, marina, or wetland area. Also referred to as "upland" in some jurisdictions.

Submerged land

Land permanently located below tide waters. Use is typically a function of adjacent fast land.

Square and Linear Meters

The square meter is a metric system of measurement commonly utilized in the Western Pacific. One acre of land area totals about 4,046.873 square meters and one square meter approximates 10.76391 square feet. One linear meter approximates 3.28084 lineal feet.

⁴ Appraisal Institute, *The Dictionary of Real Estate*, 4th ed. (Illinois: Appraisal Institute, 2002): page 176.

⁵ Ibid, page 105

Hectare

The hectare is a metric system of measurement. One hectare of land area equals 10,000 square meters and approximates 2.471 acres.

Exposure Time⁶

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.

⁶ Appraisal Institute, *The Dictionary of Real Estate*, 4th ed. (Illinois: Appraisal Institute, 2002): page 105.

Assumptions and Limiting Conditions

Overview

As a matter of necessity, the conduct of any study is guided by, and its results influenced by, the scope and terms of the assignment as well as the assumptions forming the basic principles of the study. Extraordinary assumptions and limiting conditions (if any), if found to be false, could alter the appraiser/consultant's opinions or conclusions. Hypothetical conditions are contrary to what exists, but is supposed for the purpose of analysis. The following assumptions and conditions, together with those of lesser importance contained in the report, establish the structure of our analyses and conclusions.

Extraordinary Assumptions and Limiting Conditions

- Coral Reefs and Conservation value – This study does not consider any possible additional values associated with coral reefs. This report involves an economic study and conservation values, if any, that may apply to historic ship wrecks and other factors, are beyond the scope of this assignment.
- Damage – Submerged land uses are sometimes the result of an accident. These accidents include ships running aground and other issues which could result in damages that are incident specific and beyond the scope of this report
- Landfill – The value of submerged land proposed for land fill is site specific and varies depending on potential use, water depth, cost to fill and other factors. The client is advised to separately analyze specific requests for landfill uses.
- Unexploded Ordnance – This report excludes consideration of unexploded ordnance. The client is advised to seek an expert in this field, if desired.

Standard Assumptions and Limiting Conditions

- Legal Considerations and Title – We assume no responsibility for matters of a legal nature that may affect the property nor for the legal descriptions which are assumed to be accurate. We have not rendered any opinion as to the status of title which is assumed to be good and marketable unless otherwise stated herein. It is assumed that the properties comply with all legal requirements, except as specifically identified herein.

- Government Records and Utilities – We researched government records regarding zoning, ownership history, and other matters to the extent practicable. We are not responsible for errors, omissions or inaccuracies contained in government records. We were not provided with an engineering report regarding utilities to adjacent fast land. Accurate utilities data from government sources is typically not available in a timely manner.
- Encumbrances – It is assumed that ownership of the subject properties are free and clear of any and all encumbrances and liens unless otherwise stated herein.
- Subsoil Conditions – We assume that subsoil conditions are adequate to support appropriate existing and/or future development or use of the subject properties unless otherwise described in this report. We are not responsible for engineering studies which may be required to discover potential subsoil inadequacies.
- Maps – All maps, sketches, renderings and floor plans that may be included in this report are intended to assist the reader in visualizing the property. We have not completed a property survey and we are not responsible for architectural, cartographic or other related errors.
- Reliable Sources – During the course of our investigations, we typically rely upon information, estimates and/or opinions provided by knowledgeable market participants such as brokers, developers, architects, engineers, property owners and others. It is assumed that this market data is reliable and correct, unless stronger evidence discounts such voluntary contributions. We cannot be held responsible for misleading or inaccurate contributions.
- Litigation Support – Unless prior arrangements have been made with the persons signing this report, we are not required to provide testimony or appear in court solely based on completion of this assignment.
- Publication – This report, nor any portion of this report, shall not be published in any manner without the written consent of Captain, Hutapea & Associates.
- Allocated Values – If applicable, any value allocation between land and improvements contained herein applies only under the stated program of utilization. Any allocated land and building values must not be used in conjunction with any other appraisal and are invalid if so used.

- Disclosure and Appraisal Institute Requirements – Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all, nor any part of the contents of this report (including any conclusions, the identity of the appraiser or Captain, Hutapea & Associates) shall be disseminated to the public through advertising, public relations, news, sales or any other media, without the prior written consent and approval of the appraisers. The contents of this report are subject to review, upon request of the Appraisal Institute, by duly constituted committees of the Institute or individual members thereof when such committees or members are acting within the scope of their authority under the Bylaws and Regulations of the Institute.
- Hazardous Materials and Mold – Unless otherwise stated in this report, we assume that hazardous materials, which may or may not be present, do not affect the subject property. We have no knowledge of the existence of such materials on or in the property. However, we are not qualified to detect such substances. The presence of substances such as dioxin or other potentially hazardous materials may affect the value the property. This report assumes that no such condition would cause a loss in property value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. All clients are typically recommended to retain an expert in this field, if desired.

GUAM BACKGROUND DATA

Considering the client’s familiarity with Guam background data, substantial detailed information is not included within this report. Background information regarding Guam’s geography and climate, history, demographics, economic factors, housing and real estate laws was previously provided to the client and is available for review upon request. An island of Guam map locating the subject properties is included on the following page.

NEIGHBORHOOD DESCRIPTION

The subject properties are located within Apra Harbor, adjacent to Cabras Island and within the Harbor of Refuge and Sasa Bay, along the central portion of the west coast of the Island of Guam. A map of the area is shown on the following page. Cabras Island is bordered to the east by the Municipality of Piti. Apra Harbor borders Cabras Island to the south. The Philippine Sea borders Cabras Island to the north and west. The long, narrow, harbor-protecting Glass Breakwater extends off Cabras Island to the west. The capital of Guam, Hagåtña, is located approximately five miles east of Cabras Island.

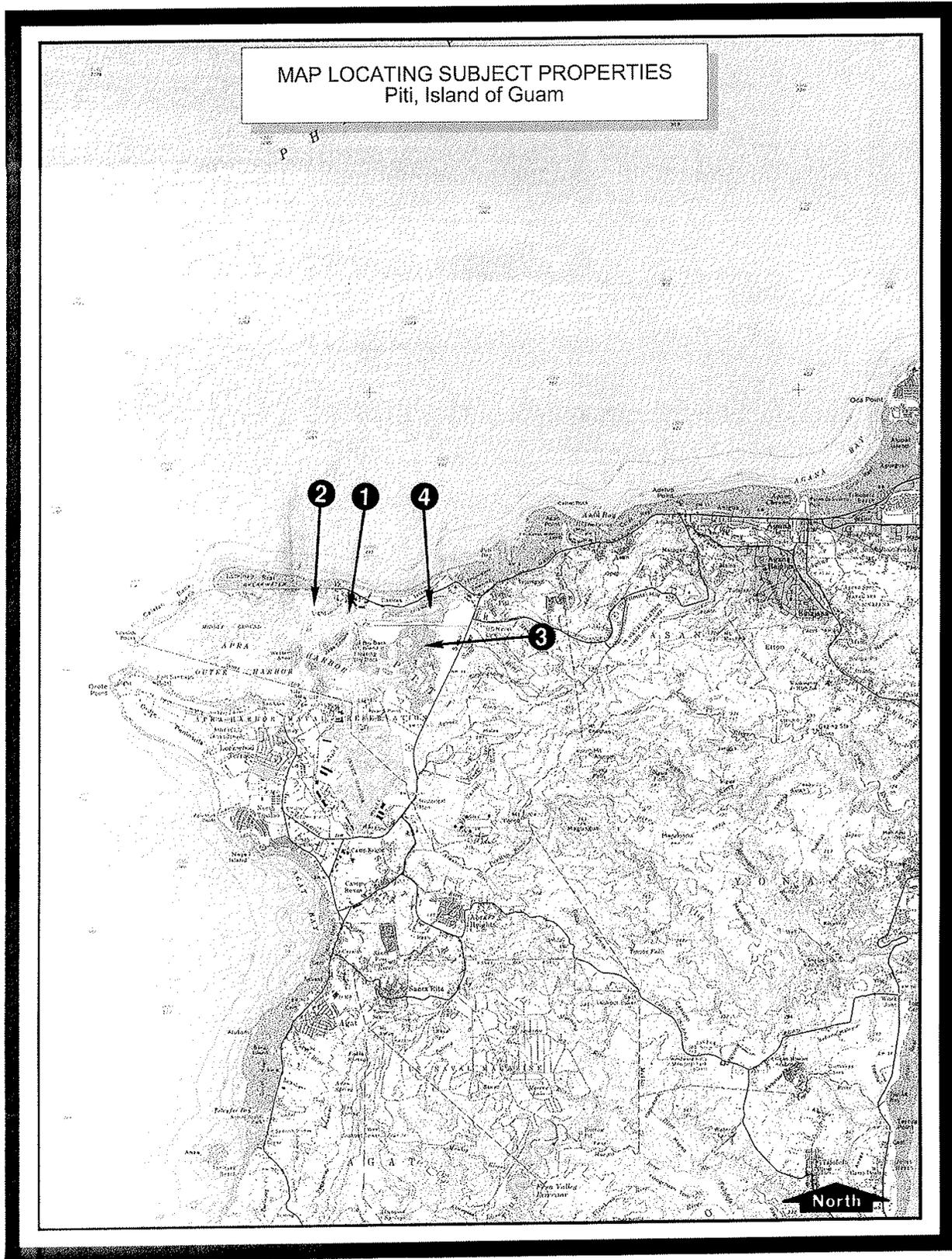
Cabras Island is primarily industrial in character and is the location of Guam's commercial port, operated by the Port Authority of Guam. The Commercial Port of Guam includes land with improvements including docks, warehouses, administrative buildings and other port-related facilities as discussed in the following section of this report. The eastern portion of the island was previously proposed for development with Cabras Island Industrial Park. The Guam Power Authority's Cabras Island Plant is located at the southeastern end of Cabras Island. The Navy's Piti Plant is located adjacent to the Cabras Island Plant. The western portion of Cabras Island includes fuel facilities, cement import, seaplane-ramp, Golf Pier, Glass Breakwater, Hotel Wharf, and Pier Dog. These subject properties are located immediately South of Cabras Island.

Cabras Island is served by Route 11 (aka Cabras Highway), which connects Cabras Island to Marine Drive (Route 1), approximately 2 miles east of the Commercial Port complex. This major two-lane roadway provides for traffic flow in east-west directions. Marine Drive (Route 1) is Guam's primary roadway and connects the subject vicinity with northerly points including the capital of Hagåtña and the major tourist/commercial areas of Tumon/Tamuning as well as other points to the south.

The Harbor of Refuge/PAG Beach and Polaris Port vicinities are served by interior roads, which connect to Marine Drive (Route 1). These two-lane roadways provides for traffic flow in east-west directions. Marine Drive (Route 1) is Guam's primary roadway and connects the subject vicinity with northerly points including the capital of Hagåtña and the major tourist/commercial areas of Tumon/Tamuning as well as other points to the south. Marina Road, a two-lane paved interior road connects Polaris Point Road with the Harbor of Refuge facilities.

Apra Harbor is one of the largest deep-draft harbors in the Pacific. All major port facilities for the island are located in Apra Harbor. In addition to serving the Commercial Port of Guam, Apra Harbor serves The Naval Station (located to the south), Guam's primary naval military installation. The former 98 acre Ship Repair Facility (SRF) including wharf, industrial buildings and open yard areas recently increased the supply of industrial land and buildings in the vicinity. SRF was recently leased to the Government of Guam and subleased to a private company for ship repair and related industrial activities.

One subject property is located within the Harbor of Refuge, the subject vicinity involves fast land and landfill areas that are utilized for marine activities, particularly by the U.S. Navy. Major Navy wharfs and Dry Dock Island are located west of the subject. The Harbor of Refuge area includes the Aqua World Marina, home to Atlantis Submarines and various other marine sport related tenants as well as numerous docking facilities. The Guam Power Authority (GPA) fuel tank farm is located adjacent to the Aqua World Marina property. The Harbor of Refuge is typically utilized by various vessels as a protective marina during storm conditions. From the Harbor of Refuge, water access to the main portion of Apra Harbor is provided via the Piti Channel. Other uses in the immediate subject vicinity include the Port Authority of Guam beach and the Marianas Yacht Club properties.

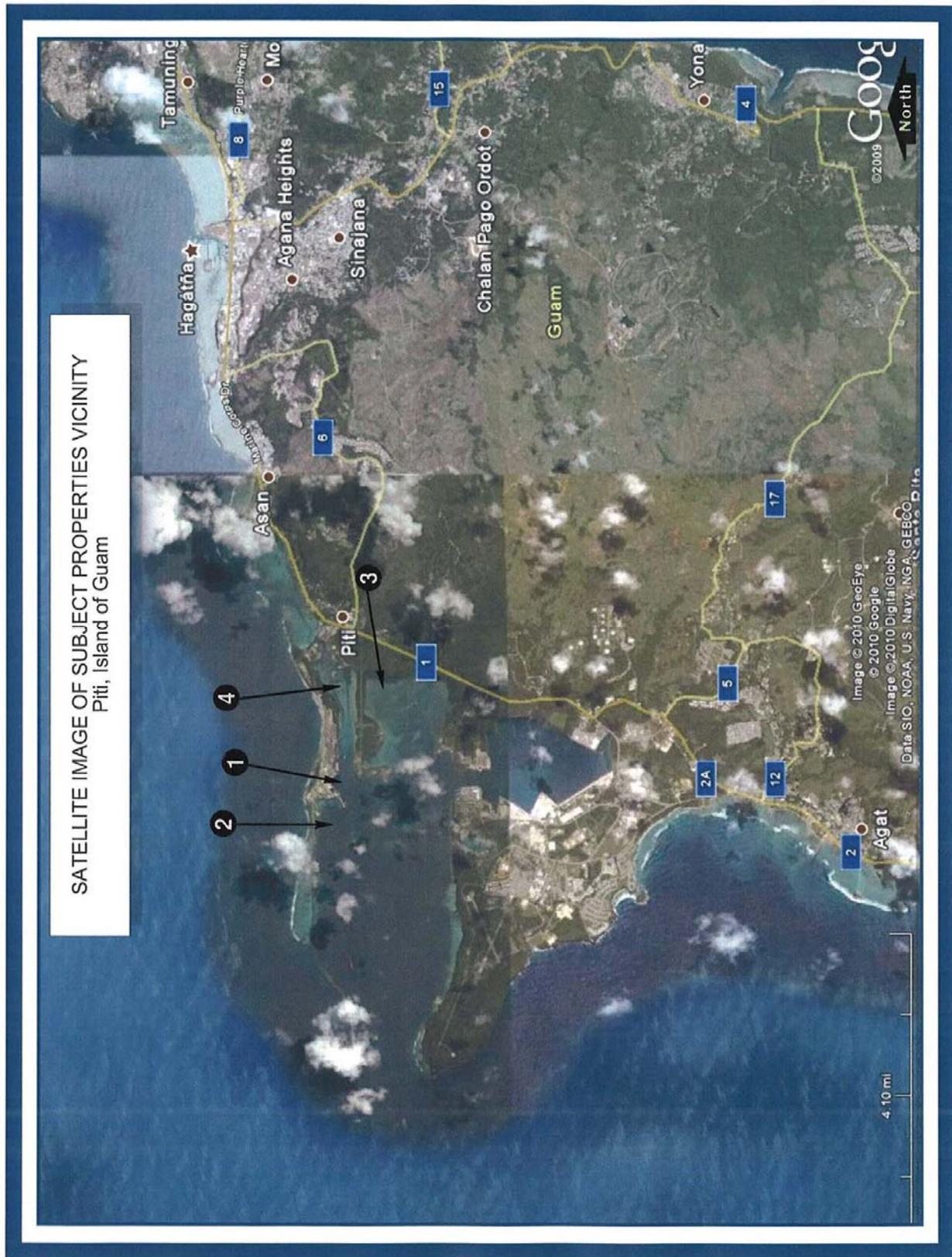


In 1992, the Guam Legislature passed Bill No. 475 (Public Law No. 21-124). The Bill authorized the Port Authority of Guam to lease to the Cabras Island Developers an area adjacent to the port to be developed as the Cabras Island Industrial Park. The area includes 42± acres of land area. The proposed industrial park was not developed due to economic and industrial real estate market conditions during the downturn and ownership reverted to PAG.

Central Piti, located in close proximity east of Cabras Island, is primarily residential in character although substantial commercial development exists along the east side of Marine Drive. Through Piti, Marine Drive runs along or near the ocean. Central Piti is characterized by single-family residential subdivisions, large tracts of sloping land and typically older commercial improvements along Marine Drive including gas stations, bars, restaurants, supermarkets, video stores, convenience stores, etc. The village of Asan is located between Piti and Hagåtña, the capital of Guam. Asan is generally similar to Piti in character. A large portion of Asan includes The War in the Pacific National Historical Park which includes approximately 2,000 acres of land. Hagåtña and Tumon/Tamuning, located further east, are the primary centers of business, tourism, commercial and industrial-related activities.

A significant portion of the land south of Cabras Island, including southern Piti and northern Agat, is agricultural/rural in character with some industrial and commercial uses. Much of this land includes wetlands. In recent years, various federal excess lands were returned to the local government or private individuals. GEDCA has attempted to lease out its 44± acre Polaris Point property with limited success. A substantial amount of land in the former GORCO refinery area was “spot-zoned” for industrial use. The spot-zoned land is located approximately three miles south of Cabras Island. Approximately 70 acres were spot-zoned light industrial and 475 acres were spot-zoned heavy industrial. Originally, only two landowners were involved with the spot-zoned land. The Agat Tank Farm, including 24 petroleum storage tanks, comprises much of the heavy industrial-zoned land. Over the last few years, some of the industrial land in this area was sold and developed with industrial-related improvements. Portions of the land remain available for sale. A satellite image of the subject vicinity is included on the following page. Street maps locating the subject properties taken from Bureau of Statistics & Plans are shown on following pages.

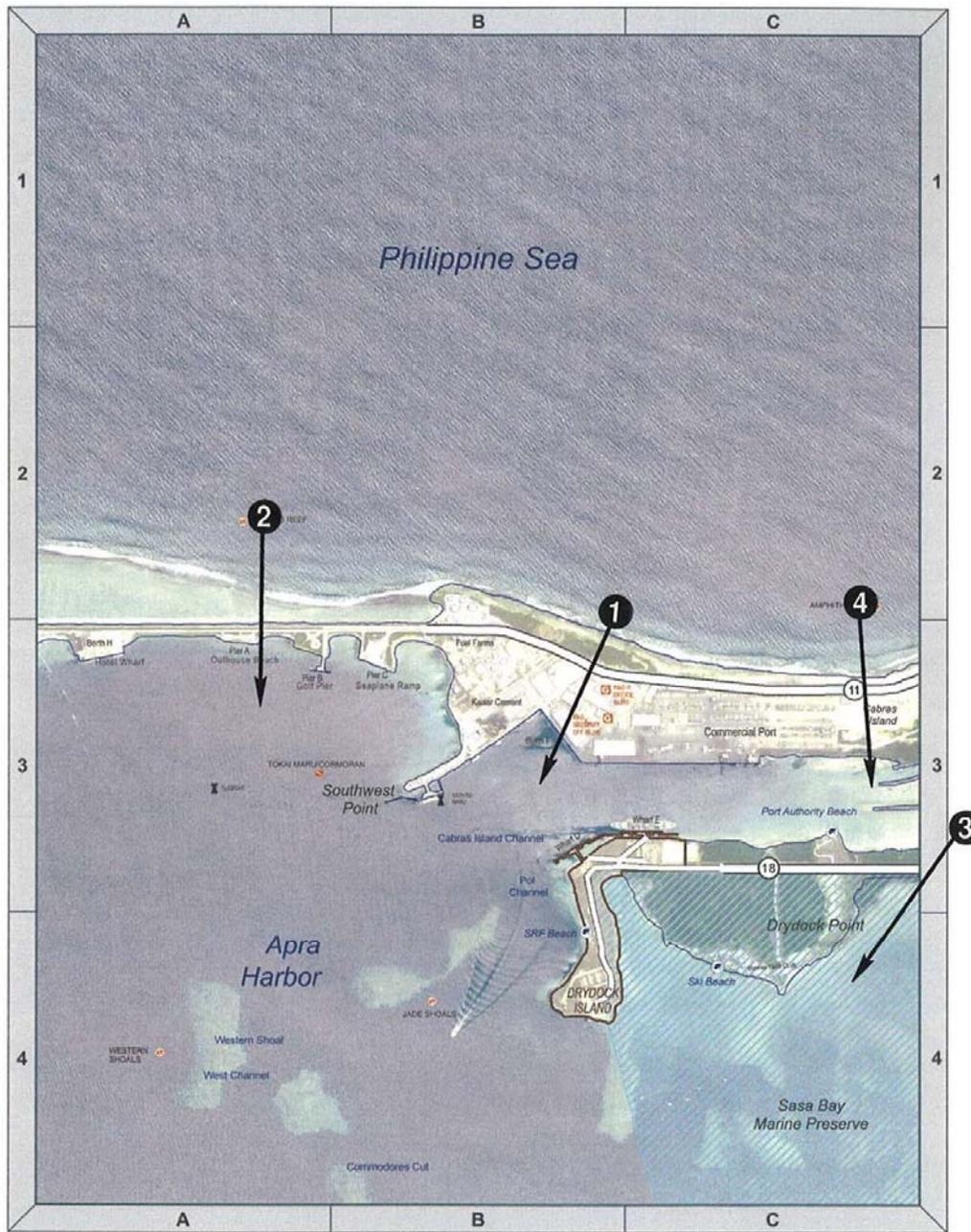
Further south are the villages of Agat and Santa Rita. These villages are typically residential in character and include commercial development along major roadways. A 150-slip protected marina (owned by PAG) was completed in 1990 and is located in southern Agat. The villages of Agat, Santa Rita, Piti and Asan are served by various elementary, middle and high schools, fire and police stations, public libraries, community centers, commissioners’ offices, numerous parks, churches and ball fields.



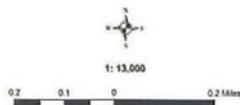
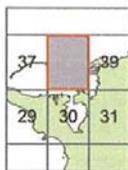
Guam

2R49
Piti

38



© 2008 Bureau of Statistics & Plans



47

The subject properties are located within Apra Harbor, mostly immediately south of Cabras Island in Piti, along the central portion of the west coast of Guam. The Commercial Port is located adjacent to Apra Harbor, Guam's commercial port center, and north of Naval Station, the primary Navy facility on Guam. The subject vicinity ranges from protected mangrove forests at Sasa Bay to primarily industrial activity which includes the Commercial Port of Guam and its associated improvements and facilities, a major power plant and some vacant land. Route 11 is the primary roadway on Cabras Island. Route 11 connects with Marine Corps Drive (Route 1), Guam's primary roadway. Surrounding villages, including Piti, Asan, Agat and Santa Rita are primarily residential in character, but include commercial development along primary roadways. Limited private sector improved commercial and industrial space is located in the subject vicinity. Cabras Island is located approximately five miles west of Hagåtña, the capital of Guam. The major population and employment centers of Tumon, Tamuning and Dededo/Yigo are located north of Hagåtña.

COMMERCIAL PORT OF GUAM

BACKGROUND

Apra Harbor is a natural deep lagoon located on the west coast of Guam. The lagoon is nearly surrounded by a coral bank and a barrier reef. The enabling act of the Jose D. Leon Guerrero Commercial Port or Port Authority of Guam calls for the Port to provide for the needs of ocean commerce, shipping, recreational and commercial boating and navigation of the territory of Guam. The Commercial Port of Guam is located at the northeastern end of Apra Harbor and is well protected from deepwater waves generated by prevailing northeasterly trade winds. Much of the land around Apra Harbor, including the Commercial Port area, is land that was reclaimed from dredging. The Commercial Port of Guam is Guam's only commercial port and is the main facility in the Micronesian region. Approximately 90 percent of the day to day goods and supplies consumed on Guam pass through the Port. A satellite image of the subject vicinity is included on the following page.

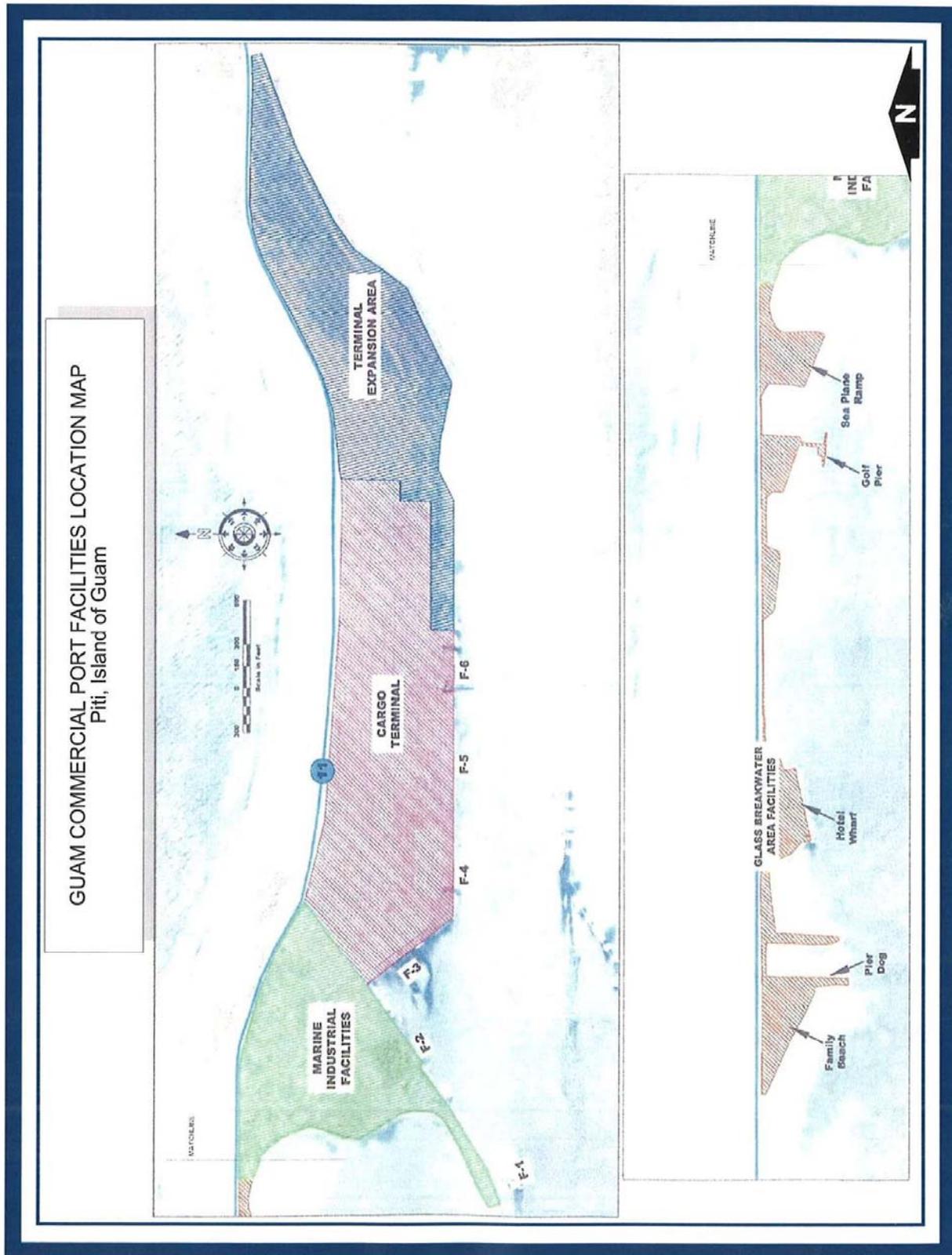
Prior to 1969, the Navy owned all of the land around Apra Harbor. In 1969, the Navy transferred approximately 62 acres of land to the Government of Guam for commercial port purposes. The existing Commercial Port occupies about 30± acres of this original land transfer area. The remainder of the land was leased to private firms on a long-term basis. Subsequently, in 1983, a 32-acre parcel north of the Port was transferred to the Government of Guam by the Navy. In 1985, a 133-acre parcel was transferred and includes much of the rest of Cabras Island. Most recently, according to Port Authority of Guam (PAG) Master Plan by GMP Associates, Inc. (amended in February 1999), the Navy transferred land lying south of the Glass Breakwater and a 208-acre parcel that includes the Piti Channel and Sasa Bay, areas lying west of Marine Drive and south of the Navy and Cabras Island Power Plants, and much of the Dry Dock Point spit, to the Government of Guam for use by the Port Authority of Guam.

Prior to construction of the Commercial Port, shipping facilities and operations were under the control of the Civilian Government at the Naval Supply Depot under an agreement with the Navy. In 1964, the original plan for the port was established. Construction of the Commercial Port, based on the plan, was completed in 1969.

The Commercial Port is the result of a series of wharves and other various port-related improvements that were started in 1964 and completed around 1969. The facilities were extensions of Navy port facilities in Apra Harbor and military designations remain the primary names of various port-related improvements. Over the years, the Commercial Port of Guam has progressed from a primarily breakbulk operation to a full-service facility which includes processing containerized, breakbulk and unitized cargo, along with servicing world-class cruise ships, modern fishing fleets and other shipping operations. However, the facilities are aging and in need of significant upgrade and renovation. A Commercial Port facilities map is included on a following page.



SATELLITE IMAGE OF IMMEDIATE SUBJECT VICINITY
Cabras Island, Piti, Island of Guam



Most recently, the Port has been identified as a possible "chokepoint" for the proposed military build-up of Guam. The Master Plan Update 2007 Report identifies \$193 million in required capital costs for construction and commissioning of the facilities, equipment and amenities that are required to complete the "preferred concept" as identified in the Master Plan.

SHIP REPAIR FACILITY (SRF) TRANSFER AND OPERATIONS

The former Ship Repair Facility (SRF) involves 98± acres of land area and 78 buildings with a total building area of approximately 440,000 square feet. This property was leased by the U.S. government to the Government of Guam pending deed transfer (scheduled for April 2000). The Government of Guam subsequently subleased the property to Guam Shipyard, a private company. Considering the limited remaining lease term, it is unclear what the Navy will eventually decide regarding future ownership and use of the former SRF.

CURRENT STATUS

A recent Port Authority of Guam Development Plan included 927 acres of total land area. Cabras Island includes a variety of port-related facilities for Commercial Port and for civilian use. The wharf at the port includes 2,900 feet of berthing lineage with depths ranging from 24 to 34 feet. The Port's docking structures include nine berths. Two berths are utilized for fueling purposes, one for breakbulk cement, and the six remaining berths can accommodate container, general cargo and passenger vessels.

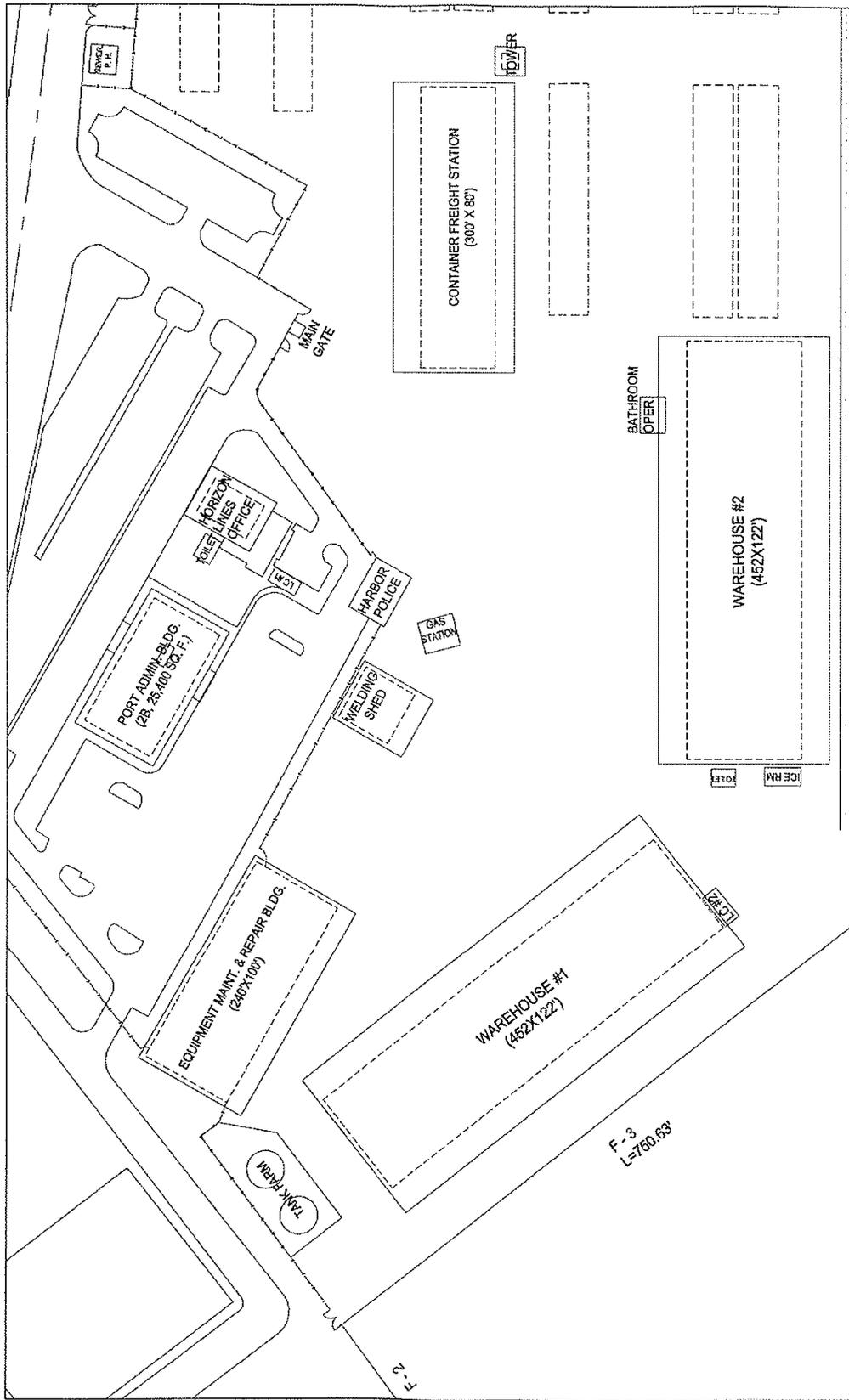
The Port's main compound includes a total of 100,000± square feet of warehouse space, a 33-acre paved storage yard and 758 stalls for chassis-mounted containers. An administration building which houses Port Authority of Guam and private offices is centrally located. There are also specialized heavy equipment and a dock for ship repair.

Special equipment at the port includes three rail-mounted container cranes, three rubber-tired gantry cranes, a wide-gauge crane, a mobile boom truck crane, two toplifters, a sideloader and numerous heavy-duty fork lifts.

Port-related facilities are for Commercial Port and civilian use. A copy of the Cargo Terminal Area Building structures area map taken from the Master Plan is shown on the following page. A general summary of these facilities is shown below as follows.

Commercial Port Related

Berth F (Foxtrot) –3 (750-foot long), currently occupied by a mix of general cargo, passenger vessels and fishing vessels. The F-3 Fuel Storage and Delivery site allows for direct fueling of vessels through two bunker pits at this berth;



Berths F-4, F-5 and F-6 (totaling 1,980 feet), used for container and general cargo;

Port Administration Building (3-story, 25,400 square feet concrete building), serves as administration headquarters and accommodates shipping-related companies;

Warehouse Nos. 1 and 2 (each 122 feet by 452 feet), used for salt storage, offices, duty-free shop, receipt and storage of breakbulk and utilized cargo pending customs clearance;

Container Freight Station, used as a repair facility and maintenance shop (80 feet by 302 feet);

Container Yard (containing about 26.5 acres after the expansion in 1990/91);

Equipment Maintenance Facilities (located behind Warehouse No. 1 and includes 24,000 square feet. Maintenance and Repair Building, 3,600 square feet. Security Office, a small filling station and open space).

CIVILIAN RELATED

H (Hotel) Wharf is a former Navy ammunition wharf (500 feet long) that is used primarily as a passenger vessel facility. In late 1999, PAG issued a request for proposals for financing, construction, development and management of Hotel Wharf. PAG received proposals from three private companies. Guam YTK Corporation was ultimately selected to negotiate the terms of a lease with PAG for Hotel Wharf and a lease was signed in 2001. However, the site remains vacant and the current Master Plan advises lease enforcement or termination.

Berth F (Foxtrot) –2 is used for cement and repair of fish nets and vessels.

Berth F-1 and G (Golf) Pier, with their attendant tankage, are both petroleum handling facilities. These are the only locations at the port utilized for fuel throughput and related usage. Berth F-1 fuel handling management services are provided under a contract with Shell Guam, Inc. Golf Pier fuel pipelines are managed by Mobil and connect with the tanks farms at Areas A and C.

Guam's recent economic fluctuations are evident in port-related statistics. Despite population growth and other economic growth factors, the 2006 figure for the total volume of imports, exports and transshipments in total revenue tons, was lower than that of 1991. Fluctuations in fish migration, construction and other factors have affected historic Port usage. A summary of total revenue tons for the period from 1991 is shown as follows.

<u>Fiscal Year</u>	<u>Total Revenue Tons (Rounded)</u>	<u>% Change</u>
1991	2,014,000	+31%
1992	1,865,000	- 7%
1993	1,445,000	-23%
1994	1,939,000	+34%
1995	1,963,000	+ 1%

<u>Fiscal Year</u>	<u>Total Revenue Tons (Rounded)</u>	<u>% Change</u>
1996	1,827,000	- 7%
1997	1,743,000	- 5%
1998	2,053,000	+18%
1999	1,952,000	- 5%
2000	1,988,000	+2%
2001	1,837,000	-8%
2002	1,850,000	+1%
2003	2,164,000	+17%
2004	2,068,000	-4%
2005	2,042,000	+1%
2006	1,914,000	-6%

Source: PAG Annual Reports and PAG representative.

Other barometers of port activity include total annual container counts and total number of vessels that utilized the port. Once again, these figures reflect the recent economic and other demand conditions on Guam. A summary table of these statistics is shown as follows.

<u>Fiscal Year</u>	<u>Total No. of Vessels</u>		<u>Total Containers</u>	
	<u>No.</u>	<u>% Change</u>	<u>No.</u>	<u>% Change</u>
1991	2,687	-17%	84,345	+ 7%
1992	2,511	- 7%	90,559	+ 7%
1993	2,433	- 3%	89,711	- 1%
1994	2,155	-11%	87,221	- 3%
1995	3,115	+ 45%	66,697	-24%
1996	3,078	- 1%	91,372	+ 37%
1997	2,757	-10%	90,392	- 1%
1998	2,740	- 1%	94,245	+ 4%
1999	2,569	- 6%	84,568	-10%
2000	2,529	- 2%	76,457	-10%
2001	2,693	+ 7%	80,635	+ 6%
2002	2,139	- 21%	78,328	- 3%
2003	1,983	- 7%	82,310	+ 5%
2004	1,648	- 17%	78,224	- 5%
2005	1,327	- 20%	83,867	+ 7%
2006	1,289	- 3%	84,321	+ 1%

The Port Authority of Guam leases portions of several buildings and open spaces within the commercial port area to various tenants. Rents are set by the Port Authority of Guam and are periodically revised. Current rents were set prior to 1991 and these rent are shown as follows.

<u>Identification</u>	<u>Rents (\$/S.F./Mo.)</u>
Administrative Space	\$1.37
Warehouse (Inside)	\$0.53
Warehouse (Outside)	\$0.37
Open Space	\$0.37

There is currently an effort by PAG to revise these rates to recently estimated fair market rent levels. Several ground leases at the Port were previously negotiated on a long-term basis. These leases include the recent Hotel Wharf lease, the proposed industrial park (50 years; subsequently terminated), Marianas Yacht Club (30 years), Mobil Oil, Inc. Guam (20 years plus 7, 10-year option term), Esso Standard Eastern, Inc. (20 years plus 7, 10-year option term) and others. A summary of these ground leases is included on the following page.

The PAG derives its revenues from lease revenue and various fees typically reflected by Port entities including pilotage, wharfage, throughput, storage and other fees. A summary of the current schedule of bunkering/fuel throughput/waste oil charges is shown on a following page. In addition, the prevailing rates for the transshipment of “other cargo” utilizing pipelines, and/or hoses for inbound and outbound use reflects \$3.50 and \$1.75 per revenue ton, respectively.

CABRAS ISLAND INDUSTRIAL PARK

In 1992, the Guam Legislature passed Bill No. 475 (Public Law No. 21-124). The Bill authorized the Port Authority of Guam to lease to the Cabras Island Developers an area adjacent to the port to be developed as the Cabras Island Industrial Park. The area includes 42± acres of land area. The General Land-Use Plan for the Cabras Island Industrial Park sets out three classifications of land use. These land uses are Port proximity dependent, port related and general commercial uses. The proposed industrial park, however, remained on hold due to recent economic and industrial real estate market conditions. Most recently the lease was terminated and ownership reverted to PAG.

FUTURE PLANS

The military build-up of Guam is projected to result in significantly increased population and economic activity. In order to support the build-up, projected volume increases in container, cement and other Port uses are significant, with some uses projected to increase five-fold or more during the peak 2011 to 2014 years. The PB International, Inc. Master Plan Update 2007 Report for the Commercial Port of Guam recommends that the Port plan and implement a \$193 million capital improvement project including the construction and commissioning of the facilities, equipment and amenities that are required to implement the "preferred" concept as detailed in the Master Plan. A summary of the Capital Cost estimates by major line item is shown as follows.

SUMMARY OF MOST RECENT PAG GROUND LEASES
Cabras Island, Piti, Island of Guam

No.	Location (Lot No.)	Land Area (sm)	Tenant	Comm.	Lease Term	Exp.	Option	Current Rent (\$/yr)	Indicated Land Value [1] \$	\$/sm	Comments
1	Hotel Wharf (A portion of Parcel 3-REM), Piti	12,000 ±	Guam YTK Corporation	12/14/2001	45 years	12/13/2046	8, 5-yr	\$ 100,000	\$ 1,250,000	\$ 104.17	Tenant to pay percentage rent of 2 to 6 percent of gross revenue of minimum rent, whichever is greater.
2	A portion of Parcel No. 1, Apra Harbor	4,000 ±	Manianas Yacht Club	12/12/1994	30 years	12/11/2024	-	\$ 100	\$ 1,250	\$ 0.31	Not-for-profit corporation.
3	Portion of Lot No. 5 and Lot No. 6 (Parcel A) and (Parcel B), Cabras Island Industrial Park	6,668 ±	Kaiser Cement Corporation of Guam	1/14/1971	20 years	3/14/1991	7, 10-yr	\$ 111,641	\$ 1,395,516	\$ 209.29	Lease amended on 08/21/92 for a 10-year term.
4	Lot No. 5, Parcel 1, Cabras Island Industrial Park	21,101 ±	Casamar Guam, Inc.	4/1/1970	20 years	3/31/1990	7, 10-yr	\$ 38,225	\$ 477,813	\$ 22.64	Current rent based on 10% increase above prior rent (set in 1970).
5	Lot No. 3A, Cabras Island	13,006 ±	Esso Standard Eastern, Inc.	1/18/1971	20 years	1/17/1991	7, 10-yr	\$ 91,046	\$ 1,138,078	\$ 87.50	Subject Property No. 2. Lease amended on 2/26/91 for a 10-year term.
6	Lot No. 1, Cabras Island	23,121 ±	Mobil Oil Guam Inc.	3/20/1970	20 years	3/19/1990	7, 10-yr	\$ 161,842	\$ 2,023,026	\$ 87.50	Lease amended on 2/7/91 for a 10-year term.
7	Lot 2, Cabras Island	20,205 ±	Esso Standard Eastern, Inc.	10/1/1969	20 years	9/30/1989	7, 10-yr	\$ 141,429	\$ 1,767,865	\$ 87.50	Subject Property No. 1. Lease amended on 2/26/91 for a 10-year term.
8	Easement, Cabras Island	681 ±	Esso Eastern, Inc.	3/1/1986	4± years (For the remainder of term for Lot Nos. 2 & 3A)	1989/1991	7, 10-yr	\$ 1,750	\$ 21,875	\$ 32.12	Subject Property No. 3. Lease amended on 2/26/91 for a 10-year term.

[1] Based on Land Rate of Return of 8% p.a.

**SUMMARY OF CURRENT SCHEDULE OF BUNKERING/FUEL
THROUGHPUT/WASTE OIL CHARGES**
PAG, Piti, Island of Guam

Wharfage rates for the use of Port facilities in order to import, export or store petroleum products, per 42-US gallon barrel shall be:

	<u>RATES</u>
IMPORT	\$.16
EXPORT	\$.075
Bunkering	\$.21
From truck to vessel when serviced at port piers	\$.16
Direct to or from vessel through privately-owned pipelines located on port property	\$.14
Vessel to Vessel	\$.16
Storage	\$.40

Unless otherwise provided, there will be additional charges for:

- a) All services not specifically described in the tariff.
- b) Use of Port facilities and any other terminal services for which specific rates are named in the Tariff which because of unusual conditions or requirements of users not normally incidental to such use or services precludes the use of Port facilities or performance of such services at the rates named.
- c) Services of clearing terminals of damage or cleaning up releases of petroleum products caused by Users.
- d) Services of Bunkering or oversight of waste oil facility or for any operation delayed on account of Bunkering, or oversight of waste oil facility.
- e) The PAG or its Manager may recover its labor cost at \$25 per hour, OT and holiday cost at \$27.50 per hour for all bunkering and waste oil operation or tank truck loading in Area A.

All services and use of Port facilities will be charged based on these rates plus an adjustment for local inflation or costs incurred by the Port or its manager due to compliance with new governmental laws, rules and regulations.

ITEM DESCRIPTION	BUDGET ESTIMATE	
Mobilization and Demobilization	\$	6,530,000
Miscellaneous Construction Excluded Below	\$	2,180,000
Demolition	\$	7,510,000
Berth F-5 to F-7 Modernization	\$	34,290,000
Buildings	\$	7,950,000
Terminal Paving	\$	14,600,000
Power, Lighting & Electrical	\$	8,990,000
Site Utilities	\$	20,110,000
Security	\$	7,740,000
Container Cranes	\$	14,500,000
Top-Picks & Spreaders	\$	2,900,000
Side-Picks	\$	1,500,000
Other Yard Equipment	\$	3,700,000
Terminal Operating System	\$	2,500,000
Gates	\$	<u>2,500,000</u>
SUBTOTAL Direct Costs	\$	137,500,000
Contingency	25%	\$ 34,500,000
Engineering/Permits/CM	15%	\$ <u>21,000,000</u>
TOTAL	\$	<u>193,000,000</u>

The funding to modernize the Commercial Port of Guam has not yet been identified. However, it is widely expected that fee increases will occur. The increased fees are reasonable considering the required cost recovery, inflation and market data discussed in our prior studies. The fee increases are required to make the port financially viable and sustainable. As with most parts, government approval is required before fee changes can be implemented. The revision of port tariffs can be a lengthy process which results in infrequent, but substantial price increases.

PREVAILING MARKET CONDITIONS

General Market Conditions

Between 2004 and early 2008, Guam's real estate market reflected explosive growth and significant price appreciation. Improved market conditions resulted from an end to recessionary economic conditions, followed by the speculation associated with the pending military expansion. Since 2004, the economy has recovered somewhat after a protracted period of contraction during which time foreclosure-related activity dominated real estate market conditions. Market conditions peaked in 2007. Since 2007, transaction activity has contracted sharply. Price movement since 2007 varies by sector with speculative land purchases reflecting the greatest declines. Most recently, various events have altered near term expectations and investors remain cautious.

The most important sectors of the economy include federal expenditures (including military), tourism and local government operations. Federal expenditures have increased and are proposed to skyrocket during the unprecedented, multi-billion dollar military build-up through 2015 and beyond. Tourism appears to have stabilized, at least for the near term, although the second half of 2008 and the first half of 2009 reflected a sharp decline. Local government operations have improved along with increasing revenues, although conditions weakened in late 2008. It is widely expected that real estate market conditions will remain weak in the near term, but should recover as military build-up related construction commences in late 2010. There are some concerns that the build-up will be delayed or altered considerably due to political forces in Japan. However, market participants generally expect that changes or delays will be limited.

The broadest indicator of general economic activity on Guam involves the Gross Island Product (GIP). However, the most recently available figure involves 2002 which was estimated at \$3.4 billion. It appears that different methods are employed for deriving historic GIP statistics and year to year comparisons are not appropriate indicators of actual economic change. It is generally perceived that economic conditions contracted between 2001 and 2003 and stabilized through 2006, with increasing growth through mid-2008 and limited contraction through early 2010. It is widely accepted that economic activity will increase significantly beginning in late 2010 along with massive military build-up related projects. The multi-billion dollar military construction projects are proposed to provide the construction industry with peak capacity demand for at least four years.

In May 2009, the U.S. Census Bureau reported that Guam's economy generated a total of \$6.2 billion in sales in 2007, up from \$4.6 billion in 2002. During that period, retail sales increased from \$1.3 to \$1.6 billion. In Tamuning, the business center of Guam, total sales reportedly increased by more than 57 percent from \$2.7 billion in 2002, to \$3.6 billion in 2007. The industries with the largest increases in sales were retail, construction and wholesale, with construction reflecting the biggest percentage of

growth. It is widely perceived that economic contraction has occurred since 2007.

Another indicator of general economic conditions involves tax collections. Gross receipts tax is collected based on four percent of business revenue. However, between March 2003 and February 2004, the tax rate was increased to six percent as a temporary measure required to support government operations during the downturn. The figures may be further impacted by periodic revenue enhancement measures and other factors. A summary of recent government-reported gross receipts tax collections is shown as follows.

<u>Fiscal Year</u>	<u>GRT Collections (\$ millions)</u>	<u>Percentage Change</u>
2002	\$124.6	-16%
2003	\$156.1	25%
2004	\$170.6	9%
2005	\$150.6	-12%
2006	\$154.2	2%
2007	\$171.9	11%
2008	\$137.2	-20%
2009	\$140.2	+2%

The most recent GRT collection figures indicate that economic growth and inflation were under way in 2007, but dropped sharply in 2008. Corporate and personal tax collections are additional indicators of the current and growing economic expansion. In FY 2007, corporate tax revenues increased by over 50 percent to \$87.9 million. During the same year, individual tax revenues increased 33 percent to \$62.5 million. However, in FY 2008 corporate income tax collections dropped 16 percent to \$74.2 with a small drop to \$73.5 million in FY 2009. Total Government of Guam revenue in FY 2007 increased by 18 percent to \$493.2 million, but dropped sharply in 2008 and 2009 to \$385.6 million and \$389.3 million, respectively. The most recent tax revenue figures indicate that the Guam economy surged in 2007 but contracted significantly in 2008, along with the global financial and liquidity crisis.

The future remains positive with significantly greater economic expansion virtually guaranteed along with the military build-up. Local government operations remain unstable due to massive unfunded liabilities, legal awards, and a General Fund deficit increase of 50 percent to \$524.1 million in FY 2006 alone. The government of Guam has implemented a series of fee and rate hikes, new utility connection fees and regular tinkering with the property tax assessment ratio (increased from 35 to 90 percent under Camacho administration) in order to justify massive borrowing including \$472.5 million in General Obligation and Section 30 bonds in June 2009.

Guam has experienced positive inflation rates since 2001. Between 2004 and 2007, the index for gas and electricity increased by over 40 percent. Substantial increases also occurred in the commodities, food and beverage, and transportation sectors. During

2007, housing rent increased by 14 percent and the housing group index increased by 8 percent. Overall, the price of a benchmark basket of goods and services was up 48 percent between 1996 and 2007. However, since the 4th quarter of 2007, inflation has declined with the all items index up 5.4 percent through the second quarter of 2009. A summary of updated government-reported Consumer Price Index (CPI) and inflation/deflation figures for Guam in recent years is shown as follows.

<u>Year</u> <u>(Averages)</u>	<u>CPI</u>	<u>Annual</u> <u>Change (%)</u>
2003	72.2	2.7%
2004	76.6	6.1%
2005	82.5	7.7%
2006	92.0	11.5%
2007	98.2	6.7%
2008	104.3	6.2%
2009 (Q3)	106.9	0.2%

Economic activity frequently trends population and demographic landscapes. The 2000 census results for Guam were released in February 2002. The 2000 population figure of 154,805 was approximately 7.5 percent lower than the anticipated figure based on historic growth patterns. The lower population figure reflects the late 1990s exodus of individuals seeking better economic prospects on the U.S. mainland. It is widely believed that another population exodus occurred during the 2001-2003 downturn with some estimates exceeding 10,000 individuals. The most recent population estimates reflect approximately 172,500. We are aware of various growth projections of +20 to +30 percent or greater as a result of the military build-up. One estimate projects that the population of Guam will increase from roughly 172,500 to 215,000 by 2014, a 25 percent increase or approximately 20 years of natural population growth in only 5 years. The reported 2008 average household income on Guam was \$45,786, down 2.7 percent from 2005. Per capita income was reported at \$13,089 for 2008, up 2.5 percent from 2005.

The military sector of Guam's economy has reflected growth since 2000 and dominates the near and mid-term economic landscape. The number of active duty personnel increased from 5,820 in 2002 to 6,331 in 2008. Including dependents, the military population was reported at 12,164 in 2008. Guam is now widely recognized as a strategic location proposed for significant expansion of military activities. The well-publicized move of 8,000± Marines to Guam from Okinawa, along with the expansion of Air Force, Navy and Army operations, by 2014 will increase the current military population to 38,070 (18,930 active duty and 19,140 dependents). Military spending increased significantly in recent years. Military activity is expected to support strong economic growth in the mid to long-term. Along with the federal and local government operations, tourism is a fundamental component of economic activity on Guam.

The tourism sector reflected growth in visitor arrivals between 2003 and 2005, with stabilization thereafter through mid-2008 and a sharp decline thereafter. Between 2001 and 2003, arrival figures were impacted by a series of negative external forces. Visitor arrival figures, hotel occupancy rates, and room rate growth are all contributing to support economic growth. However, the 2006 and 2007 tourism figures reflected flat arrival counts and decreasing spending by the primarily Japanese visitors. Tourism arrivals contracted during the second half of 2008 and first half of 2009 due to global economic issues, swine flu related travel fears and other factors. Arrivals dropped 7.8 percent in 2009 to 1,052,871. The 2010 expectations reflect increase. In 2009, the GHRA reported average room rate was \$108 and average occupancy reflected 60 percent.

Tourism and the government dominate employment on Guam. Job counts have fluctuated along with periods of economic expansion and contraction. The March 2002 total employment figure of 56,020 jobs reflected a decline of nearly 20 percent since employment peaked in 1996. The December 2009 job count of 61,080 reflects nine percent growth above that low in 2002. A closer analysis reflects that private sector jobs generally flattened in 2008 and 2009 with a slight increase in public sector jobs.

Guam's unemployment rate rose from 8.3 percent in September 2007 to 9.3 percent in September 2009, primarily due to a weak tourism market and the global financial crisis. Guam Department of Labor statistics reflect that the construction and services industries have led recent private sector job gains. The construction and military related sectors are expected to contribute significant employment in the near-term.

The construction sector is leading employment growth due to major private sector renovation work and military projects. The private sector construction sector experienced dramatic contraction during the economic downturn with only \$93.6 million in reported costs in 2002. Annual private sector construction costs increased to \$195.4 million in 2006. The 2007 figure increased by 57 percent to \$305.9 million. The 2007 figure reflects over 325 percent growth in five years. However, 2008 private sector construction permits declined by 31 percent to \$210.4 million. The 2009 figure reflected an increase of 42 percent to \$299.1 million. A projected \$10 billion in construction will occur in conjunction with the military expansion through 2014 and beyond. The vast majority of construction is expected to occur on military bases and off-base infrastructure projects.

Appropriations for federal-funded projects come from a variety of sources. Federal expenditures on Guam have fluctuated in recent years due to disaster recovery projects, military and other factors. In FY 2008, federal expenditures increased by nearly four percent. The FY 2008 expenditure increase to nearly \$1.5 billion confirms the trend of increasing federal activities supporting economic growth on Guam. Massive growth in federal-funded projects is anticipated in the near to mid-term.

Economic forces in Asia and the United States directly impact the Guam economy and, ultimately, real estate values. As Japan drifted in and out of recessions through 2003, numerous Japanese investors were forced into an asset disposition mode. Once price expectations were reduced to reflect economic reality, an avalanche of real estate sales activity followed. Japanese-related disposition activity contributed to the free-fall in real estate prices during the downturn. By 2006, nearly every major hotel on Guam had traded and Japanese investors had unloaded a long list of vacant land, residential and commercial properties. Between 2005 and 2007, along with improved economic conditions in Japan, a new breed of Japanese investor entered the local market and several have capitalized on distressed market conditions. New Japanese investors now own the Nikko, Hyatt, Okura, Reef, Hilton, Sheraton Laguna, Pacific Islands Club and other hotels along with Cocos Island, the former Pedro's Plaza office building and various other properties. The re-investment by new Japan-based investors is a strong, positive sign that Guam remains attractive as a long-term investment destination. Since 1998 however, global credit and liquidity issues, combined with contraction in the tourism sector, have negatively affected foreign investment.

Between 2005 and 2007, foreign investment surged from locations including Korea, Japan, other parts of Asia, the US mainland and Australia. The late-2005 military expansion announcement resulted in a massive wave of foreign interest on Guam. In 2006, Korea's government modified capital export regulations to allow individuals and companies to relatively freely trade in foreign real estate. As a result, investment on Guam exploded with nearly every major land transaction involving a Korea-based entity. Turmoil in the US mainland economy is likely to contribute to low interest rates and a weak US currency, both positive factors for Guam's real estate market. Historically conservative lending activity, proximity to Asia and the recent recession have buffered Guam from sub-prime and related credit fallout. However, market conditions in Korea and Japan have deteriorated and foreign investment has been temporarily sidelined. Due to the military build-up, it is expected that Guam will benefit from foreign investment prior to other competitive destinations.

Depressed economic conditions between 1998 and 2003 resulted in a surge in personal bankruptcy filings on Guam. The 2001 increase of 85 percent was, by far, the highest in the nation. Since 2002, bankruptcy filings have ranged from 342 to 380. The 2005 figure of 380 reflected a new high, but the increase was associated with the passage of stricter federal law. The 2006 figure of 111 reflected the reduced desirability of seeking personal bankruptcy protection. In 2007, 129 bankruptcy filings were reported for Guam. Due to weaker economic conditions, bankruptcy filings increased by 16 percent in 2008 to 150. The trend continued in 2009 with 220 bankruptcy filings, a 47 percent increase from 2008.

Overall, foreign investment growth, the initial stages of economic recovery and the expectations associated with the military build-up on Guam all combined to result in a strong real estate sector and improved consumer confidence through mid-2008. These factors, along with relatively low interest rates and increased lending activity, fueled the

recovery in the real estate sector through mid-2008, when conditions began to weaken. However, by late 2008, global credit and liquidity issues, economic contraction and other factors deflated foreign investment and confidence. Near term economic stagnation is widely expected until military build-up activity drives job growth. It is clear that some of the wildly optimistic real estate developer projections of 2007 and 2008 will not come to fruition. Further, negative external forces periodically impact the local economy. Between 1997 and 2003, these negative external forces included the Asian Economic Crisis, a major passenger airline crash, 9-11, SARS, bird and swine flu viruses, a super-typhoon and various other forces. However, it is widely expected that near-term economic stagnation will be galvanized by the massive military build-up which will likely commence 2010 (or soon thereafter).

Between 2005 and 2007, Guam's real estate market reflected explosive growth and significant price appreciation primarily due to the end of recessionary economic conditions followed by the speculation associated with the pending military expansion. Consumer confidence increased due to the initial stages of economic recovery, a surge in interest among foreign investors, and the expectations associated with a long-term military build-up. However, beginning around mid-2008, the global credit and liquidity crisis, combined with relatively weak local economic conditions and increased prices, resulted in a significant slowdown in transaction activity. Prevailing sentiment is dominated by caution and foreign investment appears to be temporarily sidelined. The long-term economic outlook remains positive assuming that the military build-up progresses with only modest delays. Minor cyclical activity is not expected to impact the long-term growth trend. The following sections of this Captain Real Estate summary of prevailing market conditions include additional details regarding military activity, tourism, local government operations and real estate market conditions.

Military Activity

The proposed military build-up on Guam is by far the most important economic issue that impacts the real estate sector. The military presence on Guam recently represented an estimated 30 percent of the island's economy. A summary of recent military construction figures is shown as follows.

<u>FY</u>	<u>Military Construction (Mil \$)</u>	<u>% Change</u>
2004	\$26.6	-
2005	\$81.9	207.9%
2006	\$162.0	97.8%
2007	\$193.0	19.1%
2008	\$345.0	78.8%
2009	\$180.0	-47.8%
2010	\$734.2	307.9%
2011	\$566.2	-22.9%

The active duty military population on Guam has ranged from approximately 6,000 to 7,000 since 1996, a decline of roughly 40 percent from prior figures through 1993, when significant cutbacks occurred. Between 2000 and 2007, the active duty military population increased by 11 percent from 5,807 to 6,420. Most recently, Guam has been widely recognized as a strategic location and continued expansion of the military presence, as part of its realignment in the Pacific, is a certainty. Including dependents, the total military population on Guam reflected 12,164 individuals in 2007, up 3 percent from 2004. The well-publicized future move of 8,000± Marines (plus up to 10,000 accompanying family members) from Okinawa to Guam by 2014 along with Navy, Air Force and Army expansions, is expected to push the active duty and dependent military population to over 38,000. The near term increasing military activity is expected to include infrastructure projects, housing repair and construction, additional fast-attack submarines and additional bomber and other aircraft rotations. The military expansion is expected to contribute to significant economic growth in the mid to long-term.

In late 2004, DZSP 21 was awarded the Base Operations Support Contract for Naval Base Guam, taking over services previously provided by Raytheon. The contract reflects an estimated \$34 million in its first year and as much as \$423 million over 10 years.

While military activity has increased in recent years, the most dramatic announcement involves the pending relocation of 8,000± Marines from Okinawa to Guam in phases by 2014 at a reported total cost of \$15± billion. In addition, the Navy, Air Force and Army footprints are proposed to increase significantly within five years. Details regarding the transfer remain vague although the long-term economic impact cannot be overstated. Major infrastructure and housing construction projects are anticipated to commence in 2010 and 2011. Generally, investors on Guam have concluded that the military build-up will likely be extended due to the island's limited construction capacity. Further, there is some risk that political forces in Japan will result in delays and possible changes to the recent plan.

Tourism

Tourism is the most important private sector business on Guam. Guam's close proximity to Asia, tropical weather, good shopping and other amenities continue to attract a substantial number of international tourists, primarily from Japan. This sector reflected growth in 2003 and 2005, stabilized in 2006 and 2007, and contracted in 2008. In 2005, visitor arrivals reflected the second highest level ever at 1.23 million, an increase of nearly 6 percent above 2004 and 35 percent higher than the SARS virus/Iraq War influenced figure in 2003. The 2006 and 2007 arrival figures approximated 2005 numbers. Arrivals peaked in 1997 at 1.38 million. In 2008, high fuel costs, global economic uncertainty and other factors lead to a contraction in the visitor industry. In 2009, visitor arrivals were negatively affected by global economic fallout and swine flu travel-related fears. The eventual rebound in arrivals is expected due to the lifting of fuel surcharges, anticipated flights from Tokyo's Haneda airport, the

expected China visa-waiver program, a strong Japanese yen, military build-up related demand and the growing attractiveness of Guam as a visitor destination. A summary of recent arrival figures is shown as follows.

<u>Period</u>	<u>No. of Visitors</u>	<u>% Change from Prior Year</u>
January 2008	108,100	-1.3%
February 2008	104,350	-2.5%
March 2008	106,561	-1.5%
April 2008	86,887	-3.8%
May 2008	91,490	9.7%
June 2008	94,882	-4.4%
July 2008	106,833	-4.0%
August 2008	104,879	-18.6%
September 2008	83,298	-9.8%
October 2008	86,213	-5.6%
November 2008	80,552	-16.6%
December 2008	87,734	-15.7%
January 2009	98,298	-9.1%
February 2009	93,455	-10.4%
March 2009	100,940	-5.3%
April 2009	80,706	-7.1%
May 2009	71,897	-21.4%
June 2009	60,100	-36.7%
July 2009	97,650	-8.6%
August 2009	103,577	-1.2%
September 2009	92,126	10.6%
October 2009	78,311	-9.2%
November 2009	81,928	1.7%
December 2009 (preliminary)	93,883	7.0%

For 2009, the Guam Hotel and Restaurant Association reported the average hotel occupancy at 60 percent and the average room rate at \$108, both weak in regional resort market terms. As new hotel owners have entered the market, major renovation projects are underway or proposed. The correction of long-standing problems of deferred maintenance will enhance the hotel and visitor experience on Guam. Visitor industry representatives expect that the visitor industry will expand in the near to mid-term. The economics of the hotel industry are not likely to justify new construction for some time; except for possible expansion projects that benefit from economies of scale.

Overall, tourism on Guam has experienced fluctuating arrival figures in recent years, with growth commencing again in late 2009. Industry representatives are optimistic regarding arrival projections in the near term. To some extent, the cutback in air service to Saipan and increased risk associated with travel to competitive locations (including

Indonesia, Philippines and Thailand) should benefit Guam. Enhanced hotel product is expected to contribute to improved visitor profiles in the near term. A strong rebound in arrivals could occur along with direct air service from Haneda and improvement in Japan's economy. Currency exchange rates, global travel patterns and other risk factors could contribute to cyclical activity in this sector. However, negative forces are expected to be offset by lower travel costs, Haneda flights, China visa-waiver, strong yen, military build-up related demand and other factors.

Government of Guam

The Government of Guam has suffered from years of poor financial management and deficit spending is common. Political infighting and deteriorating economic conditions through 2003 resulted in increases in loans and unfunded liabilities as well as declining bond ratings. The General Fund deficit increased from \$66.8 million in FY 2000 to \$345.4 million in FY 2005, to \$524.1 million in FY 2006 further complicating potentially proactive moves by the government. A mainland based accounting consultant, Crawford & Associates, ranked the FY 2006 financial health and performance at 1.32 on a scale of one to ten.

The local government is challenged by the need to provide consistent, basic services and the island's infrastructure has deteriorated extensively. Recent shifts toward the privatization of various government operations have slowed while federal takeovers of various agencies has increased. Government of Guam problems and actions are expected to curtail economic growth to some extent. The local government's payroll included 11,430 individuals in 2007, virtually unchanged since 2003, but the lowest level in over a decade. As of December 2009, the government's payroll increased to 11,720 individuals.

The near term outlook for local government operations is negative, with reduced revenues due to economic stagnation. However, the mid and long-term is positive with massive windfalls anticipated along with military expansion related economic growth. Increased taxes and rates for utilities and government services have tended to restrict economic growth.

Real Estate Market Conditions

The real estate market on Guam through mid-2008 reflected a healthy combination of strong demand, liquidity and increasing prices. The strong rebound in activity and pricing during 2004 and 2005 was primarily attributable to a return to more stabilized conditions following the extremely depressed market conditions reflected between 2001 and 2003. Between 2005 and mid-2008, dramatically improved market conditions resulted primarily from speculation and expectations associated with the pending military build-up. Increasing interest among foreign investors, the lack of new supply and strong consumer confidence all contributed to massive price growth for high quality properties during 2006 and 2007. Since mid-2008, market transaction activity has

slowed significantly, and price movement has varied by sector, with the speculative land deals reflecting the sharpest declines.

During this decade, significant cyclical activity has predominated. Market conditions were extremely weak from 2000 to 2003. The real estate market entered into a period of stabilization beginning in 2003 as a result of economic growth associated with increases in visitor arrivals and federal/military spending. The substantial growth in arrivals in 2004 resulted in a shift toward optimistic economic and real estate market projections. Real estate market activity increased dramatically in 2004 with further growth in 2005. The late 2005 announcement regarding the military realignment resulted in substantially increased interest among foreign investors. Total real estate sales volume in 2007 was nearly five times greater than that reflected during 2001 and 2002. Foreign investors generally concluded that Guam was a buying and development opportunity and widespread acquisitions by these buyers occurred during 2006 and 2007. Since mid-2008, foreign investment and transaction activity have declined sharply. Statistical data regarding the real estate market is included on following pages. In 2006 and 2007, for the first time in over a decade, significant new projects were under construction or proposed. However, many of these projects are now on hold.

In the residential sector, the sharp recovery since 2003 and the proposed military build-up galvanized developers to provide additional product. Numerous residential projects including developed subdivisions and raw land are currently under construction or proposed. Guam's most significant residential subdivision (400± units upon completion) in 40 years is currently under construction in Dededo. Delays in the government approval process, infrastructure issues and financing constraints, and new development fees have slowed the onslaught of new projects. Demand for new product dropped sharply beginning in the second half of 2008 and many new projects are temporarily on hold.

The commercial sector, which typically trails economic activity, entered a period of rapid price growth in 2006. Between 2006 and mid-2008, foreign and local investment in this sector pushed capitalization rates lower. New construction projects included major automobile dealerships, a new Home Depot store and various other commercial and industrial projects. Owner-occupants remain the most active buyers of existing facilities although numerous major commercial properties have sold to investors since 2003. A substantial increase in foreign investment contributed to recovery in this sector through mid-2008, when market activity dropped sharply.

2009 and 2010 Update

After peaking in 2007, Guam's real estate market suffered from sharp declines in sales activity during 2008 and 2009. In 2008, the decline in overall sales activity reflected over 46 percent, and contraction in 2009 reflected an additional 32 percent. Compared to the \$687 million in sales activity during 2007, the 2009 annual figure of \$251 million reflects a decline of 63 percent. The 2009 figure was the lowest annual total since 2004. The most significant contributing factors affecting the shrinkage in sales activity

since 2007 involve foreign investment, which plummeted along with the global financial crisis, and the widening gap between buyer and seller expectations. It is widely expected that foreign investment will increase significantly as Asia continues to recover and massive military build-up related contracts are awarded in 2010 or 2011.

During 2009, all sectors reflected sales volume contraction. The land sales sector reflected the sharpest sales volume decline of 57 percent down to \$45.6 million. Islandwide land sales volume is down almost 80 percent from the 2007 peak. In the housing sector, condominium sales activity reflected a decline of nearly 53 percent to \$21.7 million and single family house sales reflected a decline of over 16 percent to \$136.4 million. The commercial, industrial and multi-family residential market sectors reflected declines of 10 to 17 percent in 2009.

A closer look at quarterly real estate sales activity highlights the global financial boom and bust cycle's impact on Guam's market. While the world was awash in capital, Guam's Q4 2006 to Q3 2007 sales volume reflected between approximately \$150 to \$200 million. That figure plummeted to \$36 million during the first quarter of 2009, as risk and fear concerns wiped out foreign investment and high priced deals. However, the next three quarters of 2009 reflected sales growth of 55, 25, and 26 percent growth, respectively, with fourth quarter 2009 sales activity reflecting a robust \$88.6 million.

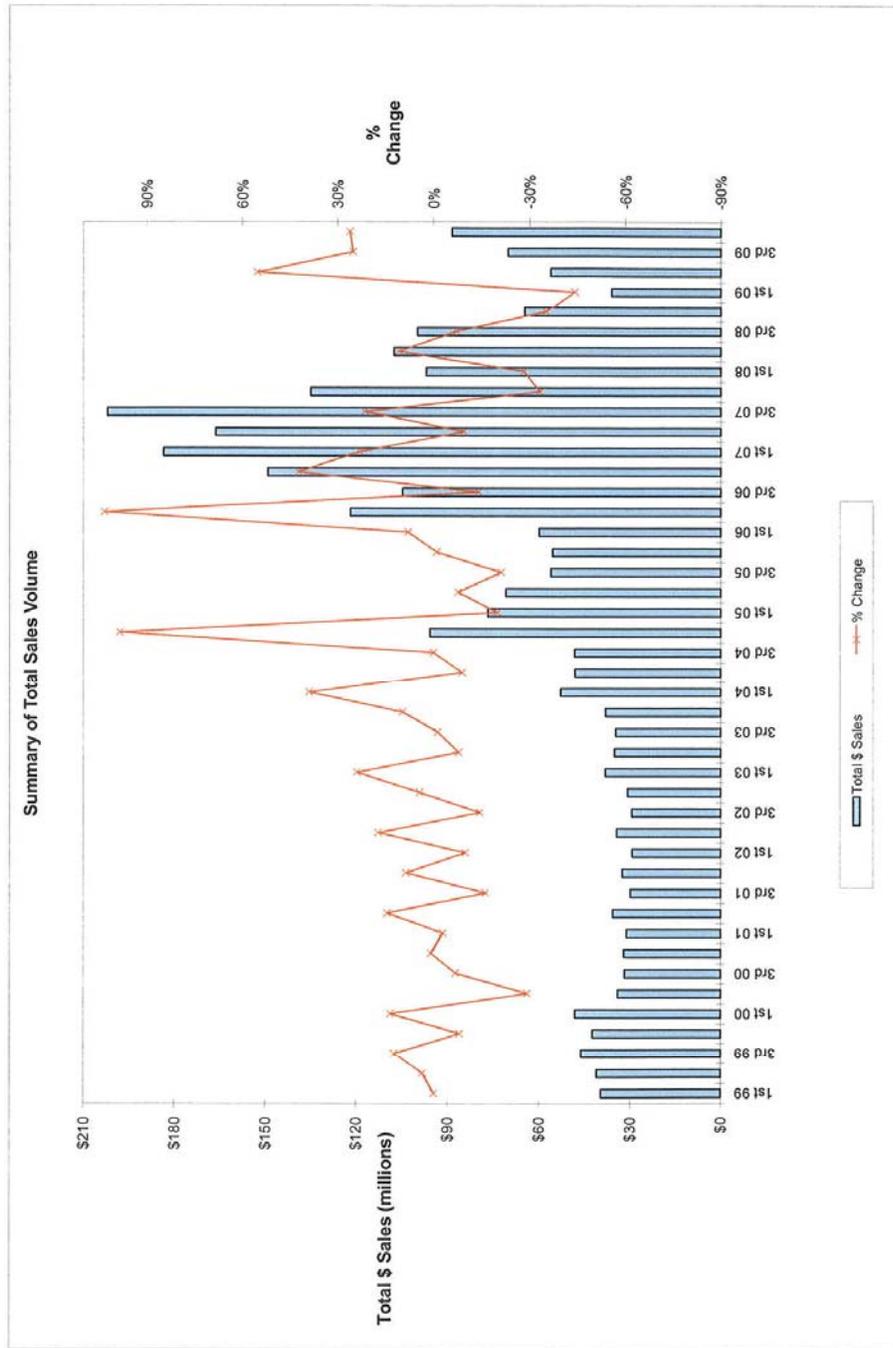
In addition to sales volume figures, another indicator of real estate market conditions involves transactions closed. In 2009, 1,187 real estate transactions closed on Guam, a drop of 20 percent from 2008. The 2009 total is the lowest since 2002, near the bottom of the recent cycle, and approximately one-third less than the peak year of 2007. The industrial and apartment markets reflected only 6 transactions closed in 2009, down from 35 sales in 2007. The single family residential market reflected 616 transactions closed in 2009, down 20 percent from 2007 and approximately the same figure reflected in 2004 and 2005. The 150 condominium transactions closed in 2009 reflects a drop of 38 percent from 2008 and 61 percent contraction from the 2007 peak.

Housing median prices appear to have stabilized, with modest contraction in 2009. Single family houses reflected the second highest median price on record at \$200,000. This figure is down 7 percent from 2008, but still 60 percent higher than five years ago. The median price of a condominium unit on Guam in 2009 was \$122,500, down over 12 percent from 2008, but still up by 36 percent compared to 2004. Prices in other sectors moved in different directions, with industrial land reflecting the strongest performance.

The real estate market in 2009 was supported by strong loan activity. Our database reflects total real estate loans for 2009 at \$534.7 million, down just 11 percent from 2008. Real estate loan activity was dominated by First Hawaiian Bank (\$132.9 million) with nearly 25 percent of market share, followed closely by Bank of Guam (\$121.6 million) at 23 percent. The next most active real estate lending activity occurred at ANZ/Citizens (\$77 million), Coast 360 (\$64.3 million) and BankPacific (\$33.8 million). Recently ranked by Forbes Magazine as the No. 1 bank in the USA, Bank of Hawaii's Guam real estate lending activity dropped to only \$32.4 million, or just 6 percent of market share, down from over \$83 million in real estate lending in 2007 and nearly 20

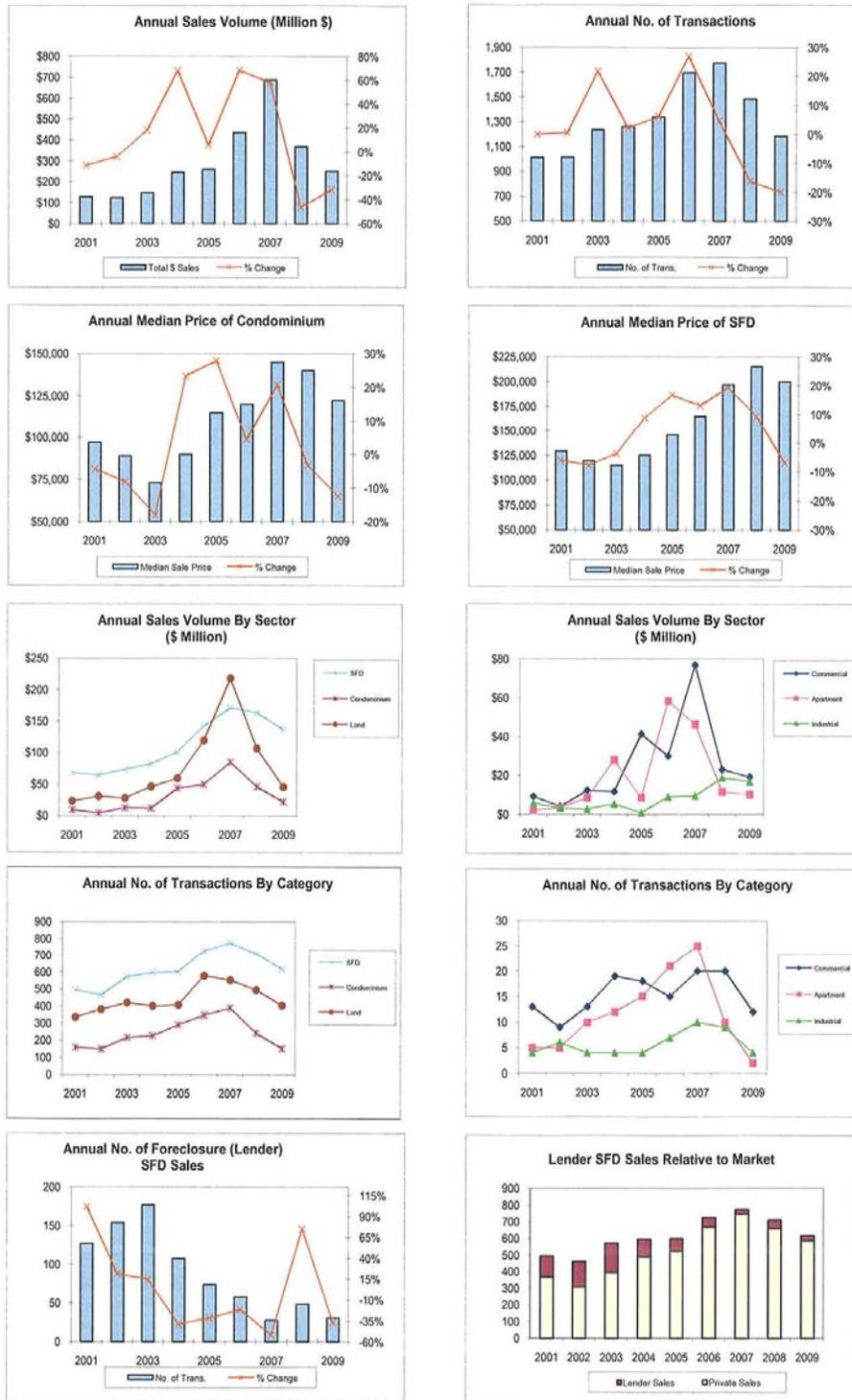
percent market share in 2006. At the big US banks, Wells Fargo's Guam real estate lending dropped from \$27.1 million in 2006, to only \$4.6 million in 2009 while local Citibank real estate lending dropped from \$51.9 million in 2007 to just \$13.1 million in 2009.

**CAPTAIN REAL ESTATE GROUP'S
SUMMARY OF GENERAL REAL ESTATE MARKET ACTIVITY
1999 to Present, Island of Guam**



Source: All transactions recorded at Department of Land Management. Captain Real Estate Group. All Rights Reserved. Unauthorized use not permitted.

CAPTAIN REAL ESTATE GROUP'S
 REAL ESTATE MARKET STATISTICS
 Island of Guam, 2001 - 2009



Source: Captain Real Estate Group. All Rights Reserved. Unauthorized use not permitted.

INDUSTRIAL MARKET OVERVIEW

Areas of Private Industrial Development

Primary Areas – Harmon Industrial Park is Guam's primary center for privately owned industrial development. Harmon is centrally located in close proximity to the population center of Dededo, the tourist capital of Tumon and the commercial center of Tamuning. The main road in Harmon is an extension of a former WWII runway (Harmon Field). Over the years, this location evolved into Guam's most desirable area for industrial development. Harmon is easily accessible from Marine Drive. Harmon Industrial Park is generally bordered to the north by Marine Drive. A cliffline and Route 10A generally border Harmon to the south and west. Route 16 borders Harmon to the west. Harmon Industrial Park is approximately two miles in length and ½ mile in width. Harmon Industrial Park contains approximately 640 acres or 2,600,000 square meters of M1, Limited Industrial zoned land.

Harmon Industrial Park includes a wide range of development types including warehouses, commercial buildings, condominiums, and other uses. Other than the main Harmon Road, a reasonable amount of vacant land remains available for development in Harmon. Adequate infrastructure including paved roads and utilities is available in most Harmon locations. Harmon is generally fairly level although some interior areas involve gently to sloping topography.

Another primary area of industrial development on Guam includes central Tamuning locations off of Marine Drive. These areas include the Pick-A-Nail Street vicinity and other locations off of Marine Drive. These areas are centrally located in Tamuning and have access off of Marine Drive. Because of the prime location, warehouses in this vicinity often command premium rents. There are approximately 100 acres of private industrial land in these areas of Tamuning.

In addition to these primary areas of development, we estimate that there are an additional 25 acres of primary industrial land located in other central areas of Tumon, Agana and Dededo.

Secondary Areas – In addition to Harmon Industrial Park and the Tamuning locations discussed, Guam has secondary areas of industrial development. The largest secondary area involves the Bello Road/Macheche Road vicinity in Barrigada/Dededo. In the past, this area was primarily residential and rural in nature. This area remains characterized by a substantial amount of vacant land. Originally, this area was zoned A, Agricultural which generally limits development to residential or agricultural uses. However, beginning in the early 1990s, spot-zoning in the vicinity began to take place. Various individual lots were rezoned M1, Limited Industrial. In following years, spot-zoning became widespread and currently the majority of land in this area was spot-zoned for M1, Limited Industrial uses. Over the years, several warehouses were constructed in this area. Based on our review of spot-zoned parcels in the vicinity, we

estimate that there are approximately 200 acres of industrial zoned land in this secondary location.

The most recent secondary area for industrial development involves former federal excess land bordered by Marine Drive, Route 3 and the cliffline. Approximately 4,000 acres of federal excess land has been returned to the ancestral landowners in this area, although industrial zoned land is limited to areas with primary road frontage. It is expected that this area will develop with construction yards and other uses along with military build-up activity.

In addition to these secondary areas of development, we estimate that there are an additional 25 acres of secondary industrial land in other locations.

Outlying Areas – The largest industrial zoned outlying location involves the Tristar Agat Terminal (former GORCO refinery) vicinity in Piti/Agat. A total of approximately 350 usable acres of M2, Heavy Industrial zoned land is located in this area. Another M2 zoned site involves the Fadian Point oceanfront parcel in Mangilao that was previously utilized as a quarry. Although this parcel involves approximately 180± acres of M2 zoned land, only about 20± acres involve land with an industrial-related highest and best use.

There are many other lots throughout Guam that were previously spot-zoned for industrial use. However, many of these properties do not have infrastructure that would allow development with an industrial use. We estimate that approximately 50 acres of land in various outlying locations throughout the island is spot-zoned for industrial uses and is served by infrastructure that would allow industrial related development.

Areas of Government of Guam Ownership

Primary Government of Guam owned areas of industrial development include the E.T. Calvo Memorial Park in central Tamuning, a portion of Harmon Industrial Park, Tiyan (former Naval Air Station), the Airport Industrial Park in Barrigada, and the Cabras Island vicinity including the Commercial Port of Guam at Apra Harbor. Most recently, various former excess land parcels in Tiyan were transferred to the Government of Guam, returned to ancestral land owners, then sold to or developed by private investors. These properties include various north Tiyan sites (DHL facility, Triple B Forwarders facility and Pacific Island Movers). In January 2008, over 38 acres of former federal excess land were sold and the buyer acquired the property for construction company related improvements including barracks, cafeteria, recreational office and other uses. However, the property was subsequently converted to the interim JFK high school campus.

The E.T. Calvo Memorial Park includes approximately 50 acres of industrial land located off of Marine Drive in central Tamuning. Long-term ground leases were previously issued for these parcels by the Guam Economic and Development Authority (GEDA).

Some of these parcels are located along Marine Drive and were subsequently improved with commercial uses including Guam's largest office building, the ITC Building.

Industrial Market Characteristics

Guam's industrial market has experienced dramatic changes over the past 20 years. The construction and economic boom of 1989/1990 resulted in increasing demand for industrial space on Guam. At that time, the increasing supply was not able to meet demand levels and rents increased substantially. Quality warehouse rents (typically metal butler building) increased from approximately \$0.60 to \$0.80 per square foot per month in the mid to late 1980s up to a peak of \$1.25± per square foot per month in 1992. Subsequently, the economic boom subsided and demand declined. Beginning in 1994, there was a perceived oversupply of industrial space on Guam. This oversupply buffered the industrial market from the 1994 to 1996 construction boom. The supply of warehouse space has increased modestly since the mid 1990s. The downturn of 2001 to 2004 typically reflected rents at or below \$0.50 per square foot per month. Currently rents for reasonable quality spaces have increased to the \$0.60± to 0.70± per square foot per month range. Prime locations, concrete construction and quality spaces command higher rents. The supply of reasonable quality vacant warehouse space for lease has decreased slightly as rents have increased. Poor quality warehouse space suffers from lower rent and limited demand.

Overall, the industrial sector has not fluctuated to the cyclical extremes that have impacted other categories of Guam's commercial market. The industrial sector tends to be buffered from extreme cycle swings due to the high percentage of owner-occupancy and the limited new construction, even during periods of market expansion. For example, industrial rents have generally stabilized since the early 2000s. Occupancy rates have remained relatively high through the market downturn, although it was not uncommon to see poor quality properties remain vacant for several years.

On Guam, industrial building quality of construction and design are generally rather basic. Most warehouses are standard steel and metal butler-type structures. Some recent projects involve concrete construction. As a result of recent typhoon damage, upgrades including concrete base and/or additional structural supports are common.

Typical lease practices in the Guam industrial market commonly provide for three to five year lease terms with possible option periods. Lease rents are negotiated on a dollar per square foot per month basis. Common Area Maintenance (CAM) or reimbursable charges are relatively rare (usually limited to off-island owners). Typically, tenants pay for utilities and maintenance while landlords pay real property tax and building insurance. Landlord concessions may include limited free rent or reduced rent periods.

Sales of improved industrial properties are not as common as in typical mainland communities. The influence of Asian culture, a relatively high owner-occupant rate and other factors have resulted in a long-term ownership position for the majority of

industrial property owners on Guam. However, recent sales activity has increased as detailed in a following section.

Industrial Building Inventory History

The Captain Real Estate group estimates that the industrial building inventory for Guam approximates a total of 700 buildings that contain a total of approximately 5.0 million square feet of gross building area.

The industrial building market reflected substantial growth during the period from 1986 to 1993. The total gross building area increased from 2.3 to 4.2 million square feet during this seven-year period. The number of industrial buildings increased from 303 to 608 during the same relatively short time frame.

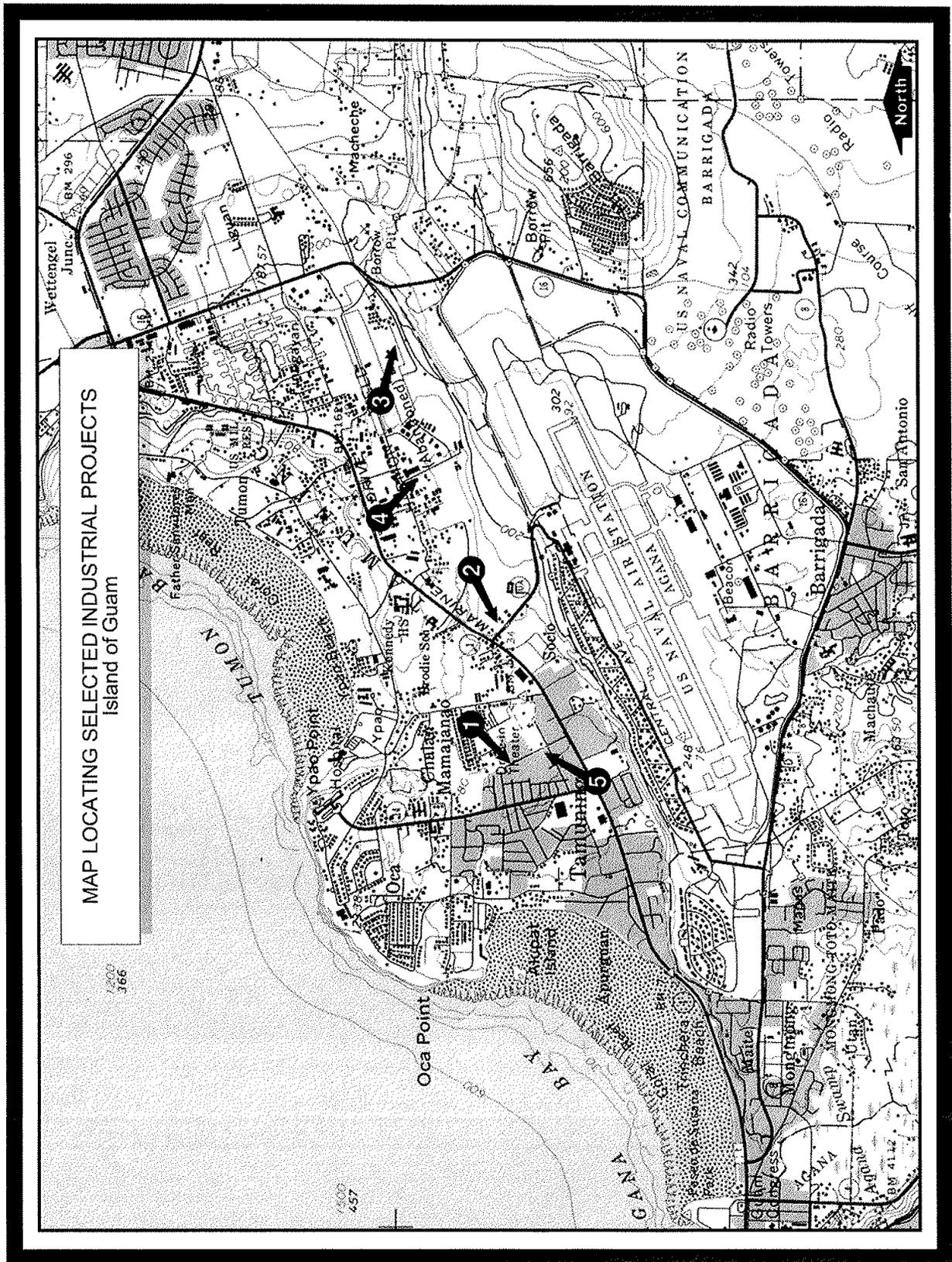
Starting in 1994, market participants typically perceived the Guam industrial market as overbuilt and new construction declined substantially. Further, the introduction of big box retailers (K Mart, Cost-U-Less, etc.) to Guam contributed to decreased demand for warehouse space during this time frame. During the economic downturn, new industrial building growth slowed considerably. Only one building permit for industrial buildings was issued between 2002 and 2004.

Since 1996, most new industrial construction has been limited to build-to-suit or primarily owner-occupant uses. It is anticipated that industrial construction activity will not increase substantially until economic conditions improve and rents increase to a point that justifies new construction.

Recent development in new industrial construction typically involves concrete construction and owner occupant purposes. The industrial building inventory figures reported herein reflect the private real estate market and do not include substantial industrial buildings located at Tiyan, the former SRF and other government locations.

Industrial Rents and Occupancy

A review of five selected industrial projects are shown on a following page with an accompanying map. Photographs of the selected industrial projects are shown on a following page. The comparables provide a good cross section of higher quality projects in Guam's industrial market and indicates a wide range of gross rents from approximately \$0.75 to \$0.95 per square foot per month. Lower quality projects reflect rents in the \$0.50 to \$0.70 per square foot range. Rents at the lower end of the range are typically reflected by large spaces in basic steel warehouses at inferior locations. Rents at the high end of the range are reflected by higher quality properties and buildings with superior frontage, visibility and amenities including loading docks, quality design and regular maintenance programs. It is noted that existing tenants located in spaces previously designed and built-out by the tenant frequently renew leases at rates higher than prevailing market rates.



SUMMARY OF SELECTED INDUSTRIAL PROJECTS
Island of Guam

No.	Project (Location)	Year Built	Land Area (sm)	GBA (sf)	Current Average Rent (\$/sf/mo)		Reported Occupancy	Recent Trends 2+ Years		Comments
					Net	Gross		Occ.	Rent	
1	CTSI Logistics Industrial Center (Tamuning)	2005	NA	49,000 (see comments)	\$1.00 - \$1.65	\$1.00 - \$1.65	100%	Increasing	NA	Two quality concrete industrial buildings plus one older metal building. Larger concrete building (24,000 sq. ft.) and the metal building (11,000 sq. ft.) are owner-occupied. The smaller concrete building includes 7,200 sq. ft. bays leased to various tenants. Rent at high end of range includes build-out spaces.
2	Airport Industrial Center (Skyline Drive, Tamuning)	1999	NA	30,000	\$0.80 - \$0.90	\$0.80 - \$0.90	100%	Increasing	Stable	Four quality metal buildings. Typically small warehouses with office.
3	IBC Complex (J.L. Baker Road, Harmon Industrial Park, Dededo)	1994/1996	16,657	37,420	\$0.75 - \$0.95	\$0.75 - \$0.95	71%	Increasing	Stable	One, two-story office (13,280 sq. ft.) and four, one-story concrete industrial buildings.
4	Ixora Industrial Complex (Rojas Street, Harmon Industrial Park, Dededo)	1994	12,964	84,016	\$0.65 - \$0.70	\$0.83 - \$0.88	76%	Increasing	Stable	Two quality attached concrete buildings containing warehouse, office and storage areas. Amenities includes fenced and gated lot, back-up generator, fire sprinkler system and landscaping. Various tenants previously vacated due to business closure or downsizing. Most recently, new businesses leased spaces.
5	Tamuning Industrial Park (Pick-A-Nail Street, Tamuning)	1950 thru 1986 with most built in the 70's	22,793	72,800	\$0.79 - \$0.89 (minimal)	\$0.79 - \$0.89	100%	Stable	Increasing	Fourteen (14) industrial buildings of metal construction. Generally fair condition, but central location.

PHOTOGRAPHS OF SELECTED INDUSTRIAL PROJECTS
Island of Guam



CTSI Logistics Industrial Center



Airport Industrial Center



IBC Complex



Ixora Industrial Complex



Tamuning Industrial Park

The five selected projects reflect building area sizes between approximately 30,000 to 84,000 square feet. Reported occupancy rates range typically from 71 to 100 percent. The IXORA complex reflects relatively high vacancy due to several tenants recently relocating. Three projects reflect 100 percent occupancy. Owner representatives report that occupancy rates are stable to increasing over the past two years. During the same time period, rents were reported as stabilized/increasing.

Based on interviews with knowledgeable market participants and independent research completed, the overall industrial occupancy rate is estimated to approximate 90.0± percent. The occupancy rate is higher for quality properties in superior locations. Based on the inventory level previously discussed, a 90.0 percent overall occupancy rate indicates an island-wide availability of approximately 490,000 square feet of vacant industrial space. A high percentage of vacant space reflects inferior building quality.

The industrial market on Guam is susceptible to changes in general economic conditions which have fluctuated since the early 1990s. An example of industrial rent volatility is shown in the table as follows.

<u>Period</u>	<u>Typical Industrial Rent (\$/SF/Mo.)</u>	<u>Percentage Change</u>
Early 1990s	\$1.00	-
Mid 1990s	\$0.75	-25%
Late 1990s	\$0.60	-20%
Early 2000s	\$0.50	-17%
Mid 2000s	\$0.55	+10%
2010	\$0.65	+18%

It is noted that leasing practices on Guam are relatively basic compared with more sophisticated areas in Hawaii and on the U.S. Mainland. Tenants typically pay a net rent only. Tenants typically pay no CAM charges, but do pay separately for utilities and general property maintenance. Lessors generally pay for real property tax and building/liability insurance. Lease terms are typically three to five years. Rent step-ups are more common as market conditions are improving.

Absorption

Absorption in Guam's industrial market is property specific and can vary widely. For example, Guam's premier industrial center, the all-concrete IXORA Industrial Complex (completed in 1993) in Harmon required nearly five years to reach stabilized occupancy. However, the Airport Industrial Center (completed in 1999) leased all available spaces within a few months and the project remains fully occupied. Another smaller, quality designed concrete facility (CTSI completed in 2005) was also leased out quickly and remains fully occupied. During the downturn, high rents at IXORA forced tenants out and occupancy subsequently fell to below 50 percent before recently starting to increase. However, the Airport Industrial Center was able to retain high occupancy throughout the downturn.

Industrial Building Sales and Construction

As additional industrial market information, we summarized recent pertinent industrial building sales since 2007. A summary of the selected industrial building sales disclosed by our review of our internal database is included on the following page. Note that the market for industrial buildings remains relatively small with fourteen transactions closing since late 2005. Further details are included in a prior section of this report. Sale prices typically reflect a unit rate of \$50 to \$90 per square foot of building area. The majority of sales activity involves owner-occupant buyers.

Projected Supply and Demand

It is widely expected that demand for industrial space on Guam will grow dramatically along with military build-up activity. The most recent supply growth has reflected various air cargo related facilities at or nearby the airport. We are aware of various developers with plans to construct new warehouse facilities, with large portions proposed for owner-occupancy. We are aware of preliminary plans for additional warehouse space development. However, it is widely expected that demand will fall sharply after the military build-up is completed, and therefore it is difficult to justify any large scale construction with facilities for lease on the open market. Overall, it is expected that demand will increase faster than supply, possibly pushing rents up toward \$1.00 per square foot per month over the next 12 to 24 months.

Outlook and Risk

The industrial market on Guam includes private land and Government of Guam properties (federal properties were not considered herein). Private industrial areas of development include primary (Harmon, Tamuning, etc.), secondary (Barrigada) and outlying (Piti/Agat) areas. Government of Guam industrial areas include Tamuning, Harmon Industrial Park, Tiyán, Cabras Island vicinity and other locations.

Our analysis of the industrial market reflects a total land area of approximately 4,000 acres. Captain Real Estate group estimates a total industrial building inventory of approximately 5.0 million square feet in 700 buildings. Current typical warehouse rents range from approximately \$0.60 to \$0.70 per square foot per month. Prime locations and quality spaces command higher rents. Current overall vacancy is estimated at 10.0± percent or approximately 500,000 square feet of building area. The vacancy rate is lower for quality properties in superior locations. Industrial market conditions recently entered a recovery phase due to military build up related expectations.

Since the early 1990s, the industrial market has experienced substantial fluctuations in demand and supply. Wide fluctuations in demand were caused by the 1989 to 1990 construction and tourist boom and subsequent slowdown. These factors caused industrial rents to increase to a peak in 1992 and subsequently decline. Because of a perceived glut in industrial space in 1993, the industrial market was not significantly impacted by the 1994 to 1996 construction boom. However, the introduction of big box

SUMMARY OF RECENT INDUSTRIAL BUILDING TRANSACTIONS
Island of Guam

Trans No.	Location (Lot No.)	Land Area (sm)	Zoning	Transaction		Improvement Data		Sales Price		Indicated Cap Rate	Comments
				Date	Type	Year Built	Bldg. Area (sf)	Total	\$/sf Bldg. Area		
1	Mariner Avenue and Corsair Road (2175-R8, etc.)	156,655	Not zoned	01/08	Deeds	1950's/1960's (est.)	155,000	\$11,004,400	\$71	NA	Former federal excess property. Includes various buildings in fair to poor condition. Acquired for owner-occupant and related uses (buyer is construction company).
2	Finsgayan Road, Harmon (5157)	8,689	M1	09/07	Deed	1972	12,000	\$1,100,000	\$92	8.5%	Former Guam Cold Storage Warehouse facility, a one-story concrete building (with metal roof). Building in poor condition as of date of sale. Allocated price reflects \$1,100,000 purchase price less \$500,000 surplus land allocation.
3	Kindo Lane, north of Route 8 and Gold's Gym, Maite (2054-R2-NEW-3)	1,898	C/R2	06/07	Deed	1974/2000	9,600	\$900,000	\$94	8.5%	Former Topsy Distributing Co. facility, a one-story metal building with retail/office and warehouse areas. Acquired for owner-occupant purposes. Includes seller financing for 36 percent of purchase price.
4	Siket Street, Harmon Industrial Park, Tamuning (5166-9)	9,542	M1	05/07	Deed	1988 to 1990s	45,600	\$2,600,000	\$57	8.7%	Harmon warehouse complex including five metal industrial buildings. Buyer acquired other properties from the same seller at the same time.
5	Harmon Industrial Park, Tamuning (T283, L18)	3,679	M1	04/07	Deed	1992	39,600	\$500,000	\$13	NA	Two-story concrete, 24 unit barrack with related amenities.
6	Route 2A, Agat (T2411, L1NEW P1)	5,291	M2	04/07	Deed	1992	8,800	\$620,000	\$70	6.1%	One-story metal building in fair condition. Acquired for owner-occupant and investment purposes.

retailers (K Mart, Cost-U-Less, etc.) to Guam contributed to decreased demand for warehouse space during this time frame. There has been a modest increase in supply of industrial buildings since 1994.

The industrial market continued to deteriorate through 2003, when market conditions stabilized. Market conditions rebounded beginning in 2005 and the industrial land sector has remained strong as 2008 and 2009 conditions weakened. A stabilized level of quality industrial space remains available. The industrial sector has not experienced the extreme market cycles reflected in other categories of commercial real estate; primarily due to the high level of owner-occupancy.

Since the late 2005 military expansion announcement, the industrial market has reflected increasing demand, particularly by construction related companies. Watts Constructors, Black Construction and other smaller companies have secured sites or are actively searching for large industrial land parcels. Since 2006, industrial land prices increased significantly while improved space rents have increased slightly. The anticipated increase in military-related construction activity is expected to result in significant upward pressure on industrial rents and prices, with an expected significant decline whenever the major military-related construction work is completed. Overall, due to the expected surge and fall in demand for industrial space, a higher element of risk is associated with this sector.

SUBJECT PROPERTY

Property Data and Summary

Identification

The subject properties are identified as submerged Parcels 1 to 4 and range in land areas from approximately 42 to 189 acres. The fast land adjacent to the submerged parcels varies widely from Commercial Port pier frontage to mangrove forest at Sasa Bay. Water depths range from very shallow to 45± feet. A summary of general property data, location and lot maps are shown on the following pages. A satellite image of the immediate subject vicinity is included on a following page. A legal description of the subject properties is included in the Addenda of this report as a portion of Exhibit 1.

Submerged Land Summary

Parcel 1 involves a portion of submerged Apra Harbor land within Cabras Island Channel, adjacent to the greater Port area fronting F-1 Pier to F-6, south of Cabras Highway. The land area is 171,720 square meters or 42.431 acres. Access to Parcel 1 is primarily via adjacent fast land (Commercial Port and nearby piers/wharfs). Additional water access is via Apra Harbor and Harbor of Refuge. The water depths mostly vary from 25± to 45± feet. Parcel 1 involves a prime location adjacent to PAG cargo terminal wharfs, F1 Pier and F2 wharf. This subject is affected by the the Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.

Parcel 2 involves a portion of submerged Apra Harbor land adjacent to Family Beach and extending to Seaplane Ramp, south of Cabras Highway. The land area is 765,676 square meters or 189.202 acres. Access to Parcel 2 is primarily via adjacent land between Mobil tank farm and family beach. Additional water access is via Apra Harbor. The water depths mostly vary from 10± to 15± feet. Shallow along shoreline. Parcel 2 involves a prime area ideally suited for landfill projects. Includes Golf Pier and Cementon properties. This subject is affected by the Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.

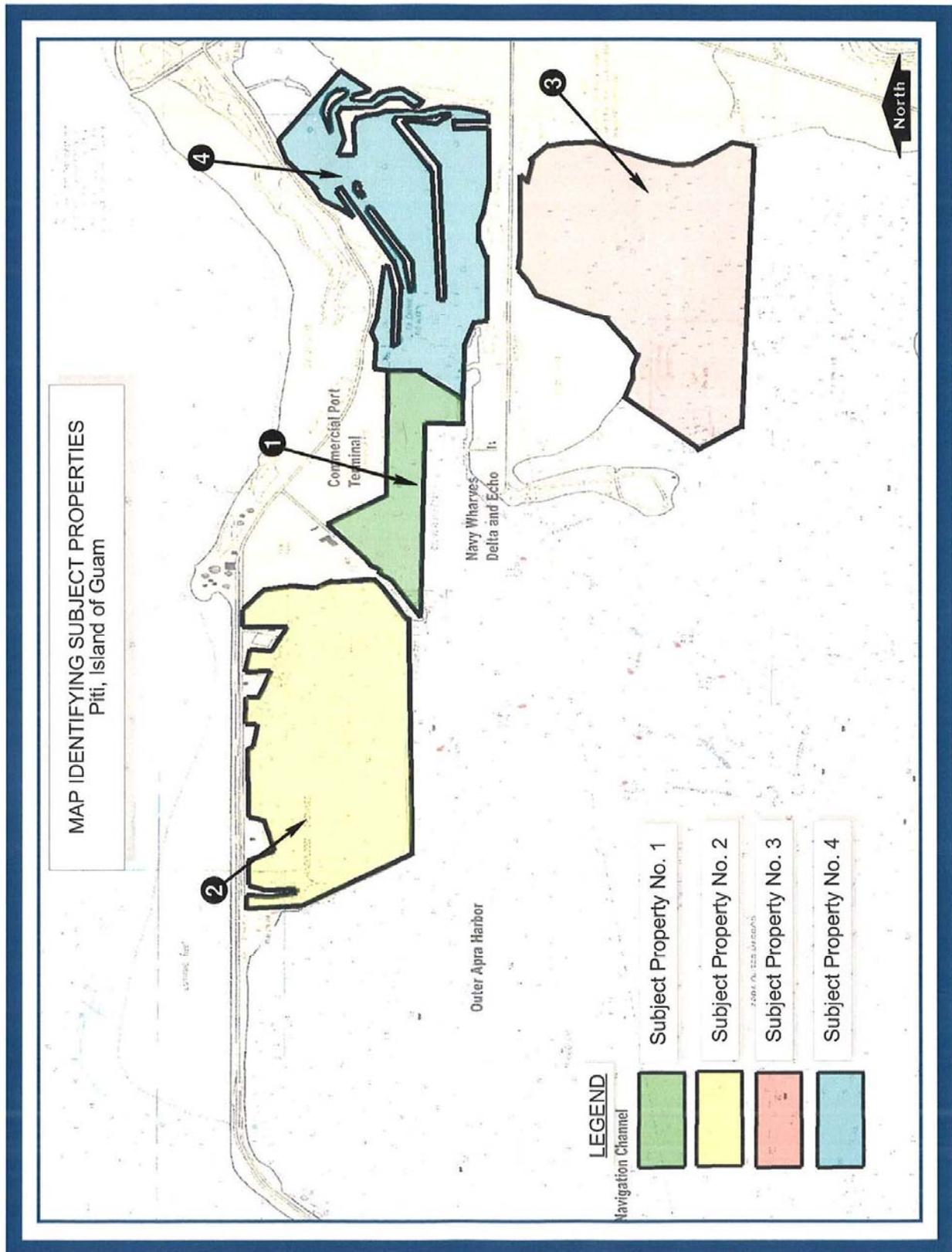
Parcel 3 involves a portion of submerged land adjacent to Marianas Yacht Club and extending to mangrove area to east, south of Polaris Point Road. The land area is 625,339 square meters or 154.524 acres. Access to Parcel 3 is primarily via Marianas Yacht Club and adjacent fast land extending along roadway, with additional water access from Apra Harbor. The water depths mostly vary shallow (1-3± feet) with small portions at southwest 30± feet. This subject is affected by the Pristine Ecological Communities and Coral Reefs due to Sasa Bay Marine Preserve location and the Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.

Parcel 4 involves a portion of submerged Apra Harbor land adjacent to the northeastern end of Port compound from F-6 Pier extending to Port/GPA limits, north of Polaris Point Road and inclusive of Harbor of Refuge. The land area is 523,271 square meters or 129.303 acres. Access to Parcel 4 is primarily via Harbor of Refuge area fast land with additional water access via Cabras Island Channel. The water depths mostly vary shallow (1-3± feet) with small portions at west 20± feet. This subject is affected by the Coral Reefs and the Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.

Photographs of the subject properties are included on following pages.

Improvements

The subject submerged land is not improved.

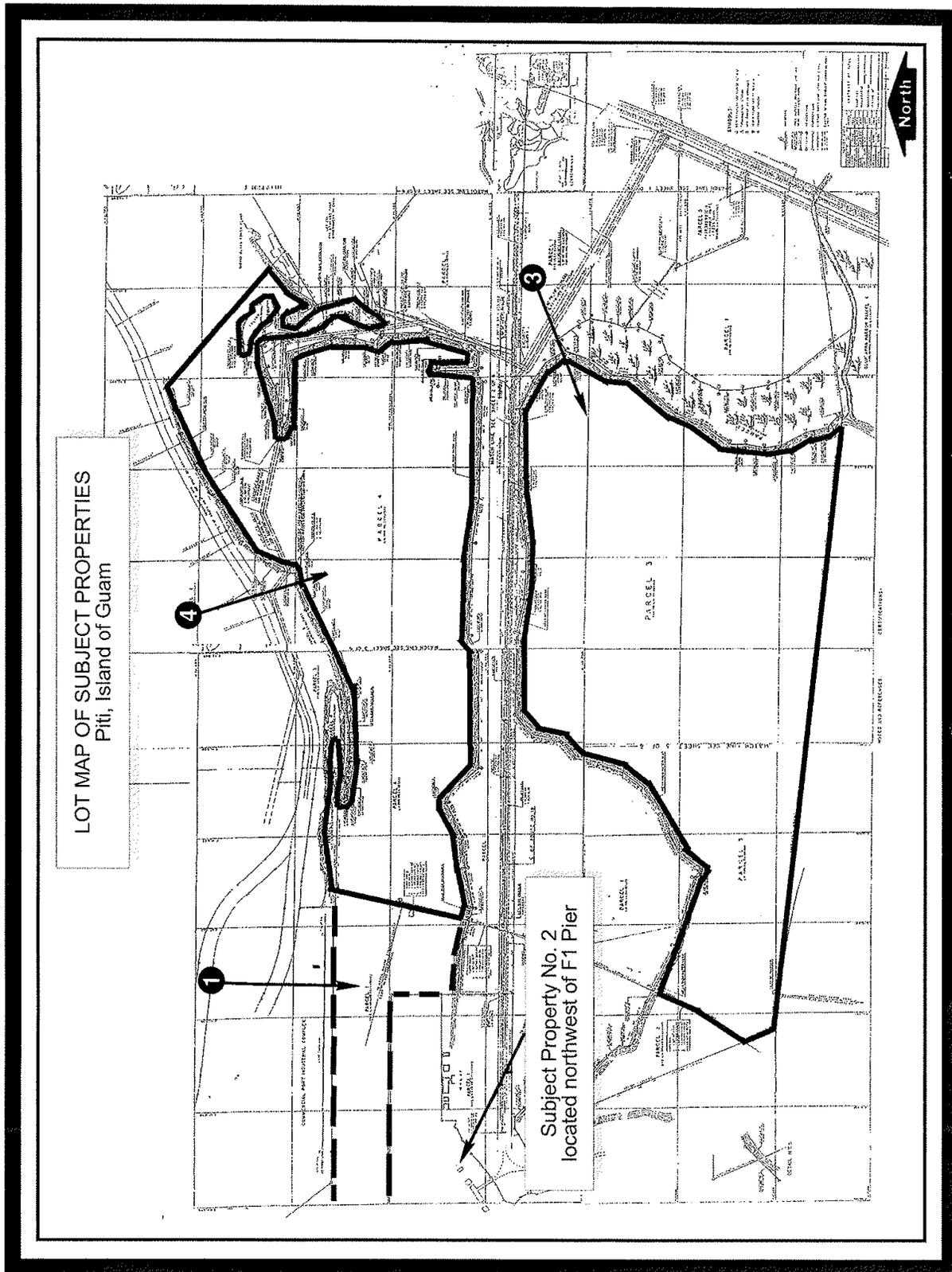


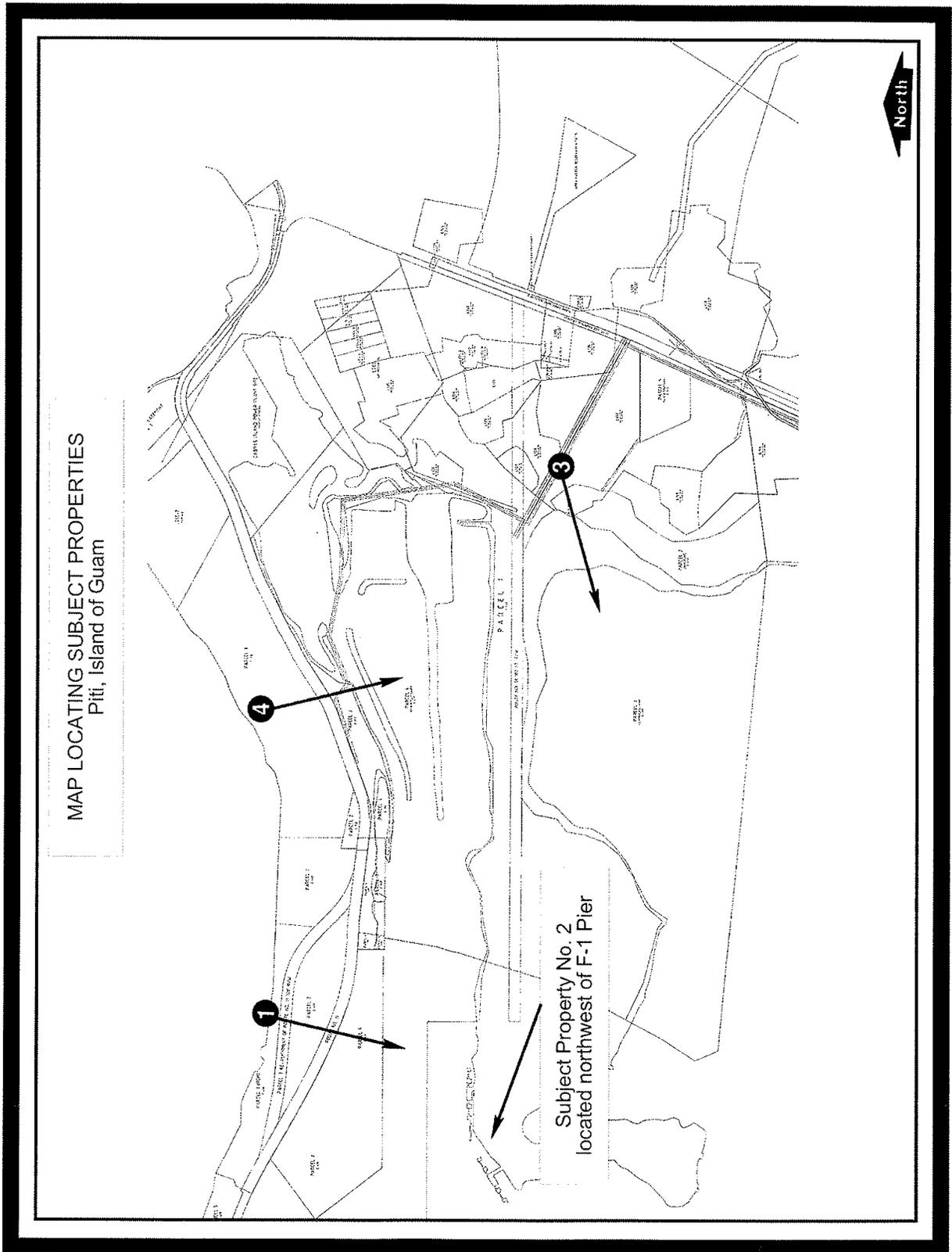
SUMMARY OF SUBJECT PROPERTIES
Piti, Island of Guam

No.	Parcel ID (submerged)	Location	Land Area		Access	Water		Comments
			Sq. M.	Acres		Depth (ft)		
1	Parcel 1	Portion of submerged Apra Harbor land within Cabras Island Channel, adjacent to greater Port area fronting F-1 Pier to F-6, south of Cabras Highway	171,720	42.431	Primarily via adjacent fastland (Commercial Port and nearby piers/wharfs). Water access from Apra Harbor and Harbor of Refuge.	Mostly 25-45± feet.		Prime location adjacent to PAG cargo terminal wharfs, F1 pier and F2 wharf. Affected by Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.
2	Parcel 2	Portion of submerged Apra Harbor land adjacent to Family Beach and extending to Seaplane Ramp, south of Cabras Highway	765,676	189.202	Primarily via adjacent land between Mobil tank farm and Family beach. Additional water access via Apra Harbor.	Mostly 10-15± feet. Shallow along shoreline.		Prime area ideally suited for landfill projects. Includes Golf pier and Cementon properties. Affected by Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.
3	Parcel 3	Portion of submerged land adjacent to Marianas Yacht Club and extending to mangrove area to east, south of Polaris Point Road	625,339	154.524	Primarily via Marianas Yacht Club and adjacent fastland extending along roadway, with additional water access from Apra Harbor.	Mostly very shallow (1-3± feet) with small portions at southwest 30± feet.		Affected by Pristine Ecological Communities and Coral Reefs due to Sasa Bay Marine Preserve location; also affected by Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.
4	Parcel 4	Portion of submerged Apra Harbor land adjacent to the northeastern end of Port compound from F-6 Pier extending to Port/GPA limits, north of Polaris Point Road and inclusive of Harbor of Refuge	523,271	129.303	Primarily via Harbor of Refuge area fastland with additional water access via Cabras Island Channel.	Mostly very shallow (1-3± feet) with small portions at west 20± feet.		Affected by Coral Reefs and Explosive Safety Quantity Distance Circles (EQSD) due to proximity to Navy ammo wharf.

Note: All subject properties are subject to certain rights reserved by United States of America regarding utilities and navigation aids. Property use is restricted to those in accordance with the PAG Master Plan and must be approved by the Secretary of the Navy. The properties may be contaminated with unexploded and dangerous WWII vintage ordnance. Additional rights that may be retained by USA include right to use Hotel Wharf for the movement of military cargo and ordnance. Various Joint Use Agreement terms and rights may further apply.







PHOTOGRAPHS OF SUBJECT PROPERTIES
Piti, Island of Guam



Easterly view across western portion of Property No. 1. F1 to F3 wharves are located along the shoreline.



Southerly view along F4 berth. The subject Property No. 1 submerged land is to the right. Note the significant shoreline improvements.



Westerly view along northern boundary of Property No. 1. Note the adjacent F6 berth and related cargo handling improvements.



Southerly view across Property No. 1. Note the commercial vessel traffic through the Cabras Island Channel.



Easterly view across Property No. 2 from a point near Family Beach. This subject involves the submerged land to the right.



Southerly view across Property No. 2 from the seaplane ramp. Note the submerged land use to the right.



Westerly view across eastern portion of Property No. 2. Note the adjacent fast land uses.



Southerly view across eastern portion of Property No. 2. Note the mouth of Apra Harbor appears at the right background.



Easterly view across Property No. 3 including Sasa Bay Marine Preserve from the Marianas Yacht Club shoreline.



Easterly view across Property No. 3 including Sasa Bay Marine Preserve. Note the mangrove forest shoreline at the background of the photograph.



Westerly view across Harbor of Refuge vicinity of Property No. 4. Note the shallow water depth and main Port facility at the background.



View across Harbor of Refuge portion of Property No. 4.



View across access channel portion of Property No. 4.



View across access channel portion of Property No. 4. Note the Cabras Island power plant at the background.



Shallow interior portion of Property No. 4 near Harbor of Refuge.



View across Cabras Island Channel portion of Property No. 4 from a point near Dry Dock island.

Property History and Ownership

The subject property has not changed ownership during the past five years. The Port Authority of Guam owns the fee simple interest in the subject properties. Maps showing historic Apra Harbor land transactions is shown on the following page. A color-coded map of Apra Harbor land transactions is shown on a following page.

Ordinances Affecting Land Use and Development

Zoning/Land Use

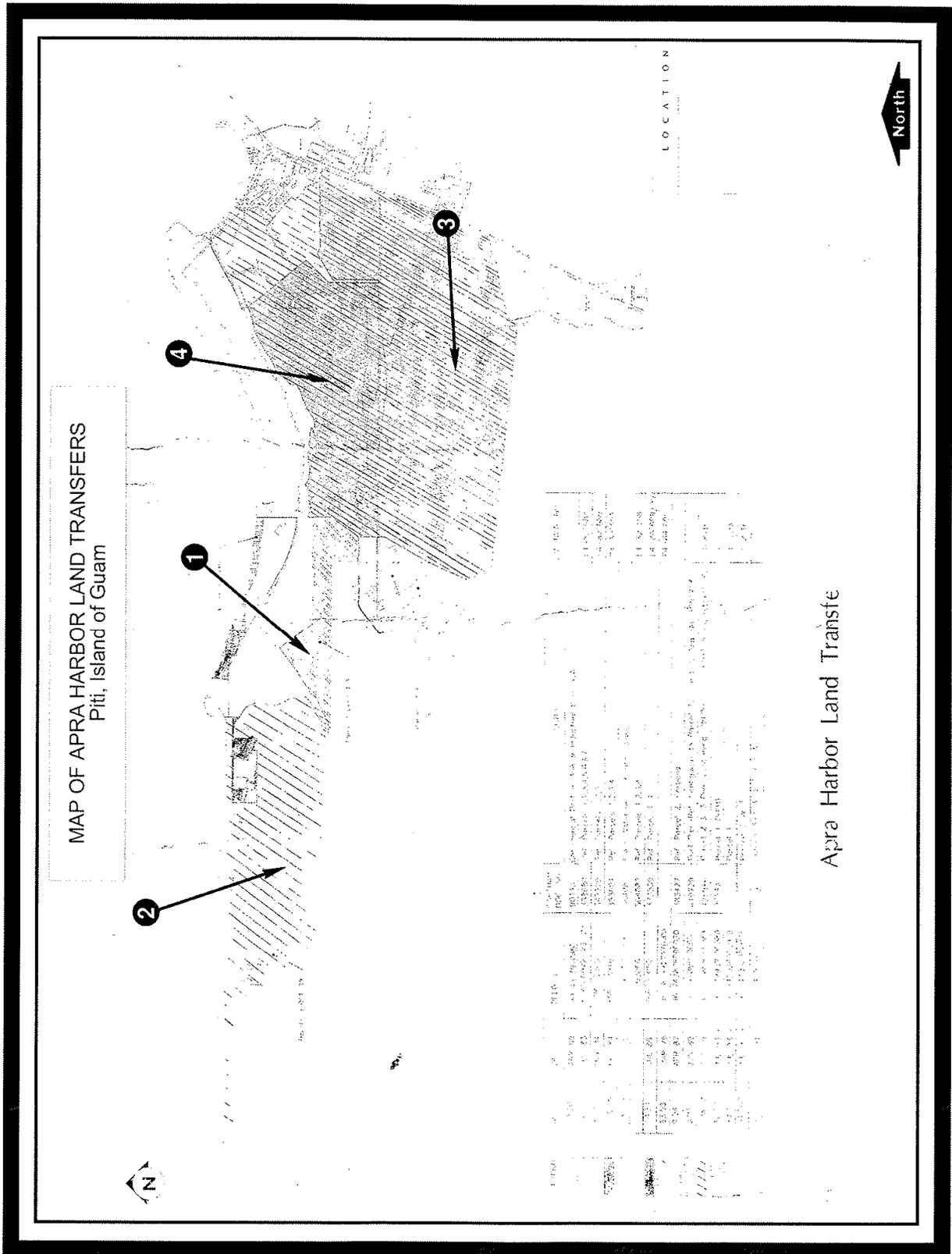
The subject property is currently reportedly not zoned. The subject and other submerged lands on Guam are typically not zoned. A wide range of potential uses, upon government approval, are considered legally permissible for the subject. Adjacent fast lands are typically zoned M2, Heavy Industrial Zone. Uses permitted in the M2, Heavy Industrial Zone include a wide range of uses similar to those permitted in the M1, Limited Industrial Zone, excepting residential use, including manufacturing, auto repair shop, laundry, machine shop, warehouses, restaurants and other uses including any use permitted with or without condition in the commercial zone. Further details to M2, M1 and C, Commercial zoning are included as Exhibit 2 in the Addenda of this report.

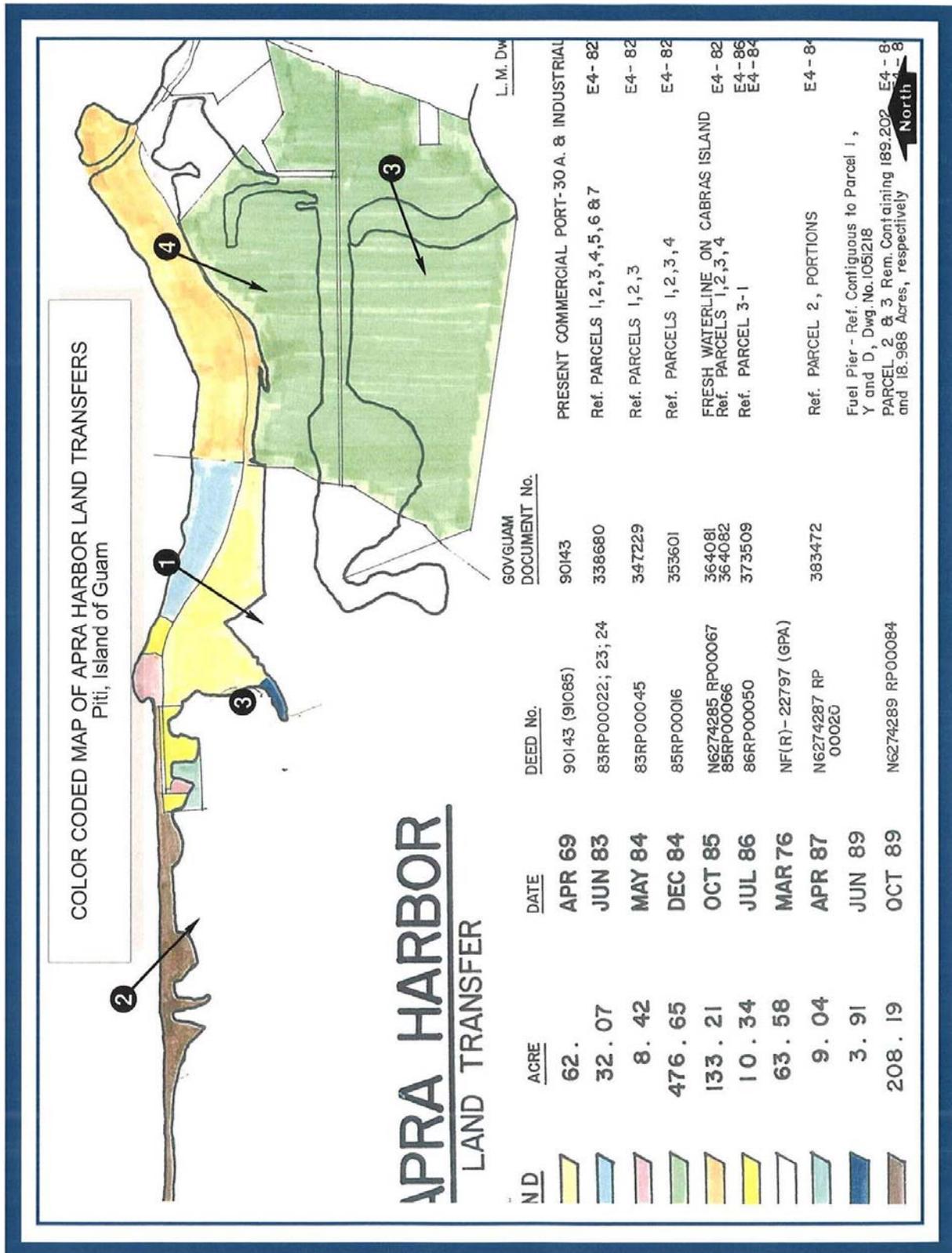
The subject adjacent fast land PAG land use designations vary and include most designations available. The recommended land use change map (subsequently approved) for the subject and vicinity is shown on following pages.

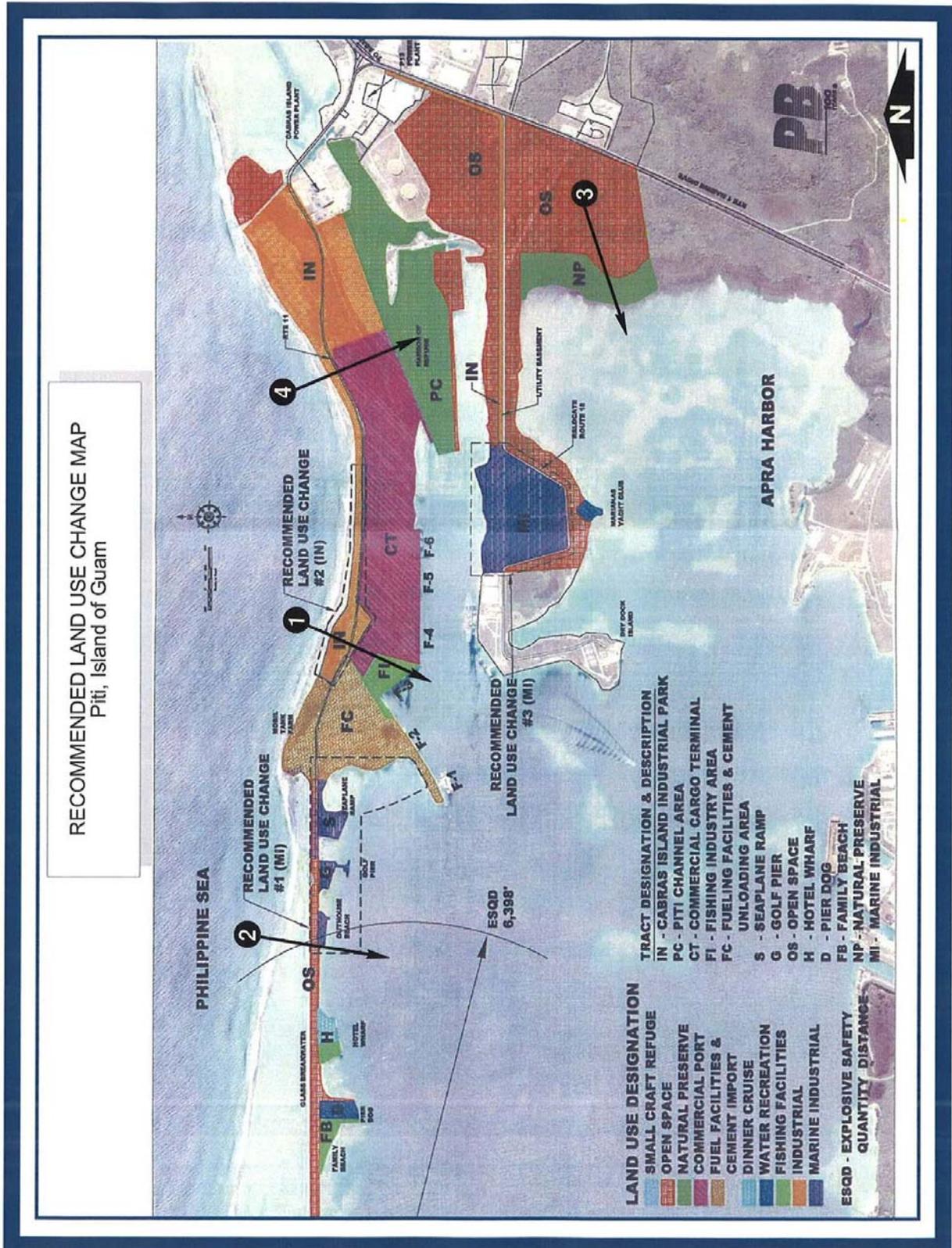
The Territorial Planning Council (TPC) previously commissioned the I Tano'-ta, the Land Use Plan for Guam. This comprehensive and controversial zoning code passed into law on May 1, 1999. However, due to public outcry, the new law was repealed effective May 26, 1999. Recently, a Governor-appointed task force recommended the Legislature to reject the plan. Most recently, there is some discussion to revive the plan. However, the new plan remains in limbo and the old zoning law is back in effect. Knowledgeable real estate market participants generally ignore the proposed zoning plan.

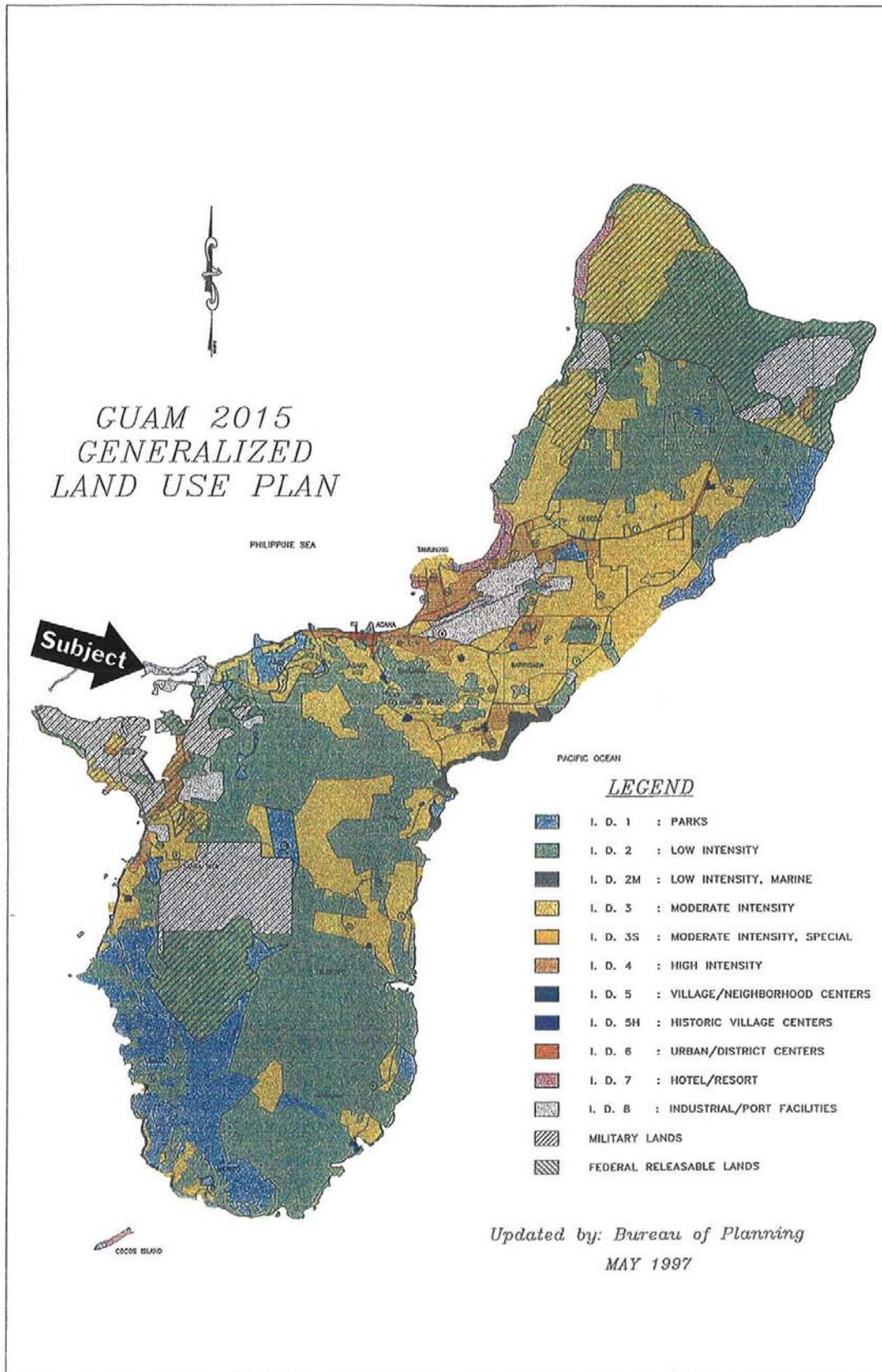
According to maps provided by the Territorial Planning Council, most of the adjacent fast land property is located in District 8: Industrial/Port Facilities. A Guam 2015 generalized land use plan map is included on following pages. This district includes the industrial, warehousing, port-oriented, and major utility areas of the Territory. Uses allowed also include those allowed in the Airport and Commercial Port Master Plan. A wide range of uses is allowed in Zoning District 8 including bakeries, manufacturing, bottling plants, quarries, warehousing, industrial services, etc.

Currently, because of the repeal of the new zoning law, it is unclear what the final restrictions for the subject property will be under the new plan. Further, it is unclear if, and when the new plan will be implemented. Prospective buyers, lenders, brokers and other active market participants typically ignore the new plan. Excerpts from the proposed Land Use Plan for Guam pertaining to Zoning District 8 is included in the









Addenda of this report as Exhibit 3. The new plan would have little to no impact on the subject as PAG oversees development on its properties.

Flood Zone

The subject properties involve submerged land and flood zones may or may not apply. However, flood zone maps identify the subject submerged areas as Zone A (Special Flood Hazard Areas Subject To Inundation By The 1% Annual Chance Flood; No Base Flood Elevations Determined) A copy of the flood zone map for the subject vicinity is shown on the following page. The subject flood designation also applies to the vast majority of adjacent fast land property at Cabras Island. Dry Dock Island fast land reflects Zone X Other Areas (Areas determined to be outside the 0.2% annual chance flood plain).

Assessed Values and Real Property Taxes

The Department of Revenue and Taxation completed the island-wide triennial assessment of all privately owned real estate in 1994. It is noted that W. Nicholas Captain served as Chief Appraiser on that assignment (completed by Cowell & Co., Inc., Honolulu, Hawaii). The effective date of that study was March 1, 1993. Appraised values are reported to be based on 100 percent of 1993 market values. Tax office values are rolled over on an annual basis without consideration of changing market conditions. By Public Law No. 30-7 dated April 2, 2009, assessed values are calculated based on 90 percent of the appraised value. Real estate taxes are currently computed based on 7/72 percent of the assessed value of land and 7/18 percent of the assessed value of improvements.

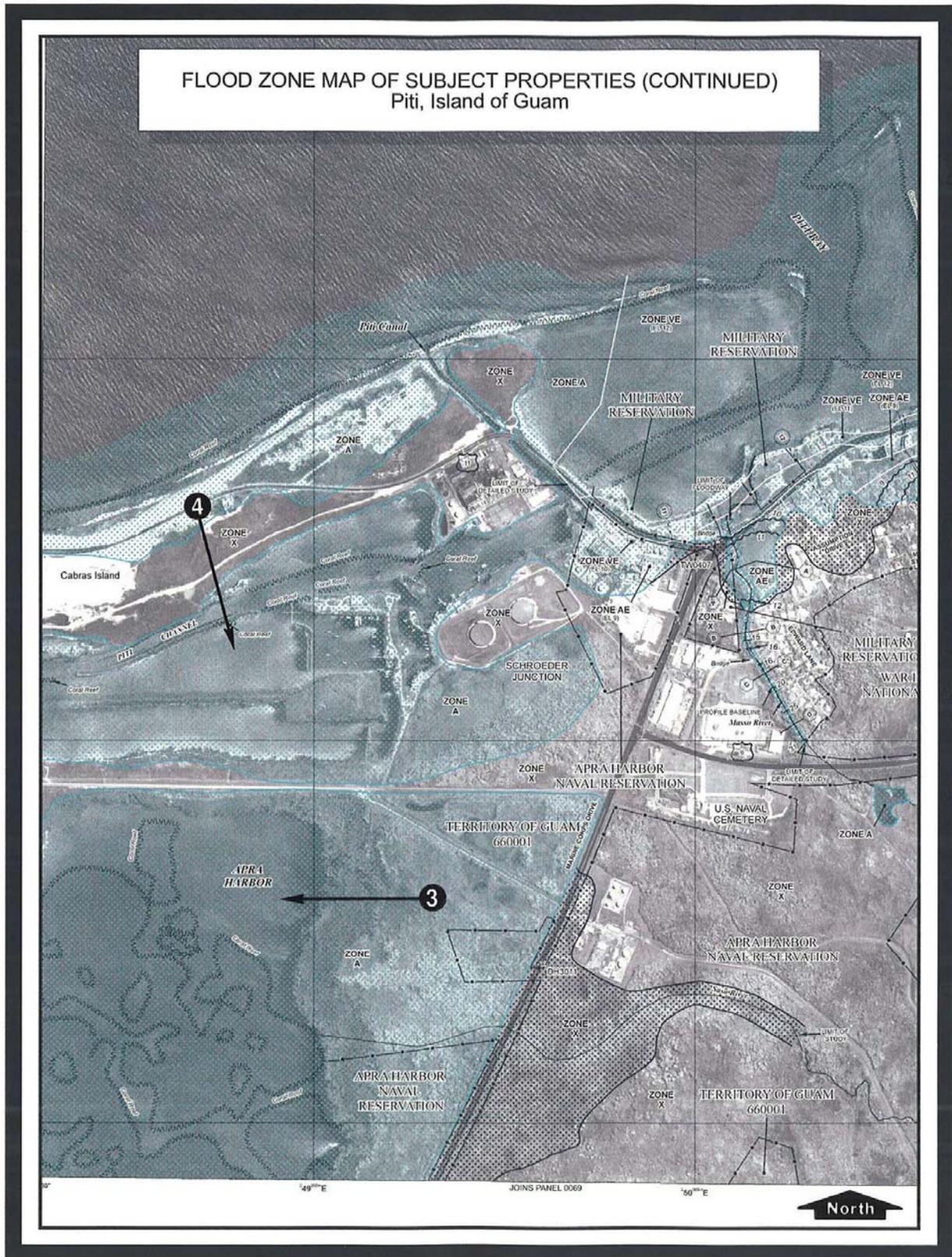
The subject properties are government owned and are therefore not assessed for real property tax purposes

In June 2007, the Governor presented various proposals in order to increase revenues. Part of the proposed tax and fee increases involves a doubling of real estate taxes. The government recently allocated \$877,000 for an updated Triennial, but it is unclear if the project will commence.

Utilities

Public utilities including electricity and water lines are generally located along the roads fronting adjacent fast land. The existing utility lines are assumed adequate to serve the existing and future potential development of the adjacent fast land. Electricity is provided via overhead transmission lines.





Easements and Encroachments

We are not aware of any easements or encroachments that substantially impact the subject submerged land.

Natural and Manmade Constraints

Most land on Guam is affected in one way or another by flooding, earthquakes, airplane noise or other natural and manmade constraints. In August 1982, the Government of Guam Bureau of Planning completed a project summarizing Guam's natural and manmade constraints. These items include the following.

- Air Installation Compatible Use Zones (AICUZ)
- Radio Frequency Interference (RFI) Free Zones
- Explosive Safety Quantity Distance (ESQD) Circles
- Historical/Prehistorical Sites
- Aquifer Recharge Areas
- Watershed
- Wells
- Seismic Fault Zones
- Slide and Erosion Zones
- Flood Hazard Areas
- Seashore Reserve
- Wetlands
- Marine Pristine Ecological Communities
- Coral Reefs
- Limestone Forest

According to the Bureau of Planning maps for Piti, the subject properties are affected by Explosive Safety Quantity Distance Circles (ESQD) due to proximity to the Navy ammo wharf and other factors. This natural and manmade constraint is typical. We understand that within the ESQD, inhabited structures and collapsible structures are prohibited while ship anchorages and wharves are generally not allowed.

Subject Parcel 3 is also affected by Pristine Ecological Communities and Coral Reefs due to its location within the Sasa Bay Marine Preserve. Subject Parcel 4 is also affected by Coral Reefs. Natural and manmade constraints, beyond these previously discussed, do not encumber the subject properties. See Assumptions and Limiting Conditions for comment on Coral Reef and Conservation values.

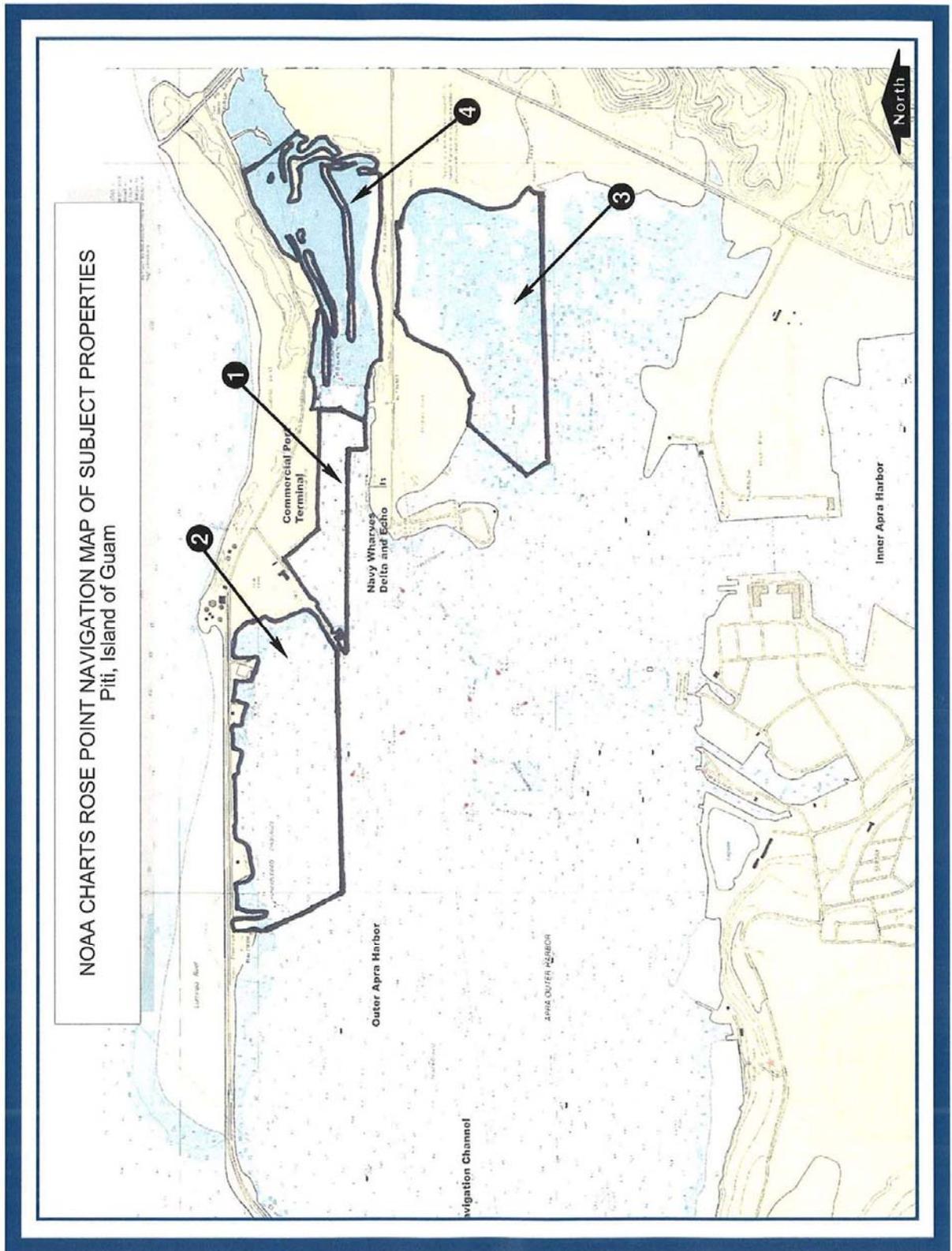
Master Plan

PB International, Inc., recently completed a revised Master Plan for PAG. According to the Master Plan Update 2007 Report for the Jose D. Leon Guerrero Commercial Port of Guam, the Port requires modernization in order to accommodate the significant

increase in demand projected in Port use in conjunction with the military expansion through 2015. A list of \$193± million in recommended upgrades was previously included herein. We are not aware of any plans for the subject submerged properties.

Water Depth

Water depths on the subject properties vary from very shallow to 45± feet. A NOAA Charts Rose Point Navigation Map of Subject Properties including water depths, is included on the following page.



VALUATION

Rights Appraised

The rights appraised involve the fee simple interest in the subject submerged lands. Our assignment involves the estimate of fair market rent for the subject interest.

Highest and Best Use as Vacant

Overview – Highest and best use is the reasonably probable use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Legally Permissible – The legally permissible uses for the subject submerged land are typically established by zoning which does not apply to submerged land. The adjacent fast land is mostly zoned M2, Heavy Industrial Zone. Considering PAG control, a wide range of uses, including the existing uses, is considered legally permissible for adjacent fast land purposes herein.

Physically Possible – Physical characteristics of the subject submerged land indicate that it is well suited for landfill or use conjunction with adjacent fast land. Most developed adjacent fast land involves port-related industrial uses.

Financial Feasibility – In order to be financially feasible, a use must meet the first two criteria previously discussed and must also produce a positive return to the property. We conclude that port-related industrial uses are financially feasible for adjacent fast lands. Other related uses may also be financially feasible.

Maximally Profitable – Of the financially feasible uses, the use that produces the highest return to land is considered to be its highest and best use. Although a detailed highest and best use analysis is beyond the scope of this assignment, we concluded a maximally profitable use considering the unique nature of the subject and other factors. The maximally productive use and the highest and best use (as vacant) of the subject submerged land is concluded for continued use as a water way and docking area, landfill or uses related to the adjacent fast land.

Highest and Best Use as Vacant Conclusion – We conclude that the highest and best use of the subject submerged land, as vacant, is for continued use as waterway and docking area, landfill or a use related to the adjacent fast land.

Highest and Best Use as Improved

Considering that the subject was analyzed as vacant and unimproved, a highest and best use as improved analysis does not apply.

Appraisal Methodology

Overview

Real estate is typically valued considering the three classic approaches to market value: cost, sales comparison and the income approaches. From the value indication of each analysis and the weight accorded to each, an opinion of value is concluded. This appraisal involves the analysis of the fee simple interest in the subject property and not all three approaches to value were utilized herein.

Submerged Land

Submerged land involves public land located below tidal water. The land cannot be owned by private individuals, but is owned by governments. Although the submerged land is not frequently used directly, the water above the submerged land is frequently used by both governments and private entities. Different government entities value submerged land differently. There is no universal formula for the valuation of submerged land. Therefore, reliance on generally accepted appraisal methodologies is appropriate.

According to a recent article on the valuation of submerged lands, “The methodology for submerged lands may be summarized as follows. First, the upland is valued based on recognized sales comparison techniques applied indirectly. Second, a rental survey is completed of public jurisdictions that lease submerged land to private entities, and a submerged fee rate is reconciled. The submerged fee rate, when applied to the upland value, provides an implied submerged land value. Third, a separate sales comparison approach is completed to determine a land capitalization rate. This land capitalization rate is then applied to the implied submerged land value to determine the annual lease payment for use of the tidal water above the submerged land.”⁷

In order to analyze the value of the fast land adjacent to the subject parcels, we researched and analyzed comparable land sales. Next, we researched and analyzed discounts reflected by submerged land compared with the estimated fast land values and determined a land rate of return. Our analyses further consider three zones of comparison within the relatively large subject parcels. The three zones reflect the marginal utility of the subject and were identified considering adjacent fast land use, proximity to fast land water depth, and other factors.

Cost Approach

This approach to value embodies estimates of the fee simple interest in the land, as if vacant, and the replacement cost of the improvements. From these are deducted the appraiser’s estimates of physical deterioration, functional obsolescence and economic obsolescence, if any, affecting the subject property. The cost approach is based on the

⁷ The Appraisal Journal, July 2001: *Valuation of Submerged Lands* by Lance W. Doré, MAI; P.S. Mitchell, PhD; and Janine L. Austin

premise that, except under most unusual circumstances, the value of a property cannot be greater than the cost of constructing similar improvements on a comparable site.

We did not employ the cost approach because the subject property was analyzed as submerged land only and the cost approach does not apply.

Sales Comparison Approach

This approach is based on the principle of substitution, i.e., that the value of the property is governed by the prices generally obtained for other similar properties. The market comparison approach or the market data approach is an appraisal technique in which the market value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of correlation and analysis of similar recently sold properties. The reliability of this technique is dependent upon (a) the degree of comparability of each property with the property under appraisal, (b) the time of the sale, (c) the verification of the sale data, and (d) the absence of unusual conditions affecting the sale.

We employed the sales comparison approach to estimate the adjacent fast land values. The most similar market transactions were analyzed in order to conclude a market value for the adjacent fast land. We further employed a similar methodology to estimate a market-supported land rate of return.

Income Approach

An investment property is normally valued in proportion to its ability to produce income. Hence, the income approach involves an analysis of the property in terms of its ability to provide a net annual income in dollars. This estimated net annual income is then capitalized at a rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments.

We did not employ the income approach to estimate market value for the subject property. This approach was not utilized considering that the property was analyzed considering the land as vacant and the income approach does not apply.

Reconciliation

From the value conclusions indicated by the three approaches, and the weight accorded to each, an opinion of market value was reached. The approaches were weighted in consideration of the subject improvement design, desirability and other factors which increase or decrease the reliability of the approaches utilized. Reconciliation is required because the different approaches typically result in different values. However, considering that only the sales comparison approach was completed herein, no reconciliation was required.

Sales Comparison Approach – Adjacent Fast Land

Overview

The sales comparison approach is based on the premise that the market value of a property is directly related to prices paid for similar competitive properties. The sales comparison approach relies on the appraisal principles of supply and demand, substitution, balance and externalities. Shifts in supply and demand factors including the number of potential tenants, purchasing power, proposed construction, rents, occupancy and other factors may cause price fluctuations for the subject and comparable properties. Substitution holds that a property's value is related to the price paid for a similar, equally desirable property. Balance, or the tendency of supply and demand forces to approach equilibrium, must also be considered. Externalities such as proximity to employment centers or the nature of the surroundings must be analyzed to determine whether they have a positive or negative effect on the value of a property.

The sales comparison approach is a reliable indicator of value when there is a sufficient number of reliable market transactions for similar properties. The sales comparison approach was used to analyze comparable land sales and estimate the market value of the fast land adjacent to the subject properties. A similar methodology was employed to estimate a market- supported land rate of return.

Market Data – Property Nos. 1, 2 and 4

The adjacent fast land varies widely depending on location. The adjacent fast land involved in subject Property Nos. 1, 2 and 4 is similar and mostly involves port-related industrial uses. These properties and the extremely similar land within the vicinity is owned by PAG. This monopolistic position allows PAG to set the price for the land. However, our assignment was to provide an opinion of market rent based on competitive and economic market forces, within the context of Guam's land market, as described in detail herein. In this regard, we researched both PAG land transactions and typical industrial land transactions within various locations island wide. We further considered unique characteristics associated with the southern and central vicinity locations.

In order to estimate the adjacent fast land values by sales comparison of comparable sales, we researched and analyzed sales of similar vacant sites in the vicinity of the subject. Regarding our research for comparable transactions, we reviewed recent PAG leases. Further, we maintain an updated internal database of all pertinent real estate transactions on Guam in recent years. Our database was compiled by physically reviewing over 175,000 documents recorded at the Department of Land Management. In addition to our database, we reviewed transactions included under the Multiple Listing Service (MLS). Due to a wider range of prices reflected in recent years, we focused our research on sales of comparable land parcels which occurred since 2007 in the central and southern portions of the island.

Our research disclosed three PAG comparables and six more typical industrial land transactions. Tables summarizing the transactions are shown on the following pages with accompanying maps. The three PAG transactions occurred in the December 2004 to December 2009 time frame. The comparables reflect a range of unit rate prices from \$104 to \$597 per square meter of land area. Further details regarding the primary transactions are included as Exhibit 4 in the Addenda of this report. The primary transactions are further discussed in the following paragraphs.

Transaction No. PAG-1 involves a 4,983± square meter mostly vacant site with concrete pad located along Apra Harbor and Cabras Road, immediately west of Golf Pier, Piti. The M2-zoned land was leased by Lease Agreement in November 2008 from The Port Authority of Guam to Cementon Micronesia, LLC. The ground rent reflects a unit rate of \$597 per square meter.

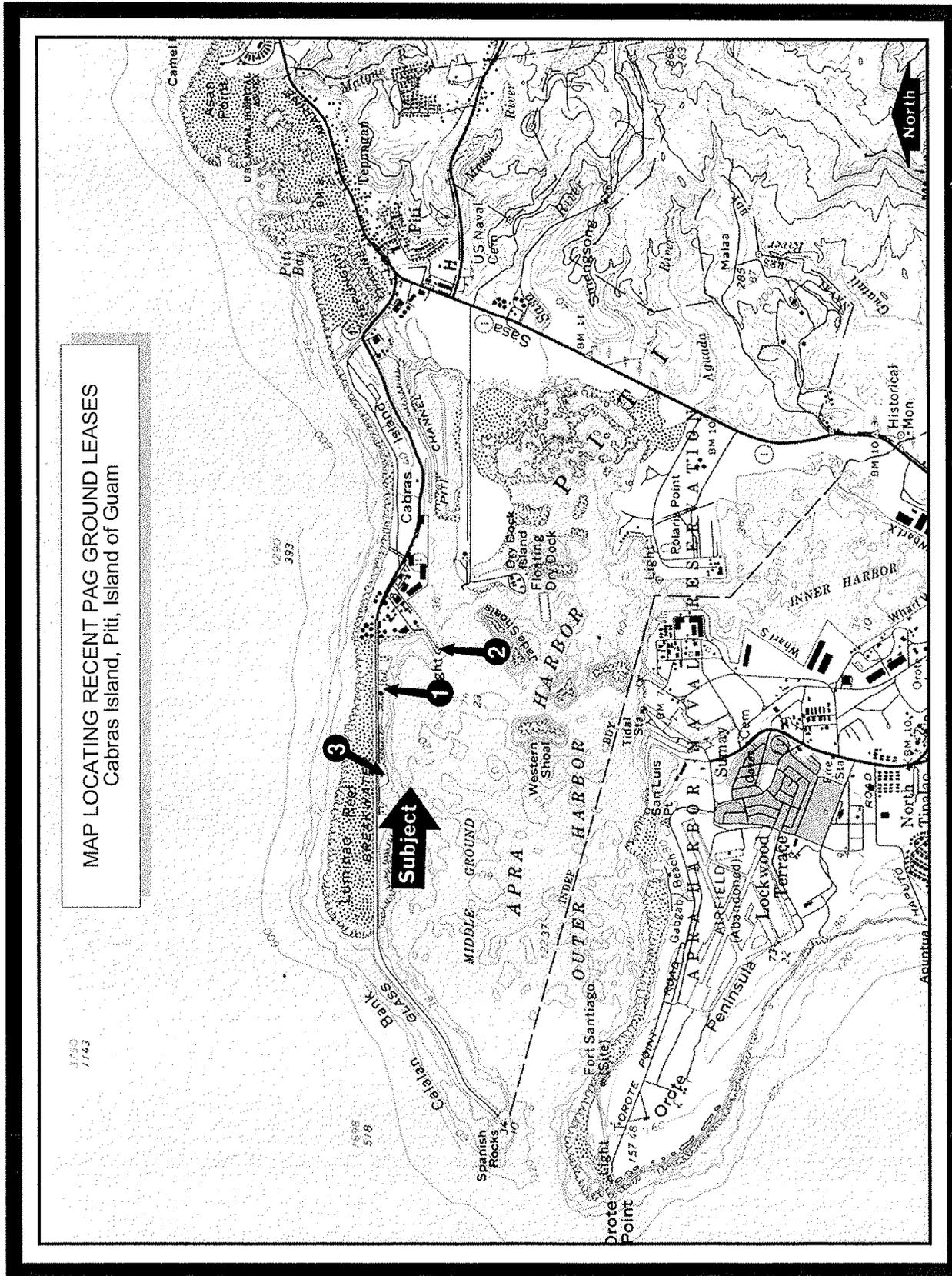
Details of this transaction were verified with a representative of the lessor. The rate was based on the prevailing \$0.37 per square foot per month rate for use of open space land at the Port. The land was acquired for development with cement sites. A pipeline for off-loading cement will connect this property to Golf Pier. If the Landlord is authorized to enter into leases with terms in excess of five years, the lessee shall receive up to 3, five year options.

Transaction No. PAG-2 involves a 7,307± square meter mostly vacant site with various petroleum related improvements located adjacent to F1 Pier, Piti. The M2-zoned land was leased by Lease in December 2006 from The Port Authority of Guam to Shell Guam, Inc.. The ground rent reflects a unit rate of \$126 per square meter. Details of this transaction were verified with a representative of the lessor.

Our research also disclosed six more typical industrial land transactions. The two primary transactions occurred in the September 2008 to September 2009 time frame. The comparables reflect a range of unit rate prices from \$110 to \$178 per square meter. Further details are included under Exhibit 5 in the Addenda of this report. The primary transactions are further discussed in the following paragraphs.

Transaction No. P-1 involves a 16,000± square meter vacant site located along Frank G. Benavente Street in Barrigada. The M1-zoned land sold by Warranty Deed in September 2009 (seller's execution date) from E.C. Development Group, LLC to Commercial Plumbing Properties, LLC. The \$1,760,000 sale price (cash to seller) reflects a unit rate of \$110 per square meter of land area.

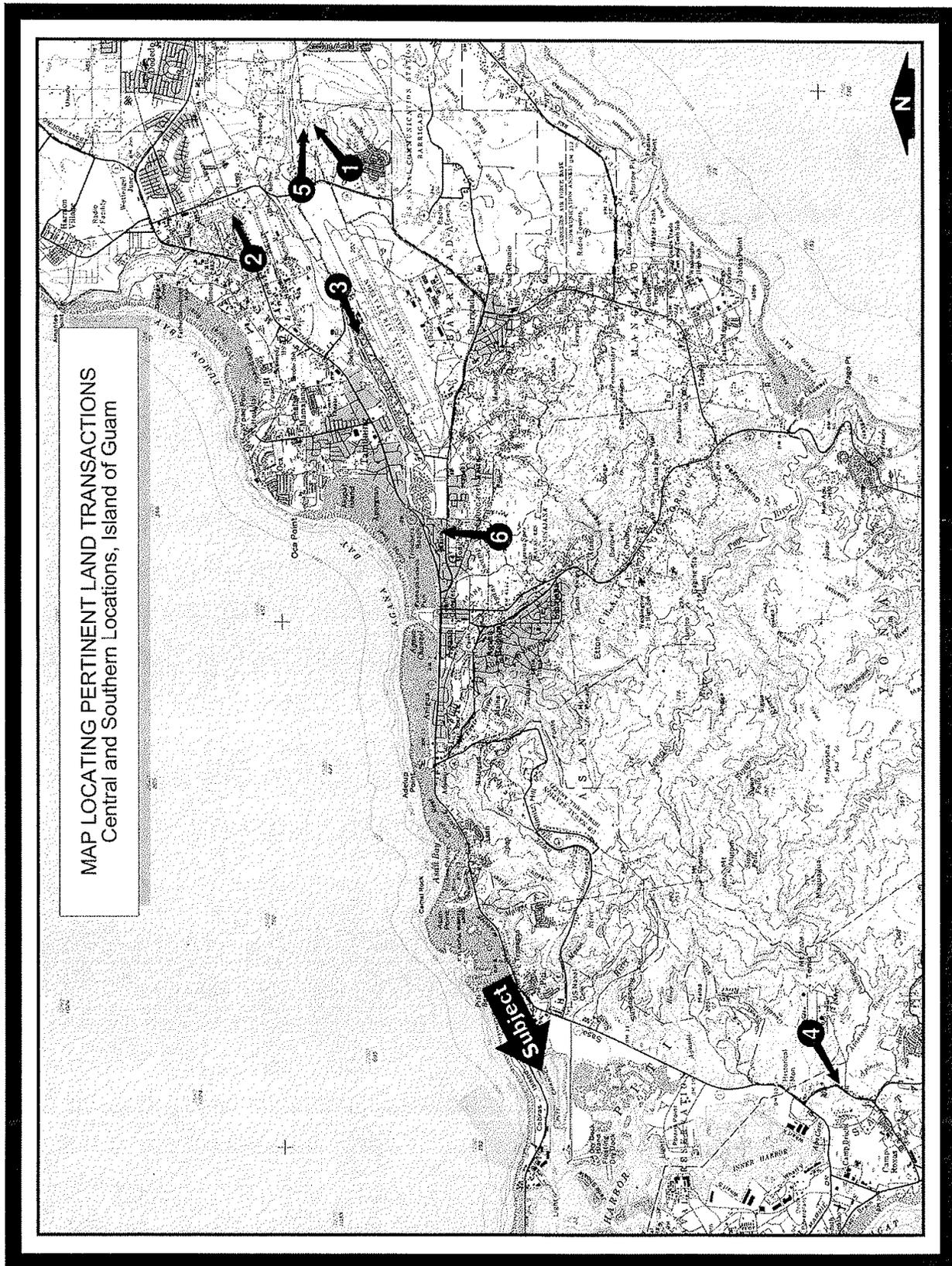
Details of this transaction were verified with Mr. Leonard Calvo, a representative of the seller. Mr. Calvo confirmed the sale price. He noted that the buyer acquired the property for development with a partially owner-occupied 50,000± square foot concrete warehouse. It is noted that the seller acquired the property in June 2007 for \$1,290,000 (\$81 per square meter).



SUMMARY OF RECENT PAG GROUND LEASES
Cabras Island, Piti, Island of Guam

No.	Location (Lot No.)	Land Area (sm)	Tenant	Lease		Option	Current Rent (\$/yr)	Indicated Land Value [1]		Comments
				Comm.	Term			Exp.	\$	
<u>PRIMARY DATA</u>										
PAG-1	Parcel 3-1, Piti	4,983 ±	Cementon Micronesia	12/1/09	5 years	11/30/14	\$238,164	\$2,977,050	\$597	Lease amended on 08/21/2009 in regards to land area and rent.
PAG-2	Finger Tip, Main Pipeline, Dog- leg, and Geda, Piti	7,307 ±	Shell Guam, Inc.	12/1/06	5 years	11/30/11	\$73,864	\$923,300	\$126	F1 pier. Negotiated in conjunction with Management agreement.
<u>COLLATERAL DATA</u>										
PAG-3	Hotel Wharf (A portion of Parcel 3-REM), Piti	12,000 ±	Guam YTK Corporation	12/14/01	45 years	12/13/46	\$100,000	\$1,250,000	\$104	Tenant to pay percentage rent of 2 to 6 percentage of gross revenue of minimum rent, whichever is greater.

[1] Based on Land Rate of Return of 8% p.a.



SUMMARY OF PERTINENT LAND TRANSACTIONS
Central and Southern Locations, Island of Guam

Trans. No.	Location (Lot No.)	Land Area (sm)	Zoning	Transaction		Sales Price/ Indicated Value		Comments
				Type	Date	Total	\$/SM	
PRIMARY DATA								
P-1	Frank G. Benavente Street, Barrigada (5224-2-4NEW-R5 & -5)	16,000	M1	Deed	09/09	\$1,760,000	\$110	Mostly fairly level with small portions steeply sloping due to prior excavation. All utilities to site or nearby. Acquired for owner-occupant/ investment development purposes. Seller acquired the land in June 2007 for \$1.29 million (\$81 per square meter).
P-2	Finegayan Road, Harmon, Tamuning (5099-6)	6,307	M1	Deed	09/08	\$1,120,000	\$178	Fairly level, rectangular shaped lot with all utilities available nearby. Paved road frontage. Buyer previously leased the land and rezoned from R2.
COLLATERAL DATA								
P-3	East Sunset Boulevard, GIAA vicinity, Barrigada (CTSI Site, Portion of Tiyan Housing Block 2)	7,644	None	Lease	12/08	\$768,225	\$101	Slightly sloping, trapezoidal lot with all utilities nearby. Twenty-five year lease plus one, 15-year option. Rent to increase by 10 percent every five years. Access rights to airside/ flightline. GIAA ground lease.
P-4	Route 2A, Piti/Agat (T2411, L1NEW P1)	5,291	M2	Deed	04/07	\$420,000 (see comments)	\$79	Fairly level lot with all utilities. Improved with 10,000± square foot metal industrial building. Indicated price of \$620,000 less \$200,000 of building allocation.
P-5	Bello Road and Frank G. Benavente Street, Barrigada (5224-3-2)	3,070 (net)	M1	Deed	02/09	\$400,000	\$130	Rectangular shaped corner lot. Fairly level topography with all public utilities available at site or nearby. Land area excludes 50-foot public access easement.
P-6	Route 8, Mongmong-Toto-Maite (2052-5-1, etc.)	15,773	C/R2	Deed	07/07	\$4,000,000	\$254	Fairly level lot. Includes various abandoned buildings. Acquired for eventual redevelopment with owner-occupant commercial building.

Transaction No. P-2 involves a 6,307± square meter mostly vacant site located along Finegayan Road in Tamuning. The M1-zoned land sold by Warranty Deed in September 2008 from Guam Sanko Transportation Inc. to SJ Rental. The \$1,120,000 sale price (cash to seller) reflects a unit rate of \$178 per square meter of land area.

Details of this transaction were verified with Mr. Ichikawa Hisatsugu, Assistant Sales Manager of SJ Rental, the buyer. Mr. Hisatsugu confirmed the sale price and noted that they purchased the lot for greater business (heavy equipment rental) exposure. It is noted that prior to the sale, the property was listed on Multiple Listing Service (MLS) for 197 days at an asking price of \$1,272,000 (\$202/sm). Further, the buyer was an existing tenant at the date of sale and previously rezoned the land from R2, Multiple Dwelling Zone to M1, Limited Industrial Zone.

Collateral Transactions – The collateral transactions were not considered to be the best indicators of value for the subject property considering time of sale and other factors. However, these collateral transactions provide additional support for the conclusions reached herein.

Sales Comparison – Property Nos. 1, 2 and 4

Sales comparison analyses of the adjacent fast lands, based on the four primary transactions, are summarized as shown on the tables on following pages. For purposes of analysis, a unit rate of dollars per square meter of land area was employed. This is the unit rate typically employed by buyers and sellers in the marketplace. For benchmark analysis purposes, the subject was estimated to reflect approximately 4,000 square meters. The four transactions, before adjustment, reflect a range of unit rate prices from \$110 to \$597 per square meter of land area. We made adjustments considering property rights conveyed, financing, conditions of sale, market conditions, location, frontage/access, topography, zoning and highest and best use, and size as shown on the table. Considering that the subject features unique and unusual characteristics and subjective decisions are required by the appraiser, our adjustments were supported by our analysis of market data as well as our experience and judgment. Considering the differences between the subject and the comparables, we completed our analysis on a qualitative rather than a quantitative basis.

In the event that the subject was considered superior to the comparables, positive adjustments were required. If the subject was considered inferior to the comparables, negative adjustments were required. The magnitude of the adjustment is based on our analysis of the difference between the subject and each comparable, in light of available market data and support. Further details regarding our analysis and adjustments are included in our files.

Property No. 1 Overall Adjustments – Based on our analysis of the comparables, we concluded approximate overall quantitative adjustments. The adjustments allow for further analysis and are considered reasonable on an overall basis. Overall, the fast

ADJACENT FAST LAND
LAND VALUE ANALYSIS - SUBJECT PROPERTY NO. 1
Piti, Island of Guam

DESCRIPTION	Subject	Trans. No. PAG-1	Trans. No. PAG-2	Trans. No. P-1	Trans. No. P-2
Location:	Fast land Adjacent to Subject Property No. 1, Piti Various	Cabras Island, Piti Parcel 3-1	F1 Pier, Finger Tip, Piti NA	Frank G. Benavente St., Barrigada 5224-2-4NEW-RS & -5	Finegayan Road, Harmon, Tamuning 5099-5
Lot I.D./Nos.:	-	12/09	12/06	09/09	09/08
Transaction Date:	-	Lease	Lease	Deed	Deed
Transaction Type:	M2	M2	M2	M1	M1
Zoning:	4,000 (est)	4,983	7,307	16,000	6,307
Land Area :	- square meters				
TRANSACTION ANALYSIS					
Sale Price/Indicated Land Value		\$2,977,050	\$923,300	\$1,760,000	\$1,120,000
Unit Rate - \$/sm		\$597	\$126	\$110	\$178
ADJUSTMENT FOR PROPERTY RIGHTS CONVEYED:					
Property Rights Conveyed Adjustment	x	0.90	1.00	1.00	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)		\$537	\$126	\$110	\$178
ADJUSTMENT FOR FINANCING:					
Financing Adjustment	x	1.00	1.00	1.00	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)		\$537	\$126	\$110	\$178
ADJUSTMENT FOR CONDITIONS OF SALE:					
Conditions of Sale Adjustment	x	0.90	1.50	1.00	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)		\$483	\$189	\$110	\$178
ADJUSTMENT FOR MARKET CONDITIONS:					
Market Conditions Adjustment	x	1.01	1.54	1.04	1.20
Adjusted Unit Rate (\$/Sq. M. of Land Area)		\$488	\$291	\$114	\$214
OTHER ADJUSTMENTS					
Location		Equal (o)	Equal (o)	Superior (-)	Superior (-)
Frontage/Access		Equal (o)	Equal (o)	Inferior (+)	Inferior (+)
Topography		Equal (o)	Equal (o)	Inferior (+)	Equal (o)
Zoning/Highest & Best Use		Superior (-)	Equal (o)	Inferior (+)	Inferior (+)
Size		Equal (o)	Inferior (+)	Inferior (+)	Inferior (+)
Net Adjustments		Superior (-)	Inferior (+)	Inferior (+)	Inferior (+)
Subtotal		\$488	\$291	\$114	\$214
Approximate Overall Quantitative Adjustments	x	0.85	1.35	2.35	1.55
Adjusted Unit Rate Per Square Meter		\$415	\$393	\$288	\$332
INDICATED SUBJECT FEE SIMPLE VALUE		\$1,660,000	\$1,572,000	\$1,072,000	\$1,328,000
WEIGHTED AVERAGE		\$415,000	\$393,000	\$288,000	\$332,000
Weighting Factor:	x	0.25	0.25	0.25	0.25
Weighted Average:		\$1,408,000	\$350 per square meter	\$268	\$352
INDICATED SUBJECT FEE SIMPLE VALUE:	Say:	\$1,400,000			
UNWEIGHTED SUMMARY					
T o t a l \$		\$1,072,000		\$268	
Range:		\$1,660,000			\$415
Median:		\$1,450,000			\$363
Mean:		\$1,408,000			\$352

[1] The effective date of analysis is: 04/23/10

land adjacent to Subject Property No. was concluded as inferior to Comparable No. 1, but superior to the remaining comparables which received positive adjustments. Adjustments ranged from -15 percent to +135 percent as shown on the table. The fast land adjacent to Property No. 1 was concluded to reflect a value of \$350 per square meter.

Property Nos. 2 and 4 Overall Adjustments – Overall, the comparables were adjusted to reflect the differences with the fast land adjacent to Property Nos. 2 to 4. The analyses and adjustments were similar to those completed for Property No. 1. Sales comparison analysis tables for these adjacent fast land properties are included on following pages.

Indicated Adjacent Fast Land Fee Simple Land Values –The four transactions, after adjustment, reflect a range of unit rate fee simple values for the adjacent fast land as follows.

<u>Property No.</u>	<u>Indicated Adjacent Fast Land Value (\$/sm)</u>
1	\$350
2	\$250
4	\$125

ADJACENT FAST LAND
LAND VALUE ANALYSIS - SUBJECT PROPERTY NO. 2
Piti, Island of Guam

DESCRIPTION	Trans. No. PAG-1	Trans. No. PAG-2	Trans. No. P-1	Trans. No. P-2
Location:	Cabras Island, Piti	F-1 Pier, Finger Tip, Piti	Frank G. Benavente St., Barrigada	Finigayan Road, Harmon, Tamuning
Lot ID./Nos.:	Subject Property No. 2, Piti Various	Parcel 3-1	5224-2-4NEW-RS & -5	5099-6
Transaction Date:	-	12/09	08/09	08/08
Transaction Type:	M2	Lease	Deed	Deed
Zoning:	M2	M2	M1	M1
Land Area : - square meters	4,000 (est)	7,307	16,000	6,307
TRANSACTION ANALYSIS				
Sale Price/Indicated Land Value	\$2,977,050	\$923,300	\$1,760,000	\$1,120,000
Unit Rate - \$/sm	\$597	\$126	\$110	\$178
ADJUSTMENT FOR PROPERTY RIGHTS CONVEYED:				
Property Rights Conveyed Adjustment	x	1.00 x	1.00 x	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$537	\$126	\$110	\$178
ADJUSTMENT FOR FINANCING:				
Financing Adjustment	x	1.00 x	1.00 x	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$483	\$189	\$110	\$178
ADJUSTMENT FOR CONDITIONS OF SALE:				
Conditions of Sale Adjustment	x	1.54 x	1.04 x	1.20
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$488	\$291	\$114	\$214
OTHER ADJUSTMENTS:				
Location	Equal (o)	Equal (o)	Superior (-)	Superior (-)
Frontage/Access	Equal (o)	Equal (o)	Inferior (+)	Inferior (+)
Topography	Equal (o)	Equal (o)	Inferior (+)	Equal (o)
Zoning/Highest & Best Use	Superior (-)	Equal (o)	Inferior (+)	Inferior (+)
Size	Equal (o)	Inferior (+)	Inferior (+)	Inferior (+)
Net Adjustments	Superior (-)	Equal (o)	Inferior (+)	Inferior (+)
Subtotal	\$488	\$291	\$114	\$214
Approximate Overall Quantitative Adjustments	x	1.00 x	2.00 x	1.20
Adjusted Unit Rate Per Square Meter	\$244	\$291	\$228	\$257
INDICATED SUBJECT FEE SIMPLE VALUE	\$976,000	\$1,164,000	\$912,000	\$1,028,000
WEIGHTED AVERAGE	Weighting Factor: x	0.25 x	0.25 x	0.25
	\$244,000	\$291,000	\$228,000	\$257,000
INDICATED SUBJECT FEE SIMPLE VALUE:	Weighted Average:			
UNWEIGHTED SUMMARY	Say:			
	\$1,000,000			
Range:	\$912,000 to			\$291
Median:	\$1,002,000			\$251
Mean:	\$1,020,000			\$255
Total \$				
Unit Value (\$/sm)				
228 to				

[1] The effective date of analysis is: 04/23/10

ADJACENT FAST LAND
LAND VALUE ANALYSIS - SUBJECT PROPERTY NO. 4
Piti, Island of Guam

DESCRIPTION	Trans. No. PAG-1	Subject	Trans. No. PAG-2	Trans. No. P-1	Trans. No. P-2
Location:	Cabras Island, Piti	Fast land adjacent to Subject Property No. 4, Piti Various	F-1 Pier, Finger Tip, Piti	Frank G. Benavente St., Barrigada	Finegeyan Road, Harmon, Tamuning
Lot ID./Nos.:	Parcel 3-1		NA	5224-2-4NEW-R5 & -5	5099-6
Transaction Date:	12/09		12/06	09/09	09/08
Transaction Type:	Lease		M2	Deed	Deed
Zoning:	M2		M2	M1	M1
Land Area:	4,983	4,000 (est)	7,307	16,000	6,307
TRANSACTION ANALYSIS					
Sale Price/indicated Land Value	\$2,977,050		\$923,300	\$1,760,000	\$1,120,000
Unit Rate - \$/sm	\$597		\$126	\$110	\$178
ADJUSTMENT FOR PROPERTY RIGHTS CONVEYED:					
Property Rights Conveyed Adjustment	x		1.00 x	1.00 x	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$537		\$126	\$110	\$178
ADJUSTMENT FOR FINANCING:					
Financing Adjustment	x		1.00 x	1.00 x	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$537		\$126	\$110	\$178
ADJUSTMENT FOR CONDITIONS OF SALE:					
Conditions of Sale Adjustment	x		1.50 x	1.00 x	1.00
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$483		\$189	\$110	\$178
ADJUSTMENT FOR MARKET CONDITIONS:					
Market Conditions Adjustment	x		1.54 x	1.04 x	1.20
Adjusted Unit Rate (\$/Sq. M. of Land Area)	\$488		\$291	\$114	\$214
OTHER ADJUSTMENTS					
Location	Equal (o)		Equal (o)	Superior (-)	Superior (-)
Frontage/Access	Equal (o)		Equal (o)	Inferior (+)	Inferior (+)
Topography	Equal (o)		Equal (o)	Inferior (+)	Equal (o)
Zoning/Highest & Best Use	Superior (-)		Superior (-)	Equal (o)	Superior (-)
Size	Equal (o)		Inferior (+)	Inferior (+)	Inferior (+)
Net Adjustments	Superior (-)		Superior (-)	Inferior (+)	Superior (-)
Subtotal	\$488		\$291	\$114	\$214
Approximate Overall Quantitative Adjustments	x		0.40 x	1.10 x	0.60
Adjusted Unit Rate Per Square Meter	\$122		\$116	\$125	\$128
INDICATED SUBJECT FEE SIMPLE VALUE					
WEIGHTED AVERAGE	\$488,000		\$464,000	\$500,000	\$512,000
Weighting Factor:	0.25	x	0.25	0.25	0.25
Weighted Average:	\$122,000		\$116,000	\$125,000	\$128,000
INDICATED SUBJECT FEE SIMPLE VALUE					
UNWEIGHTED SUMMARY	\$500,000		\$125 per square meter		
UNWEIGHTED SUMMARY					
Range:	\$464,000	to	\$512,000	\$116	to
Median:	\$494,000		\$491,000		\$128
Mean:	\$491,000		\$491,000		\$123

[1] The effective date of analysis is: 04/23/10

Market Data – Property No. 3

Property No. 3 is significantly different from the other three properties. This property is not located adjacent to Cabras Island, but includes Sasa Bay. The adjacent fast land varies from mangrove forest to the yacht club property. We relied on the prior comparables to value the more typical adjacent fast land. The fast land along Dry Dock Road and the yacht club vicinity is similar to Property No. 4's adjacent fast land. Therefore, we concluded \$125 per square meter for this adjacent fast land area.

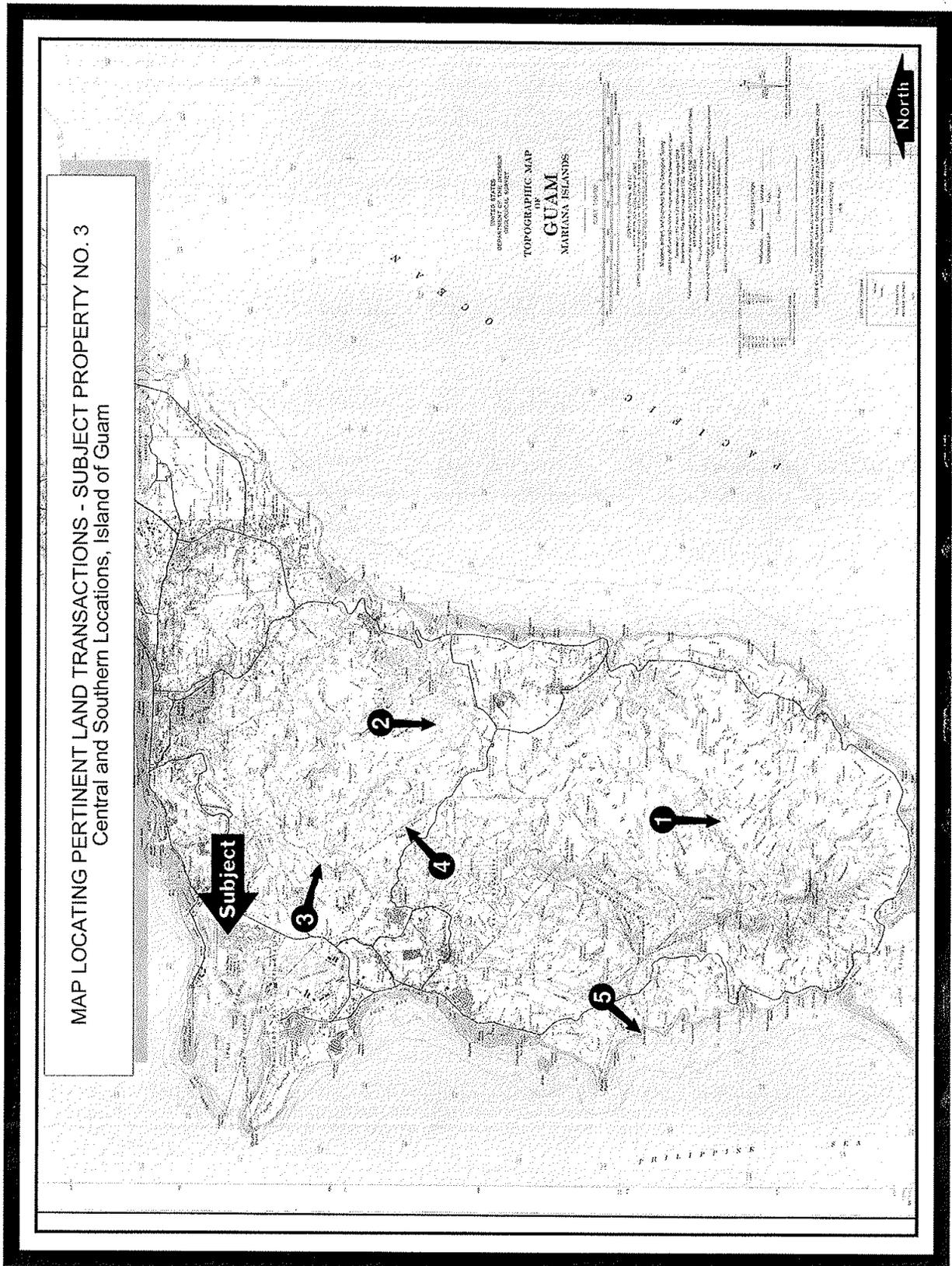
The mangrove forest frontage was analyzed considering an alternate set of comparables. Our research in this regard disclosed five comparable land transactions. A table summarizing the transactions is shown on the following page with an accompanying map. The five transactions occurred in the March 2003 to June 2006 time frame. The comparables reflect a range of unit rate prices from \$0.48 to \$6.78 per square meter of land area. Further details regarding these transactions are included as Exhibit 6 in the Addenda of this report. The transactions are further discussed in the following paragraphs.

Transaction No. 1 involves a 2,080,689± square meter vacant site located West of Route 4, abutting Dandan Estate Lot B to the west in Inarajan. The P.U.D. (Planned Unit Development) zoned land sold by Warranty Deed in June 14, 2006 from Cyfred, Ltd. to Lot 275 LLC. The \$1,000,000 sale price (cash to seller) reflects a unit rate of \$0.48 per square meter of land area.

Details of this transaction were verified with Mr. John Baldwin, a representative of the buyer. Mr. Baldwin confirmed the sale price. It is noted that the seller acquired the property in May 2002 for \$1.0 million (including \$200,000 down payment and \$800,000 seller financing). The recent buyer subsequently listed the property on Multiple Listing Service (MLS) with an asking price of \$4,950,000 (\$2.37 per square meter).

Transaction No. 2 involves a 1,292,743± square meter vacant site located along Route 17, Windward Hills Golf Course vicinity in Yona. The A-zoned land sold by Grant Deed in February 22, 2006 from Carol Jeffrey-Thorpe, Administratrix with the Will Annexed of the Estate of Violet L. Holbrook to Pedro R. Pangelinan. The \$1,000,000 sale price (\$500,000 cash to seller and \$500,000 via Mortgage dated February 22, 2006 and recorded as Instrument No. 721577) reflects a unit rate of \$0.77 per square meter of land area.

Details of this transaction were verified with Mr. Chris Felix and Ms. Sheila Torres, real estate agents who were involved in this sale. Both Mr. Felix and Ms. Torres confirmed the sale price. Mr. Felix noted that the seller financing includes 10 monthly payments of \$50,000 with no interest. Mr. Felix stated that the seller financing did not affect the price due to its short term. Further, he stated that the property required survey and both buyer and seller split the \$18,000 cost. Mr. Felix previously noted that approximately 20 to 40 percent of the total land area is usable due to topography.



SUMMARY OF PERTINENT LAND TRANSACTIONS - SUBJECT PROPERTY NO. 3
 Central and Southern Locations, Island of Guam

Trans. No.	Location (Lot No.)	Land Area		Zoning	Transaction		Sales Price/ Indicated Value		Comments
		(\$M)	(Acres)		Type	Date	Total	\$/SM	
1	West of Route 4, abutting Dandan Estate Lot B to the west, Inarajan (275)	2,080,689	514.1	P.U.D.	Deed	06/06	\$1,000,000	\$0.48	Remote interior area with no utilities available. Rolling topography with some level areas. Seller acquired the property in May 2002 for \$1.0 million. Previously listed on MLS for sale at \$4.0 million (\$1.92 per square meter).
2	Route 17, Yona (T2912, L4-R28)	1,292,743	319.4	A	Deed	02/06	\$1,000,000	\$0.77	Paved road frontage with power and water. Fairly level to rolling hills with steep sections. Short term seller financing. Lot is located around golf course. Previously sold in May 2002 for \$800,000. Previous buyer subsequently defaulted on debt and seller regained ownership. Currently listed on MLS for sale at \$12.9 million (\$10 per sq. m.)
3	Off of Turner Road, Piti (A-1-R3)	545,688	134.8	A	Deed	06/05	\$350,000	\$0.64	Dirt road frontage with no power and water. Mostly sloping with rolling hills. Approximately 75 percent of the land area is usable. Acquired for long-term investment purposes. Listed on MLS for sale at \$3.28 million (\$6.01 per square meter), since early 2006.
4	Route 17, east of Apra Heights, Agat (401-1-9NEW-R2)	1,000,000	247.1	A	Deed	03/05	\$950,000	\$0.95	Extensive paved road frontage with power and water. Fairly level with rolling hills and low lying wetland areas. Previously approved for golf course development, but buyer acquired for long-term holding and investment purposes.
5	Seila Bay, Umatac (L-28 and L-29)	88,512	21.9	A	Deed	03/03	\$600,000	\$6.78	Fairly level lots with no utilities and no existing road access. Remote with narrow ocean frontage and frontage along two rivers. Unregistered land subject to area dispute. Historic sites on property.

Transaction No. 3 involves a 545,688± square meter vacant site located Off of Turner Road in Piti. The A-zoned land sold by Warranty Deed in June 13, 2005 from Lesson One, Inc. to Vincent Chi-Wa Lin and Angelo Chi-Lien Lin. The \$350,000 sale price (cash to seller) reflects a unit rate of \$0.64 per square meter of land area.

Details of this transaction were verified with Mr. Vincent Lin, one of the buyers. Mr. Lin stated that the Japanese seller needed to sell the land in order to terminate operations on Guam. He further noted that the land was acquired for long-term investment purposes. The land benefits from good, distant ocean views and according to Mr. Lin, approximately 75± percent of the land area is usable for residential subdivision purposes. It is noted that the buyers subsequently listed the property for sale on MLS in March 2006 with an asking price of \$3,280,000 (\$6.01 per square meter).

Transaction No. 4 involves a 1,000,000± square meter vacant site located along Route 17 (Cross Island Road), east of Apra Heights in Agat. The A-zoned land sold by Warranty Deed in march 11, 2005 from STT Resort inc. of Guam to Terra Capital Corporation. The \$950,000 sale price (cash to seller) reflects a unit rate of \$0.95 per square meter of land area.

Details of this transaction were verified with various representatives of Terra Capital Corporation, the buyer. The land was acquired for long-term holding and investment purposes.

Transaction No. 5 involves a 88,512± square meter vacant site located along Sella Bay, west of Route 2, south of Facpi Point and north of Cetti Bay in Umatac. The A-zoned land sold by Warranty Deeds in March 20, 2003 from Isabel A. Borja to family Finance Company, Inc. The \$600,000 sale price (cash to seller) reflects a unit rate of \$6.78 per square meter of land area.

Details of this transaction were verified with Mr. Oliver Bordallo, an attorney involved in the foreclosure related sale. Mr. Bordallo noted that although the buyer believed that the fair market value was lower than the purchase price, the seller owed this amount to the buyer and a relationship between the parties existed. Further, the buyer has additional property in the vicinity and there is additional cultural and historic ties to the land. According to Mr. Bordallo, the land is unregistered and the actual land area may be subject to dispute. The land area per the deeds reflects 100,000 square meters per lot, but lot maps indicated the areas shown above.

Sales Comparison – Property No. 3

The fast land adjacent to Property No. 3 involves two separate components. The area along Dry Dock Road and the yacht club vicinity was concluded to reflect a value of \$125 per square meter. The mangrove forest frontage is relatively lacking in potential uses. Land with no or limited near term economic value reflects less than \$10 per square meter. Overall, our analysis indicates that the subject mangrove forest fast land reflects a unit rate of \$5 per square meter.

Market Ground Rent

In order to estimate a market rent for the adjacent fast lands, we multiplied the previously estimated fee simple land value by the estimated market land rate of return. In order to determine a reasonable land rate of return, we researched and analyzed available market data and interviewed market participants. A summary of market land rate of return data is shown on the following page. It is noted that the land rates of return reflect and assume a long-term ground lease arrangement.

Our research disclosed 16 various long-term ground lease transactions from which we could extract support regarding a land rate of return. As shown on the table, the indicated land rate of return ranges from approximately 5.0 to 8.0 percent. Most recently, declining interest rates have placed downward pressure on rates of return.

Market participants interviewed over the years confirm that an eight percent rate of return on land may be appropriate for land on Guam. The most recent private transaction indicators reflect 8.0 percent. Based on our analysis of market data and considering market interviews, we concluded a land rate of return, assuming typical long-term ground lease provisions, of 8.0 percent. For purposes of estimating a fair market rent for the adjacent fast lands, we utilized a land rate of return of eight percent as shown below. We summarized our analyses as \$ per square meter per year, which reflects a market perspective, and \$ per square foot per year, which is a unit rate employed by the client.

<u>Property</u>	<u>Adjacent Fast Land Indicated</u>	<u>Indicated Market Rent</u>	
		<u>\$/sm/yr</u>	<u>\$/sf/yr</u>
1	\$350	\$28.00	\$2.60
2	\$250	\$20.00	\$1.86
3a	\$125	\$10.00	\$0.93
3b	\$ 5	\$0.40	\$0.04
4	\$125	\$10.00	\$0.93

SUMMARY OF RATES OF RETURN
Island of Guam

Item No.	Landowner/Lessee	Location (Lot No.)	Land Area (sm)	Property Type/Use	Transaction		Land Rate of Return	Comments
					Type	Date		
1	Colonial Investment Co., Inc.	Harmon Industrial Park (5166-7-R6)	2,138	Industrial	Ground Lease	February 2008	8.0%	Lease of M1 zoned land.
2	Big Bird Enterprises, Inc.	Tumon Oceanfront	1,797	Commercial	Ground Lease	September 2007	8.0%	Lease of oceanfront land for wedding chapel related improvements.
3	Bordallo/Watts Constructors, LLC	Route 2A, Agat (238)	40,469 (net)	Industrial	Ground Lease	January 2007	8.0%	Lease of former DPW Bus Satellite Station for pre-cast construction yard purposes.
4	Government of Guam	Marine Dr., Dededo	1,714	Buffer Strip	Ground Lease	April 2006	6.0%	Lease of Dededo buffer strip for parking, beautification and landscaping.
5	Chamorro Land Trust Commission	Anigua (1417-1 & 1418-1)	185	Industrial	License Agreement	April 2005	8.0%	Lease of M1 Zoned land for consolidation purposes.
6	Government of Guam	Marine Dr., Dededo	1,423	Buffer Strip	Ground Lease	January 2005	6.0%	Lease of Dededo buffer strip for parking, beautification and landscaping.
7	Government of Guam	Marine Dr., Dededo	2,410	Buffer Strip	Ground Lease	August 2004	5.0%	Lease of Dededo buffer strip for parking, beautification and landscaping.
8	Friesland (USA), Inc.	Marine Dr., Tamuning (2138-PART-2)	2,450	Commercial	Ground Rent Renegotiation	November 2003	8.0%	Rent renegotiation based on 8 percent rate of return agreed to by landlord and tenant.
9	Friesland (USA), Inc.	Marine Dr., Agat (78-2)	2,944	Commercial	Ground Rent Renegotiation	November 2003	8.0%	Rent renegotiation based on 8 percent rate of return agreed to by landlord and tenant.
10	Calvo or related entity	Airport Access Road (N/A)	47,500±	Commercial	Ground Lease	July 2003	7.5%	Offer to sublease from mainland based chain.
11	Eddie Cruz Palomo	Harmon Loop Road (10062-1-3-R1)	4,416	Commercial	Ground Lease	May 2003	7.1%	Lessee previously acquired adjacent land.
12	Marianas Public Land Authority	CNMI	Various	Commercial	Public Law	November 2001	8.0%	Minimum annual rental payments for public land lease.
13	Pedro P. and Fe P. Ada	Tumon Oceanfront	3,126	Resort	Ground Rent Renegotiation	February 2001	8.0%	Rent renegotiation settled by agreement and based on 8 percent land rate of return.
14	Government of Guam	Marine Dr., Dededo	1,912	Buffer Strip	Ground Lease	November 2000	5.0%	Lease of Dededo buffer strip for parking, beautification and landscaping.
15	McDonalds Corporation	Various	Various	Commercial/Fast Food Restaurant	Ground Lease/Other	1998	8.0%±	According to Mr. Ralph Harris, McDonald's Corporation used a land rate of return of 8%± for completing internal analyses of potential and existing ground leases.
16	Baba Corporation	Various	Various	Commercial/Other	Ground Lease/Other	1998	8.0%	According to Mr. David Sablan, Baba Corporation used a land rate of return of 8% for completing internal ground rent analyses.

Submerged Land Analyses

Overview

The subject properties involve submerged land located within Apra Harbor. Parcels 1, 2 and 4 are located adjacent to Cabras Island. Parcel 3 is located within Sasa Bay. Therefore, it is likely that the subject properties would be used in conjunction with the adjacent fast land. It is noted that the leasing of submerged land at port facilities in Hawaii and on the U.S. mainland is a common practice.

Submerged land involves public land located below tidal water. The land cannot be owned by private individuals, but is owned by governments. Although the submerged land is not frequently used directly, the water above the submerged land is frequently used by both governments and private entities. Different government entities value submerged land differently. There is no universal formula for the valuation of submerged land. Therefore, reliance on generally accepted appraisal methodologies is appropriate. In order to analyze the value of the fast land adjacent to the subject parcels, we researched and analyzed comparable land sales as previously shown. Next, we researched and analyzed discounts reflected by submerged land compared with adjacent fast land values. The market data disclosed by our research follows.

Market Data

In order to estimate a discount for submerged lands, we researched and analyzed submerged land discounts reflected by various port facilities in Hawaii, California and Washington State. A summary of submerged land discounts disclosed by our research is shown as follows.

Comparable No.	Location	Submerged Land Discount [1]
1	Honolulu, Hawaii	50%-60% (55% Avg.)
2	San Diego, CA	65%-75% (60% Avg.)
3	Long Beach, CA	50%
4	Los Angeles, CA	67%
5	Oakland, CA	50%
6	Tacoma, WA	50%-70% (60% Avg.)
7	Seattle, WA	70%
	Summary of Discounts	Percentage
	Range	50 to 75%
	Average	60%
	Median	60%

The range of discounts reflected by the comparables reflects 50 to 75 percent off of the adjacent fast land values. Both the median and average discount reflects 60 percent. The market most similar to the subject, Hawaii, reflects a discount range of 50 to 60 percent. Typically, the higher the intensity of use, the lower the discount.

In addition to researching discounts reflected by submerged land, we also researched specific market data regarding waterfront and submerged land transactions in Hawaii. The most recent transactions in Hawaii disclosed by our research are shown as follows. The discounts reflected by these Hawaii transactions for submerged land reflect 50 percent.

SUMMARY OF WATERFRONT AND SUBMERGED LAND TRANSACTIONS
Honolulu, State of Hawaii

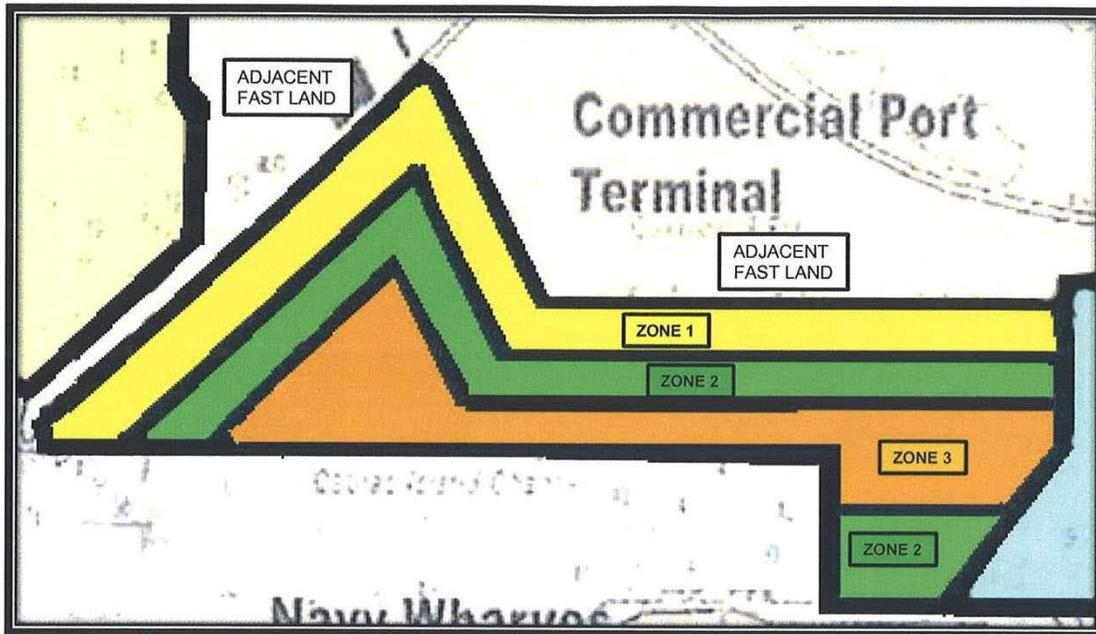
Comp No.	Location	Lessee	Land Area		Date	Transaction		
			sf	sm		Price	\$/sm	
<u>Fast Land</u>								
1	Sand Island, Honolulu	Tyco	70,349	6,538	11/01	\$1,950,000	\$298	
2	Sand Island, Honolulu	Atlantis	21,714	2,018	05/99	\$1,302,800	\$646	
<u>Submerged Land</u>								
3	Honolulu Harbor	Tyco	41,469	3,854	11/01	\$570,000	\$148	
4	Honolulu Harbor	Atlantis	1,338	124	05/99	\$40,100	\$323	

Conclusions

Overall, submerged land discounts off of adjacent fast land values vary, frequently based on intensity of use. Our analyses do not reflect any specific uses, and are general in nature. Specific analyses could be required for landfill proposals or other high intensity uses.

The subject properties involve vast areas of submerged land. In consideration of this factor, we analyzed the properties under three separate zones. The zones reflect potential use intensities and consider distance to fast land, water depth and other factors. Zone 1 involves submerged land adjacent to the fast land. Zones 2 and 3 are further removed and reflect lower potential use intensities. Maps identifying the subject submerged land zones and a summary of conclusions are included on following pages. Our conclusions are subject to the Assumptions and Limiting Conditions contained herein.

ANALYSIS OF SUBMERGED SUBJECT PROPERTY NO. 1
Piti, Island of Guam



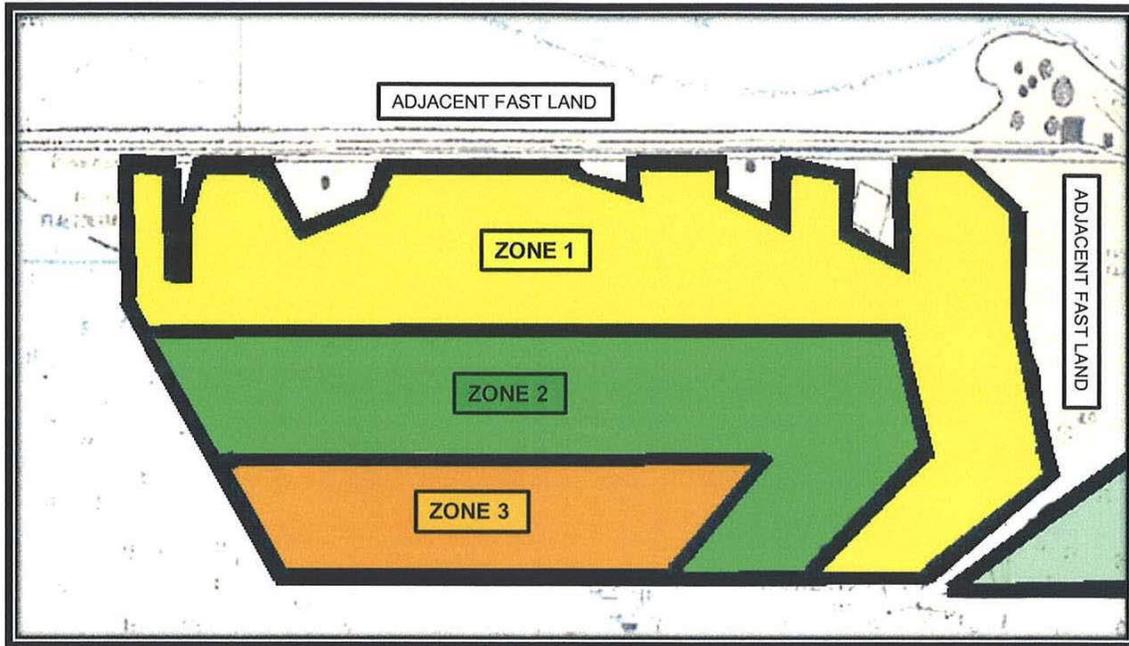
SUBJECT PROPERTY NO. 1 ANALYSIS:

<u>Item</u>	<u>Indicated Value</u>		<u>Indicated Market Rent (\$/sf/mo) [1]</u>
	<u>\$/sm</u>	<u>\$/SF</u>	
Adjacent Fast Land Value:	\$350	\$32.52	
Zone 1 Factors			
- Adjacent to Fast land			
- Adequate Depth			
Zone 1 Adjustment @ 50%:	\$175	\$16.26	\$0.11
Zone 2 Factors			
- Reasonably Proximate to Fast land			
- Depth allows Adequate Utility			
Zone 2 Adjustment @ 35%:	\$123	\$11.38	\$0.08
Zone 3 Factors			
- Distant from Fast land			
- Depth May Limit Utility			
Zone 3 Adjustment @ 20%:	\$70	\$6.50	\$0.04

[1] Based on preliminary land rate of return of 8.0 percent per annum; minimum rent level may apply (open space rate multiplied by zone adjustment)

Note: Analysis does not include consideration of any possible damage to coral, environmental or related damage issues.

ANALYSIS OF SUBMERGED SUBJECT PROPERTY NO. 2
Piti, Island of Guam



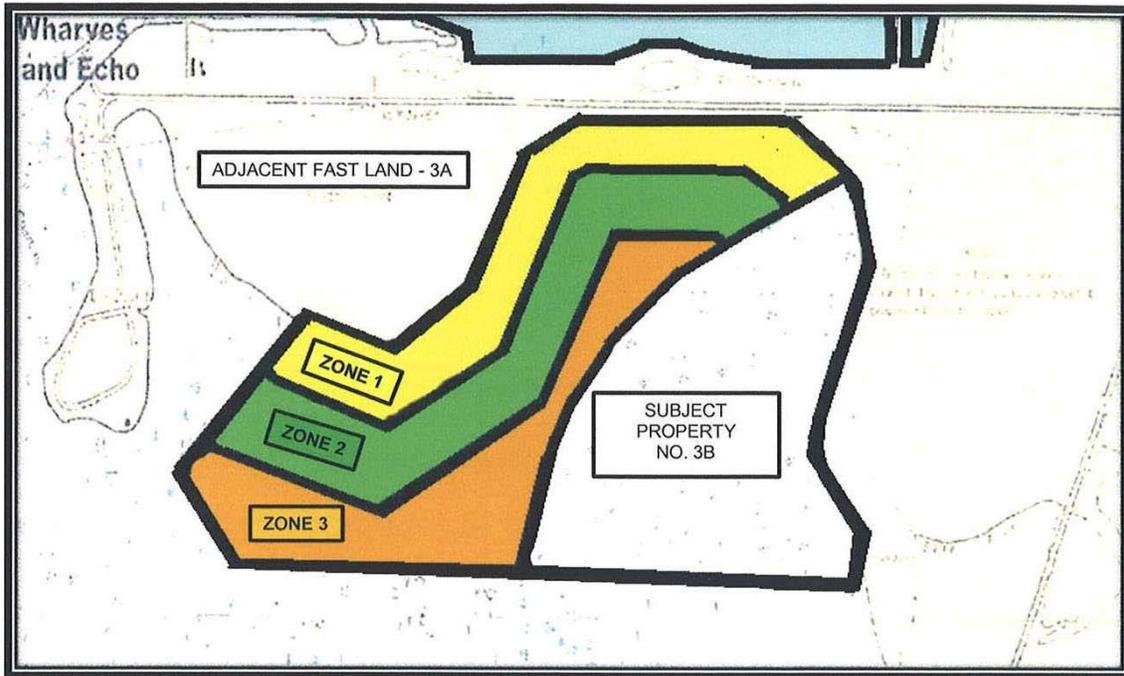
SUBJECT PROPERTY NO. 2 ANALYSIS:

Item	Indicated Value		Indicated Market Rent (\$/sf/mo) [1]
	\$/sm	\$/SF	
Adjacent Fast Land Value:	\$250	\$23.23	
Zone 1 Factors			
- Adjacent to Fast land			
- Adequate Depth			
Zone 1 Adjustment @ 50%:	\$125	\$11.61	\$0.08
Zone 2 Factors			
- Reasonably Proximate to Fast land			
- Depth allows Adequate Utility			
Zone 2 Adjustment @ 35%:	\$88	\$8.13	\$0.05
Zone 3 Factors			
- Distant from Fast land			
- Depth May Limit Utility			
Zone 3 Adjustment @ 20%:	\$50	\$4.65	\$0.03

[1] Based on preliminary land rate of return of 8.0 percent per annum; minimum rent level may apply (open space rate multiplied by zone adjustment)

Note: Analysis does not include consideration of any possible damage to coral, environmental or related damage issues.

ANALYSIS OF SUBMERGED SUBJECT PROPERTY NO. 3A
Piti, Island of Guam



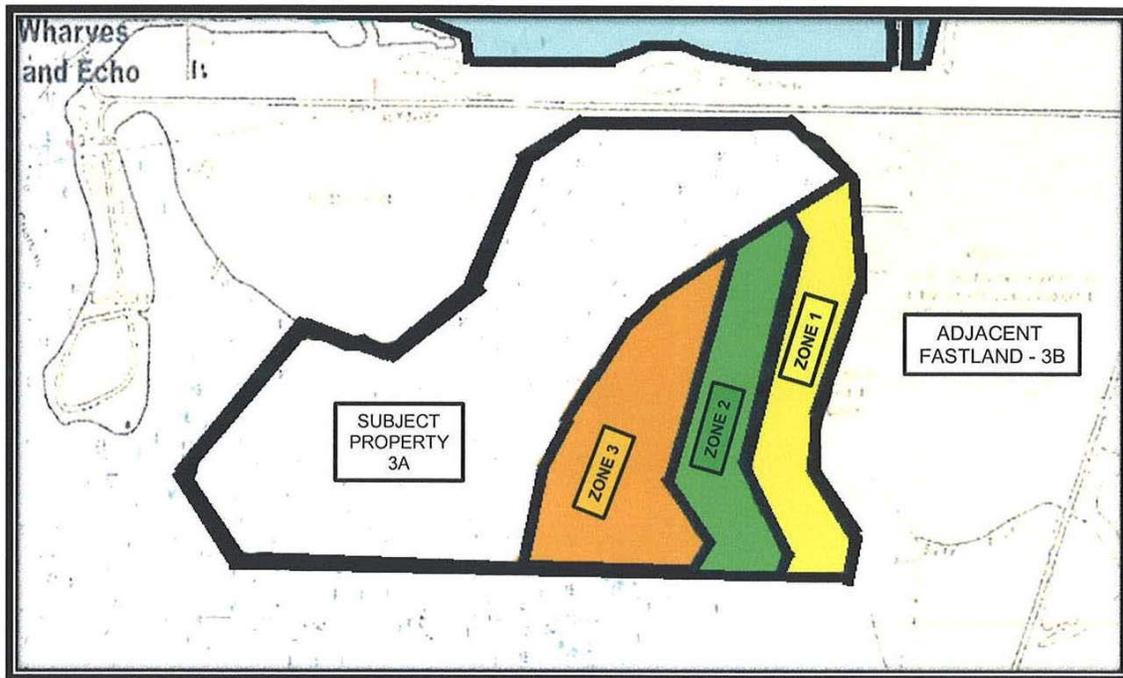
SUBJECT PROPERTY NO. 3A ANALYSIS:

Item	Indicated Value		Indicated Market Rent (\$/sf/mo) [1]
	\$/sm	\$/SF	
Adjacent Fast Land Value:	\$125	\$11.61	
Zone 1 Factors			
- Adjacent to Fast land			
- Adequate Depth			
Zone 1 Adjustment @ 50%:	\$63	\$5.81	\$0.04
Zone 2 Factors			
- Reasonably Proximate to Fast land			
- Depth allows Adequate Utility			
Zone 2 Adjustment @ 35%:	\$44	\$4.06	\$0.03
Zone 3 Factors			
- Distant from Fast land			
- Depth May Limit Utility			
Zone 3 Adjustment @ 20%:	\$25	\$2.32	\$0.02

[1] Based on preliminary land rate of return of 8.0 percent per annum; minimum rent level may apply (open space rate multiplied by zone adjustment)

Note: Analysis does not include consideration of any possible damage to coral, environmental or related damage issues.

ANALYSIS OF SUBMERGED SUBJECT PROPERTY NO. 3B
Piti, Island of Guam



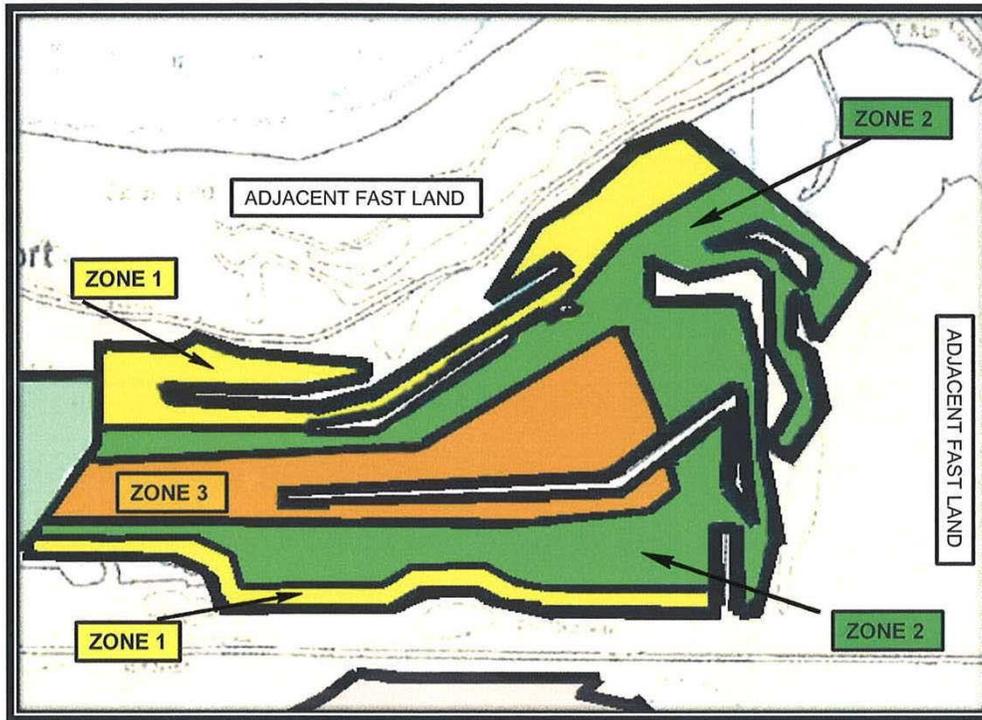
SUBJECT PROPERTY NO. 3B ANALYSIS:

Item	Indicated Value		Indicated Market Rent (\$/sf/mo) [1]
	\$/sm	\$/SF	
Adjacent Fast Land Value:	\$5.00	\$0.46	
Zone 1 Factors			
- Adjacent to Fast land			
- Adequate Depth			
Zone 1 Adjustment @ 50%:	\$2.50	\$0.23	\$0.002
Zone 2 Factors			
- Reasonably Proximate to Fast land			
- Depth allows Adequate Utility			
Zone 2 Adjustment @ 35%:	\$1.75	\$0.16	\$0.001
Zone 3 Factors			
- Distant from Fast land			
- Depth May Limit Utility			
Zone 3 Adjustment @ 20%:	\$1.00	\$0.09	\$0.001

[1] Based on preliminary land rate of return of 8.0 percent per annum; minimum rent level may apply (open space rate multiplied by zone adjustment)

Note: Analysis does not include consideration of any possible damage to coral, environmental or related damage issues.

ANALYSIS OF SUBMERGED SUBJECT PROPERTY NO. 4
Piti, Island of Guam



SUBJECT PROPERTY NO. 4 ANALYSIS:

Item	Indicated Value		Indicated Market Rent (\$/sf/mo) [1]
	\$/sm	\$/SF	
Adjacent Fast Land Value:	\$125	\$11.61	
Zone 1 Factors			
- Adjacent to Fast land			
- Adequate Depth			
Zone 1 Adjustment @ 50%:	\$63	\$5.81	\$0.04
Zone 2 Factors			
- Reasonably Proximate to Fast land			
- Depth allows Adequate Utility			
Zone 2 Adjustment @ 35%:	\$44	\$4.06	\$0.03
Zone 3 Factors			
- Distant from Fast land			
- Depth May Limit Utility			
Zone 3 Adjustment @ 20%:	\$25	\$2.32	\$0.02

[1] Based on preliminary land rate of return of 8.0 percent per annum; minimum rent level may apply (open space rate multiplied by zone adjustment)

Note: Analysis does not include consideration of any possible damage to coral, environmental or related damage issues.

SUMMARY OF CONCLUSIONS
 Various Port Authority of Guam Submerged Parcels
Piti, Island of Guam

Submerged Property No.	Adjacent Fast Land Value (\$/sm)	Indicated Submerged Land Market Rents (\$/SF/Mo) [1]		
		Zone 1	Zone 2	Zone 3
1	\$350	\$0.11	\$0.08	\$0.04
2	\$250	\$0.08	\$0.05	\$0.03
3A	\$125	\$0.04	\$0.03	\$0.02
3B	\$5	\$0.002	\$0.001	\$0.001
4	\$125	\$0.04	\$0.03	\$0.02

[1] Could vary if landfill use. Minimum lease rent based on open yard space multiplied by zone percentage adjustment may be applicable for short term, small submerged land area use.

ADDENDA

Legal Description of Subject Property No. 1 Taken from Quitclaim Deed
Dated June 7, 2000 and Recorded as Instrument No. 623557

Beginning at a point, a corner having coordinates of East 40,259.965 meters and North 48,417.256 meters, said coordinates are based on the 1945 Land and Claims Commission Grid, being South 83° 06' 32.36" West, 3,284.056 meters from GGTN "USO" 1963, having coordinates of East 43,520.298 meters and North 48,811.281;

Thence, along the following twenty (20) courses:

- 1) thence, North 66° 59' 32" East, 87.160 meters to corner two (2);
- 2) thence, North 60° 07' 23" East, 124.359 meters to corner three (3);
- 3) thence, North 28° 53' 23" East, 17.526 meters to corner four (4);
- 4) thence, North 57° 14' 31" East, 14.215 meters to corner five (5);
- 5) thence, South 48° 36' 15" East, 6.071 meters to corner six (6);
- 6) thence, North 58° 58' 05" East, 7.198 meters to corner seven (7);
- 7) thence, South 37° 42' 55" East, 4.982 meters to corner eight (8);
- 8) thence, North 52° 15' 08" East, 21.199 meters to corner nine (9);
- 9) thence, North 37° 43' 43" West, 5.703 meters to corner ten (10);
- 10) thence, North 52° 34' 23" East, 60.056 meters to corner eleven (11);
- 11) thence, South 38° 12' 09" East, 7.053 meters to corner twelve (12);
- 12) thence, North 53° 24' 22" East, 203.399 meters to corner thirteen (13);
- 13) thence, South 37° 36' 39" East, 229.476 meters to corner fourteen (14);
- 14) thence, South 89° 47' 20" East, 593.855 meters to corner fifteen (15);
- 15) thence, South 00° 13' 14" West, 2.729 meters to corner sixteen (16);
- 16) thence, South 89° 46' 46" East, 31.555 meters to corner seventeen (17);
- 17) thence, South 09° 42' 22.5" West, 120.536 meters to corner eighteen (18);
- 18) thence, North 89° 52' 18.7" West, 208.572 meters to corner nineteen (19);
- 19) thence, North 89° 52' 18.7" West, 987.433 meters to corner twenty (20);
- 20) thence, Due North, 18.454 meters to the Point of Beginning containing an area of One Million Eight Hundred Forty Eight Thousand Three Hundred Seventy Four (1,848,374) Square Feet more or less or One Hundred Seventy One Thousand Seven Hundred Twenty (171,720) Square Meters more or Less or Forty Two and Forty Three Hundredths (42.43) Acres more or less.

This description was prepared from Record Data, Government of Guam, Department of Land Management, Drawing Number E4-84T695.

Legal Description of Subject Property No. 2 Taken from Quitclaim Deed
Dated October 5, 1989 and Recorded as Instrument No. 425936

Parcel 2, containing 189.202 acres of land, as depicted and described on Government of Guam, Department of Land Management, Land Survey Division Drawing Number E4-84T698 (5 sheets), a copy of which is attached hereto and made a part hereof as Exhibit "A", the original of which drawing is permanently on file at the Pacific Division, Naval Facilities Engineering Command, Pearl Harbor, Hawaii 96860-7300, as Drawings No. 7,066,693, 7,066,694, 7,066,695, 7,066,696 and 7,066,697.

Legal Description of Subject Property Nos. 3 and 4 Taken from Quitclaim Deed
Dated December 6, 1984 and Recorded as Instrument No. 353601

Parcels 1, 2, 3 and 4, containing 176.315 acres, 16.508 acres, 154.524 acres and 129.303 acres of land, respectively, as depicted and described on Government of Guam, Department of Land Management, Land Survey Division Drawing Number E4-82T693 (6 sheets), a copy of which is attached hereto and made a part hereof as Exhibit "A", the original of which drawing is permanently on file at the Pacific Division, Naval Facilities Engineering Command, Pearl Harbor, Hawaii 96860 as Drawings No. 7,060,588 through 7,060,593, inclusive.

Excerpt from Guam Zoning Law (Title 21; Chapter 61)
Regarding M2, Heavy Industrial Zone

§61310. M2 Heavy Industrial Zone. (a) Use Permitted.

(1) Any uses permitted in the MI zone, excepting residential use.

(2) Junk Yards. Under the special provisions set forth in part 6, Article 5 of this Chapter.

(3) Any other uses not specifically prohibited by law, including those which are or may be objectionable, obnoxious, or offensive by reason of odor, dust, smoke, noise, gas fumes, cinders, vibration, or water-carried waste.

(4) Uses customarily accessory to any of the uses herein permitted, and accessory buildings and structures.

(b) Conditional use.

(1) All residential uses.

(2) Accessory uses and structures for the above.

SOURCE: GC §17109.

Excerpt from Guam Zoning Law (Title 21; Chapter 61)
Regarding M1, Limited Industrial Zone

§61309. M1 Light Industrial Zone. (a) Use Permitted.

(1) Any use permitted with or without condition in the commercial zone.

(2) The manufacturing, compounding, processing or treating of such products as drugs, cosmetics, and food products (not including fish and meat products nor the rendering of fats and oils).

(3) The manufacturing, compounding, assembling or treating of articles or merchandise from previously prepared materials.

(4) Automobile repair shops including painting, body and fender work and rebuilding; truck and tractor repairing; and tire retreading.

(5) Bottling and packaging plants.

(6) Ceramic products manufacturing.

(7) Laundries and cleaning and dyeing establishments.

(8) Machine shops and sheet metal shops.

(9) Warehouses and cold storage plants.

(10) Lumber yards, building material salesyards, contractor's equipment storage yards, and the like.

(11) Other uses which in the judgment of the Commissions, as evidence by a resolution in writing, are similar to those listed herein.

(12) Uses customarily accessory to any of the above listed uses, and accessory buildings.

(b) Conditional Use.

(1) Other industrial uses not objectionable, obnoxious or offensive by reason of odor, dust, smoke, noise, gas fumes, cinders, vibration, flashing lights, or water carried waste.

(2) Utilities and public facilities.

(3) Accessory uses and buildings for the above.

Excerpt from Guam Zoning Law (Title 21; Chapter 61)
Regarding C, Commercial Zone

§61307. C Commercial Zone. (a) Use Permitted.

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

(b) Conditional Use.

- (1) Hospital and clinics.
- (2) Public utility and other public buildings.
- (3) Shopping center.

Excerpt from Guam Zoning Law (Title 21; Chapter 61)
Regarding C, Commercial Zone (continued)

- (4) Recreation, including cockpits, marinas, amusement centers, drive-in theaters.
- (5) Multi-family.
- (6) Hotels, motels, tourist accommodations.
- (7) Air, bus, taxi, auto rental terminals.
- (8) Auto sales and car wash.
- (9) Parking garages and lots.
- (10) Service vehicle storage.
- (11) Laundries and cleaning and dyeing establishments.
- (12) Schools and churches.
- (13) Parks, playgrounds, community centers.
- (14) Utilities and public facilities.
- (15) Accessory uses and structures for the above.

SOURCE: GC §17106. Repealed and reenacted by P.L. 21-40:20. Again repealed/reenacted by P.L. 22-72:44.

COMMENT: P.L. 22-72:44(a) gave the following **Legislative Intent:**

Section 61307 of Title 21, Guam Code Annotated, was amended by Section 20 of Public Law 21-40 to include the phrase, *inclusive of professional healing arts offices and clinics* after the phrase, *Offices, business or professional* in item (8) of subsection (a) of the section. At the time that this amendment was made, the introductory phrase repealing and reenacting §61307 of Title 21, Guam Code Annotated, cited §61307 of Title 21, Chapter 61, Guam Code Annotated rather than Subsection (a) of §61307 of Title 21, Chapter 61, Guam Code Annotated, thereby inadvertently repealing subsection (b) of that section, which contained conditional uses in the Commercial ("C") Zone. For this reason, it is necessary to correct this inadvertent repeal and restore subsection (b) of §61307 of Title 21, Guam Code Annotated.

Excerpt from the Pending Zoning Code for Guam (Chapter VII)
Regarding Zoning District 8: Industrial/Port Facilities

K. INTENSITY DISTRICT 8: Industrial/Port Facilities

1. General Description of Character and Intent of District

This District includes the industrial, warehousing, port-oriented, and major utility areas of the Territory. Uses allowed also include those allowed in the Airport and Commercial Port Master Plan.

2. Permitted Uses

a. Manufacturing/Quarrying

The processing or assembling of materials or substances into a finished product and the extraction of naturally occurring solids, liquids or gases.

- Bakeries
- Canvas Goods Manufacturing
- Consumer Products Manufacturing
- Clothing Assembly/Manufacturing
- Cement/Concrete Products Manufacturing, Storing, and Retailing
- Dyeing & Finishing of Textiles
- Bottling Plants (including Distilleries and Breweries)
- Leather Goods Manufacturing
- Jewelry & Precious Metals Manufacturing
- Pharmaceutical Products Manufacturing
- Plastic, Glass and Tile Products Manufacturing
- Food Processing Facilities
- Seafood Processing/Packing Facilities
- Marine Industrial Fabricating Facilities
- Watch Assembly
- Quarries and Associated Extractive and Processing Activities
- Petroleum Products Manufacturing and Storage
- Freezer Plants/Cold Storage/Food Mills/Fertilizer Production and Storage

b. Wholesale/Storage/Mini-storage/Distribution Establishments

Establishments engaged in the storage, trucking or transfer of household or commercial goods of any nature; or establishments engaged in the sale of large quantities of goods.

- Wholesale Commercial Operations
- Equipment and Machinery
- Home Building Supply
- Junk Yards
- Warehousing Operations
- Freight Distribution Centers
- Janitorial Supplies
- Health Supplies
- Harbor and Marine Supplies and Service
- Boat Storage Facilities
- Automobile Sales/Service
- Mini Storage

c. Industrial Services

Establishments engaged in mechanized personal, business and repair services.

- Automobile Repair Shops (Minor, Major, Paint and Body Shops)
- Towing & Wrecking Services
- Bus and Mass Transit Storage and Maintenance Facility
- Laundromat Plant
- Electrical & Electronic Equipment
- Construction Services
- Janitorial Services
- Septic Cleaning & Installation
- Marine/Boat Repair Facilities
- Marine Construction and Salvage Facilities
- Airports and Associated Uses
- Aviation related activities
- Automobile Service Stations

d. Public Utilities

Activities which provide electricity, sanitary services, water and other related services for public consumption.

- Electrical Substations/Generating Plants
- Marine Pollution Control Facilities
- Sewage Treatment Plants
- Solid Waste Disposal/Incineration Facilities/Recycling Centers
- Propane/Gasoline/Other Petroleum Products Storage and Distribution Centers
- Sea Port and Associated Uses
- Electrical Transmission Lines

e. Miscellaneous Associated Uses

- Support Services for Marine Activities
- Yacht Clubs/Marinas
- Marine Research Center
- Aquaculture/Hatcheries
- Any uses approved under the Commercial Port or Airport Master Plans

f. Recreational Facilities

- Water Related Sports Activities

3. *All of the above shall be permitted in Intensity District 8 provided that all of the standards for each use, as specified in the following table of Dimensional and Density Requirements, and those Performance Standards that apply, have been observed. The Performance Standards that could apply include those on the following list. The Zoning Official maintains copies of these Performance Standards and a list of Government of Guam agencies or departments administering each standard.*

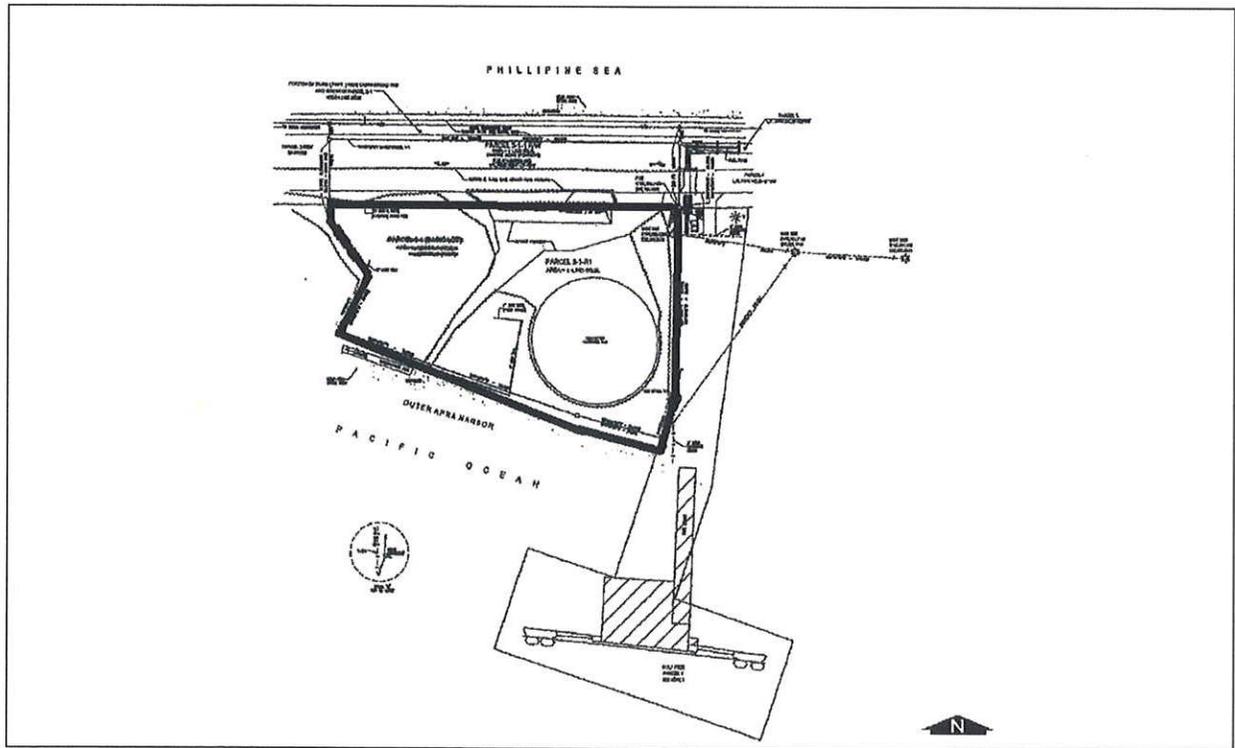
- a. Nonresidential Performance Standards
- b. Off-Street Parking and Loading Standards
- c. Environmental Protection Standards
- d. Vegetation Protection Standards
- e. Sign Standards
- f. Historic and Cultural Conservation Standards
- g. Stormwater Management Standards
- h. Floodplain Protection Standards
- i. Hillside Development Standards
- j. Landscape Standards
- k. Supplemental Regulations

**ZONING DISTRICT 8
INDUSTRIAL/PORT FACILITIES
Table of Dimensional and Density Requirements**

Uses Permitted	Maximum Units/Acre	Minimum Lot Size					Minimum Yard Setback (ft.)	Max. Bldg. Height (ft.)	Max. Lot Coverage (%)	Floor Area Ratio
		Area	Width (ft.)	Depth (ft.)	Front	Rear				
Manufacturing Operations	-	1 Acres	100	200	25	25	35	25	0.50	
Food Processing Facilities	-	2 Acres	200	200	50	25	35	35	0.50	
Seafood Processing/Packing Facilities	-	2 Acres	200	200	50	25	50	35	0.50	
Marine Industrial Fabricating Facilities	-	2 Acres	200	200	50	25	35	25	0.50	
Quarries & Associated Extractive/Processing Act.	-	5 Acres	300	500	100	25	35	5	-	
Wholesale/Storage/Distribution Establishments	-	1 Acre	100	200	25	25	35	25	0.50	
Junk Yards**	-	1 Acre	100	200	40	20	35	60	-	
Warehousing Operations	-	1 Acre	100	200	25	25	35	40	0.50	
Freight Distribution Facilities	-	2 Acres	200	200	50	25	35	30	0.50	
Harbor & Marine Supplies & Service	-	20,000 sq.ft.	100	100	25	25	35	35	0.25	
Boat Storage Facilities	-	2 Acres	200	200	25	25	35	50	-	
Automobile Sales/Service Establishments	-	0.5 Acre	100	150	25	20	35	25	0.25	
Automobile Service Stations	-	0.5 Acre	100	150	25	20	35	25	0.25	
Auto-Repair Shops (Minor/Major/Paint/Body)	-	20,000 sq.ft.	100	100	25	25	35	25	0.50	
Bus & Mass Transit Storage & Maintenance Fac.	-	2 Acres	200	200	50	25	50	20	0.50	
Marine/Boat Repair Facilities	-	1 Acre	100	100	25	25	45	50	0.50	
Marine Construction & Salvage Facilities	-	2 Acres	200	200	50	25	35	35	0.50	
Airports and Associated Uses	-	50 Acres	5,000	5,000	100	200	100	20	0.50	
Electrical Substations/Generating Plants	-	25 Acres	500	500	100	100	100	50	-	
Marine Pollution Control Facilities	-	2 Acres	200	200	50	25	35	35	0.50	
Sewage Treatment Plants	-	2 Acres	200	200	50	25	35	35	0.50	
Solid Waste Disposal, Incineration Facilities, & Recycling Centers**	-	20 Acres	1,000	1,000	100	200	50	5	0.50	
Sea Port and Associated Uses	-	20 Acres	1,000	1,000	100	200	100	20	0.50	
Yacht Clubs/Marinas	-	1 Acre	100	100	25	25	35	25	-	
Aquaculture Facilities/Hatcheries/Marine Research Center	-	0.5 Acres	100	150	20	10	40	35	-	
Water Related Sports Activities	-	20,000 sq.ft.	100	100	25	25	35	25	-	

* A minimum setback of five (5) feet from the edge of any pier, wharf, or bulkhead shall be required for any structure. The setback area may be utilized for activities related to the permitted uses, but shall not be used for off-street parking. The edge of any pier, wharf, or bulkhead shall include any attached apron(s).

** Solid Waste Disposal/Recycling Centers and Junk Yards in this district shall be enclosed entirely by an opaque fence not less than eight feet in height. The enclosure (fence) shall meet the setback requirements as outlined in the table above.



DETAILS TO PERTINENT PRIMARY PAG GROUND LEASES**Transaction No. 1****Property Data:**

Location: Cabras Island, with frontage along Apra Harbor and Cabras Road, immediately west of Golf Pier, Municipality of Piti, Island of Guam

Lot No.: Parcel 3-1

Land Area: 4,983 ± square meters (per lease amendment)

Improvements: Mostly vacant with concrete pad

Utilities:

Water: Yes

Power: Yes

Sewer: No

Topography: Fairly level

Frontage/Access: Approximately 330± feet of paved road frontage along Cabras Road and rock wall frontage along Apra Harbor. Pipeline access to Golf Pier.

Zoning: M2, Heavy Industrial Zone

Transaction Data:

Transaction Type: Lease Agreement (subsequently amended in land area and ground rent by Amendment to Lease Agreement dated August 21, 2009, not recorded)

Transaction Date: November 21, 2008

Recorded: Instrument No. 801804

Lessor: The Port Authority of Guam

Lessee: Cementon Micronesia, LLC

Lease Term: 5 years beginning from December 1, 2009 through November 30, 2014 (with possibility of 3, 5-year options)

Ground Rent: \$238,164 per year (\$19,847 per month)

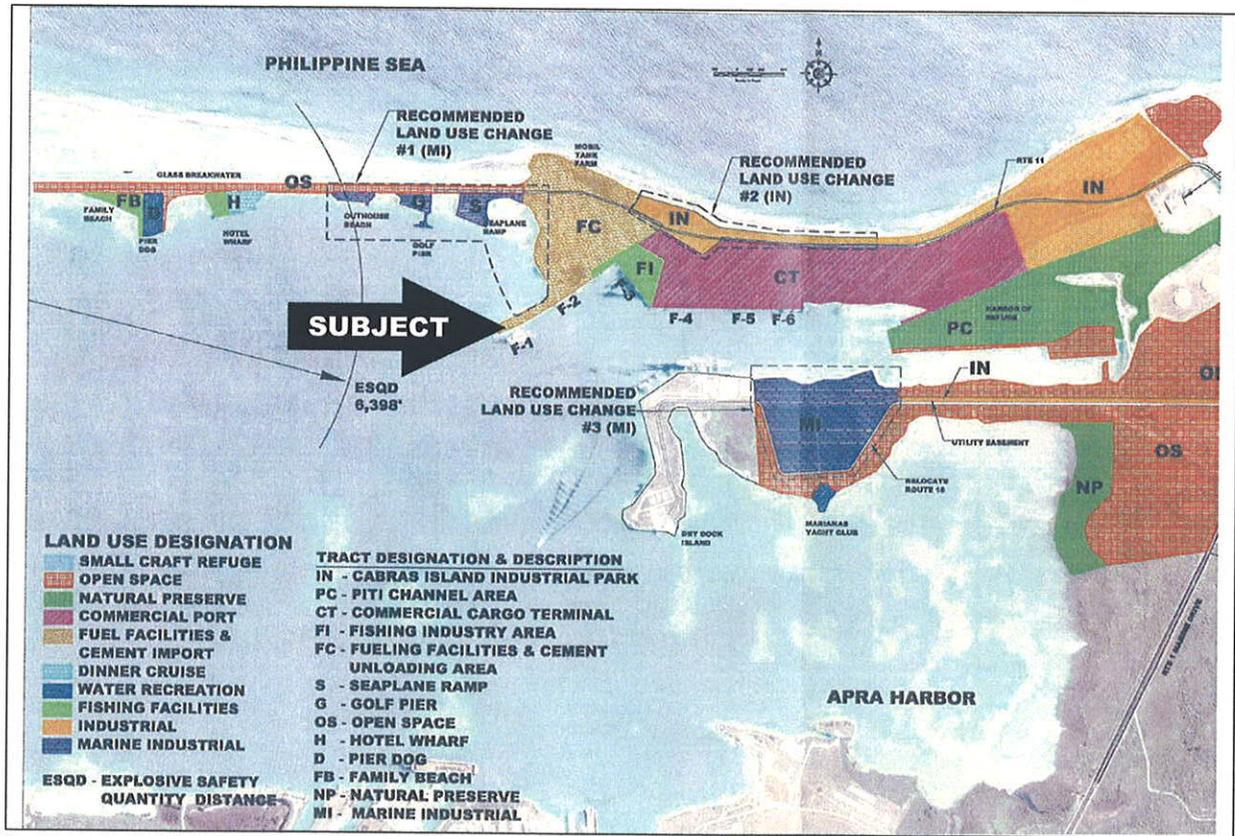
Transaction Analysis:

Initial Period (First 5 years) Ground Rent		\$238,164
Rate of Return on Land	/	8.0%
Indicated Land Value		\$2,977,050

Indicated Unit Rate: \$597 per square meter
(\$2,977,050 / 4,983 square meters)

Comments:

Details of this transaction were verified with a representative of the lessor. The rate was based on the prevailing \$0.37 per square foot per month rate for use of open space land at the Port. The land was acquired for development with cement sites. A pipeline for off-loading cement will connect this property to Golf Pier. If the Landlord is authorized to enter into leases with terms in excess of five years, the lessee shall receive up to 3, five year options.



Transaction No. 2**Property Data:**

Location: Finger Tip, Main Pipeline, Dog-leg, and GEDA, Cabras Island, adjacent to F1 Pier, Municipality of Piti, Island of Guam

Lot No.: Finger Tip

Land Area: 7,307 ± square meters

Improvements: Various petroleum related improvements

Utilities:

Water: Yes

Power: Yes

Sewer: No

Topography: Fairly level

Frontage/Access: Apra Harbor frontage, access via Industrial Avenue

Zoning: M2, Heavy Industrial Zone

Transaction Data:

Transaction Type: Lease

Transaction Date: 12/1/2006

Recorded: Instrument No. 746598

Lessor: The Port Authority of Guam

Lessee: Shell Guam, Inc.

Lease Term: 5 years beginning from December 1, 2006 through November 30, 2011, (with possibility of 4, 5-year options)

Ground Rent: \$73,864 per year (\$6,155 per month)

Transaction Analysis:

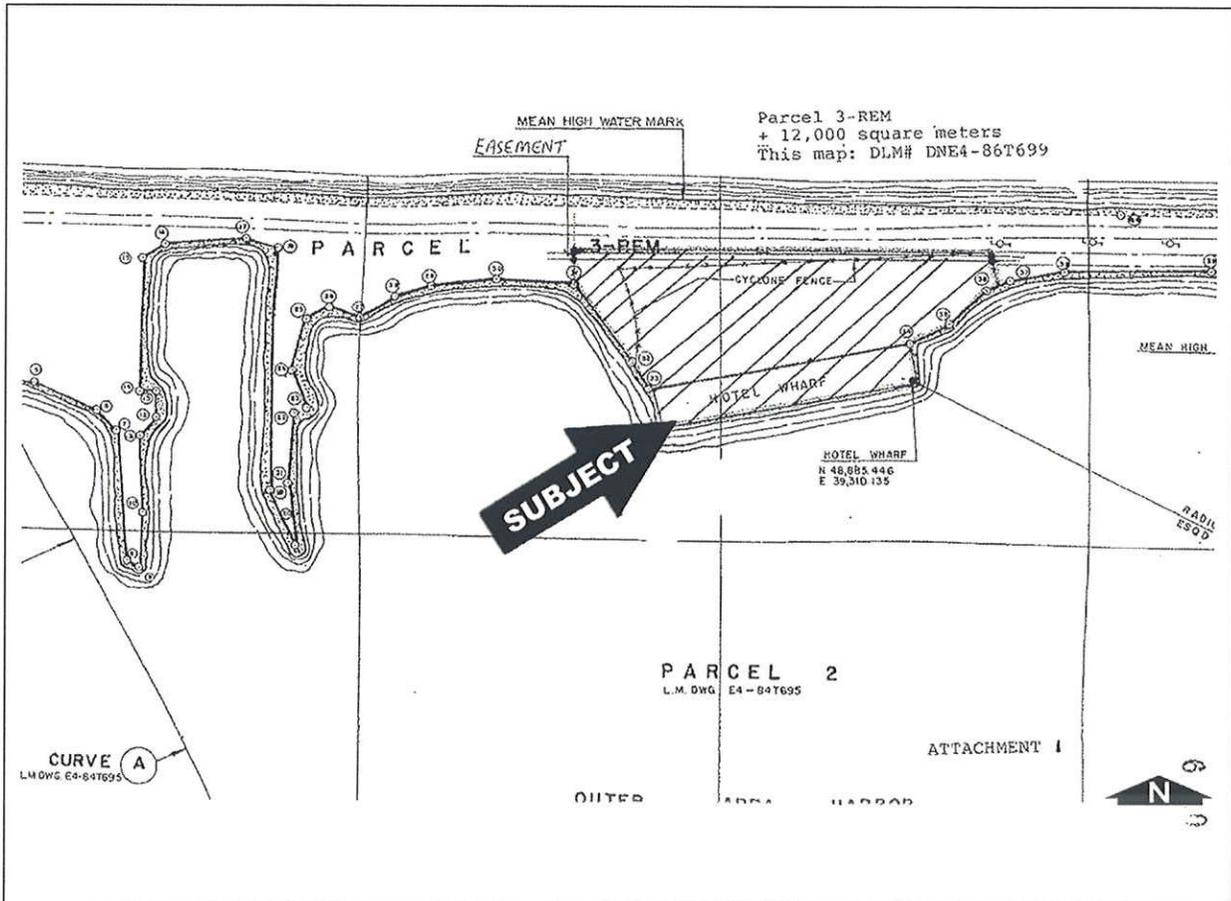
Initial Period (First 5 years) Ground Rent	\$73,864	
Rate of Return on Land	/ 8.0%	
Indicated Land Value	\$923,300	

Indicated Unit Rate: \$126 per square meter

(\$923,300 / 7,307 square meters)

Comments:

Details of this transaction were verified with a representative of the lessor.



Transaction No. 3**Property Data:**

Location: Cabras Road, west of Golf Pier and east of Family Beach, Municipality of Piti, Island of Guam

Lot No.: Parcel 3-REM

Land Area: 12,000 ± square meters

Improvements: Vacant

Utilities:

Water: Yes

Power: Yes

Sewer: No

Topography: Fairly level

Frontage/Access: Paved road

Zoning: M2, Heavy Industrial Zone

Transaction Data:

Transaction Type: Development Agreement and Lease

Transaction Date: December 14, 2001

Recorded: Instrument No. 651053

Lessor: The Port Authority of Guam

Lessee: Guam YTK Corporation

Lease Term: 5 years beginning from December 14, 2001 through December 14, 2006, (with possibility of 8, 5-year options)

Ground Rent: \$100,000 per year (\$8,333 per month)

Transaction Analysis:

Initial Period (First 5 years) Ground Rent	\$100,000
Rate of Return on Land	/ 8.0%
Indicated Land Value	<u>\$1,250,000</u>

Indicated Unit Rate: \$104 per square meter
(\$1,250,000 / 12,000 square meters)

Comments:

Details of this transaction were verified with a representative of the lessor.

DETAILS TO PERTINENT LAND TRANSACTIONS**Transaction No. P-1****Property Data:**

Location: Frank G. Benavente St., off of Bello Road, Municipality of Barrigada, Island of Guam

Identification:

Lot No.	Land Area
5224-2-4NEW-R5	10,194 sq. m.
5224-2-4NEW-5	5,806 sq. m.

Land Area: 16,000 ± square meters (4.0± acres)

Improvements: Vacant at sale date (except for various fencing)

Utilities: All public utilities available at site or nearby

Topography: Mostly fairly level with small portions along southern and eastern boundaries steeply sloping due to prior excavation

Frontage/Access: Paved road

Zoning: M1, Limited Industrial Zone

Transaction Data:

Transaction Type: Warranty Deed

Transaction Date: September 17, 2009 (seller's execution date)

Recorded: Instrument No. 796025

Grantor: E.C. Development Group, LLC

Grantee: Commercial Plumbing Properties, LLC

Consideration: \$1,760,000 (cash to seller)

Indicated Unit Rate: \$110 per square meter
(\$1,760,000 / 16,000 square meters)

Comments:

Details of this transaction were verified with Mr. Leonard Calvo, a representative of the seller. Mr. Calvo confirmed the sale price. He noted that the buyer acquired the property for development with a partially owner-occupied 50,000± square foot concrete warehouse.

It is noted that the seller acquired the property in June 2007 for \$1,290,000 (\$81 per square meter).

Transaction No. P-2**Property Data:**

Location: Finegayan Road, northwest of Guam Cold Storage facility,
Harmon, Municipality of Tamuning, Island of Guam

Identification: 5099-6

Land Area: 6,307 ± square meters

Improvements: Mostly vacant at sale date with majority of lot asphalt paved

Utilities: All public utilities available at site or nearby

Topography: Fairly level

Frontage/Access: Paved road

Zoning: M1, Limited Industrial

Transaction Data:

Transaction Type: Warranty Deed

Transaction Date: September 19, 2008

Recorded: Instrument No. 779526

Grantor: Guam Sanko Transportation Inc.

Grantee: SJ Rental

Consideration: \$1,120,000 (cash to seller)

Indicated Unit Rate: \$178 per square meter
(\$1,120,000 / 6,307 square meters)

Comments:

Details of this transaction were verified with Mr. Ichikawa Hisatsugu, Assistant Sales Manager of SJ Rental, the buyer. Mr. Hisatsugu confirmed the sale price and noted that they purchased the lot for greater business (heavy equipment rental) exposure. It is noted that prior to the sale, the property was listed on Multiple Listing Service (MLS) for 197 days at an asking price of \$1,272,000 (\$202/sm). Further, the buyer was an existing tenant at the date of sale and previously rezoned the land from R2, Multiple Dwelling Zone to M1, Limited Industrial Zone.

DETAILS TO PERTINENT LAND TRANSACTIONS - SUBJECT PROPERTY NO. 3**Transaction No. 1****Property Data:**

Location: West of Route 4, abutting Dandan Estate Lot B to the west,
Municipality of Inarajan, Island of Guam

Lot No.: 275

Land Area: 2,080,689 ± square meters (514.1 acres)

Improvements: Vacant

Utilities:

Water: No

Power: No

Sewer: No

Topography: Rolling hills with some level areas

Frontage/Access: 60-foot wide undeveloped easement across adjacent Dandan
Estate Lot B (lot is approximately three miles from paved road)

Zoning: P.U.D. (Planned Unit Development) - see comments

Transaction Data:

Transaction Type: Warranty Deed

Transaction Date: June 14, 2006

Recorded: Instrument No. 738227

Grantor: Cyfred, Ltd.

Grantee: Lot 275, LLC

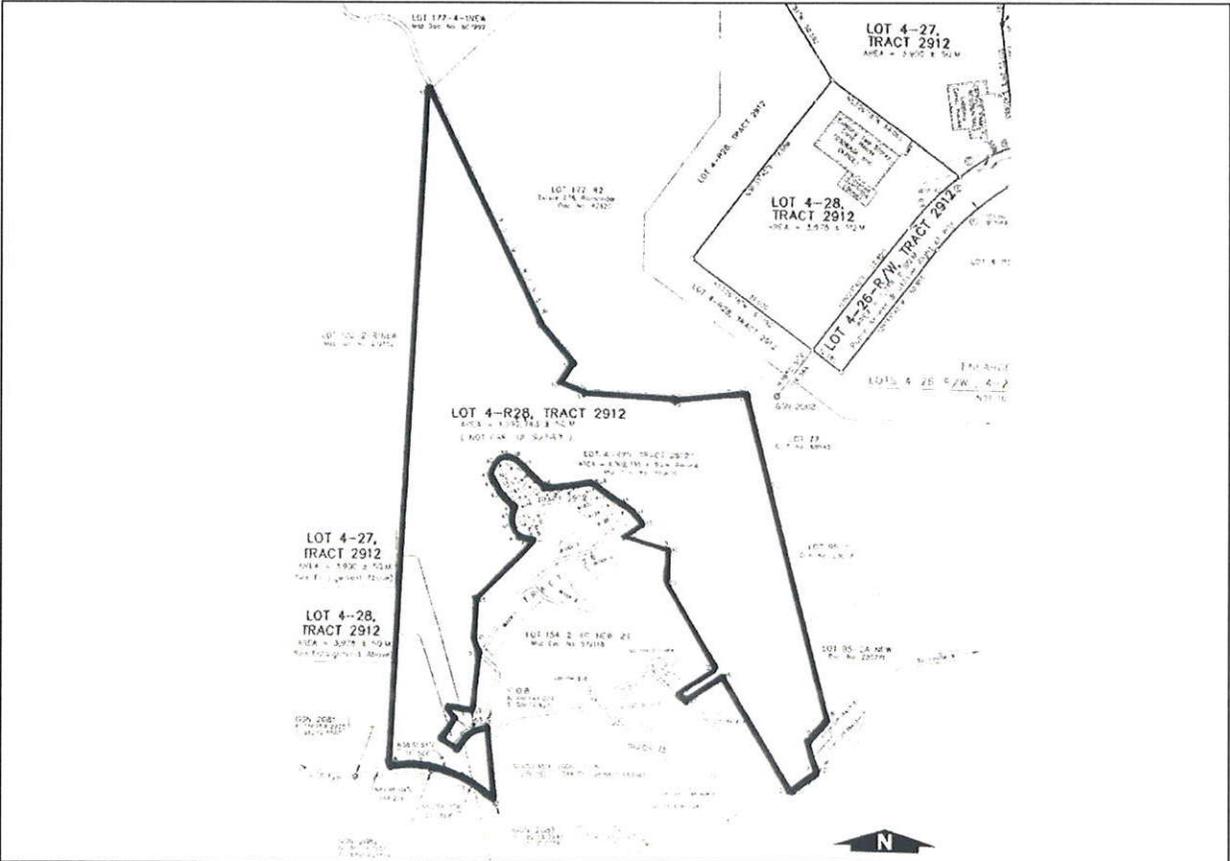
Consideration: \$1,000,000 (cash to seller)

Indicated Unit Rate: \$0.48 per square meter
(\$1,000,000 / 2,080,689 square meters)

Comments:

Details of this transaction were verified with Mr. John Baldwin, a representative of the buyer. Mr. Baldwin confirmed the sale price. It is noted that the seller acquired the property in May 2002 for \$1.0 million (including \$200,000 down payment and \$800,000 seller financing). The recent buyer subsequently listed the property on Multiple Listing Service (MLS) with an asking price of \$4,950,000 (\$2.37 per square meter).

Mr. Anthony Godwin, a real estate agent who subsequently listed the property, noted that the buyer received a zoning certification from Department of Land Management. The certificate stated that the subject zoning is P.U.D. (Planned Unit Development). Mr. Godwin stated that the zoning designation did not affect the price.



Transaction No. 2**Property Data:**

Location: Route 17, Windward Hills Golf Course vicinity, Municipality of Yona, Island of Guam

Lot No.: T2912, L4-R28

Land Area: 1,292,743 ± square meters (319.4± acres)

Improvements: Vacant

Utilities:

Water: Yes (along Route 17)

Power: Yes (along Route 17)

Sewer: No

Topography: Varies from fairly level at Route 17 portions to rolling hills with steep sections at interior portions

Frontage/Access: Paved road

Zoning: A, Agricultural Zone

Transaction Data:

Transaction Type: Grant Deed

Transaction Date: February 22, 2006

Recorded: Instrument No. 721575

Grantor: Carol Jeffrey-Thorpe, Administratrix with the Will Annexed of the Estate of Violet L. Holbrook

Grantee: Pedro R. Pangelinan

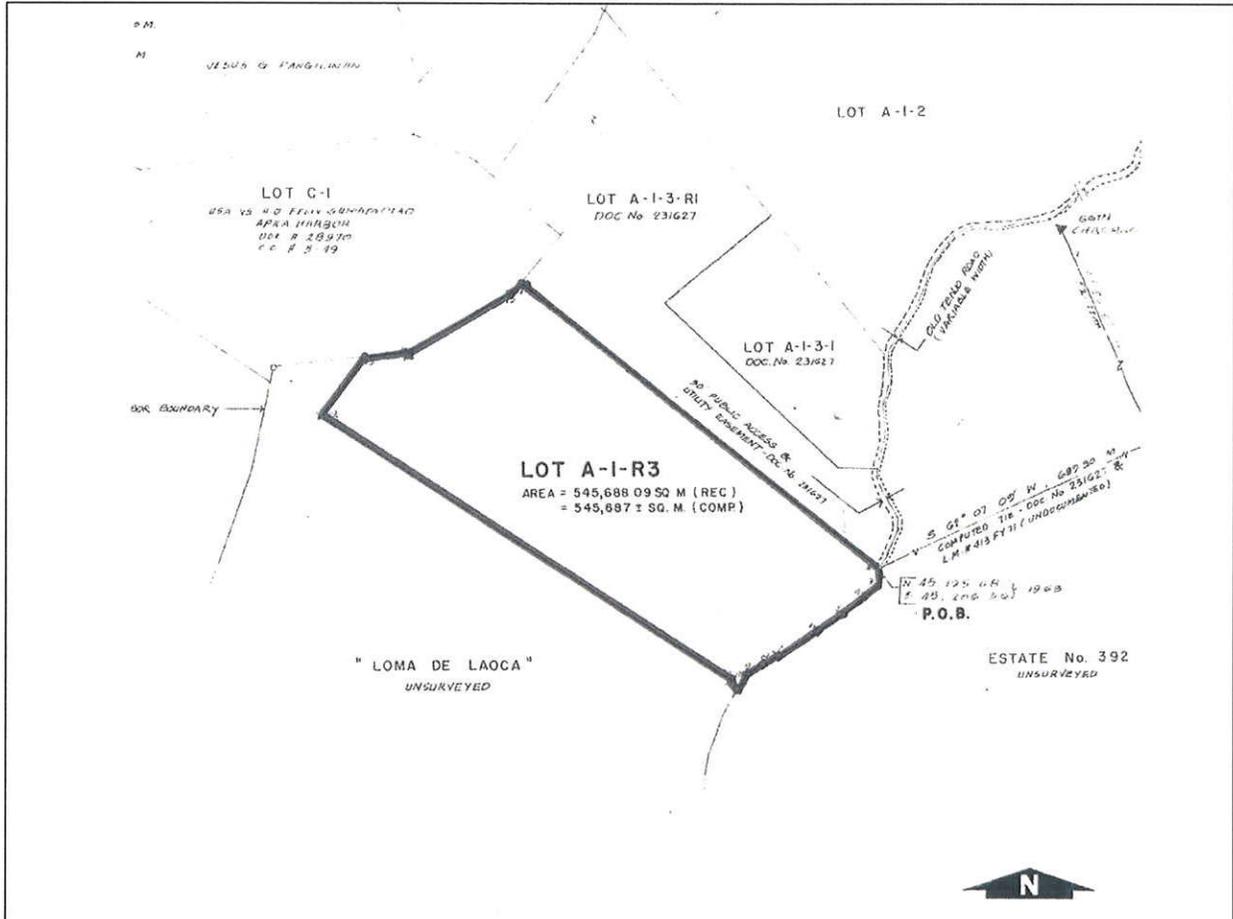
Consideration: \$500,000 (cash to seller)
\$500,000 (via Mortgage dated February 22, 2006 and recorded as Instrument No. 721577)
 \$1,000,000 (total)

Indicated Unit Rate: \$0.77 per square meter
 (\$1,000,000 / 1,292,743 square meters)

Comments:

Details of this transaction were verified with Mr. Chris Felix and Ms. Sheila Torres, real estate agents who were involved in this sale. Both Mr. Felix and Ms. Torres confirmed the sale price. Mr. Felix noted that the seller financing includes 10 monthly payments of \$50,000 with no interest. Mr. Felix stated that the seller financing did not affect the price due to its short term. Further, he stated that the property required survey and both buyer and seller split the \$18,000 cost. Mr. Felix previously noted that approximately 20 to 40 percent of the total land area is usable due to topography.

It is noted that the property previously sold for \$800,000 (\$0.62 per square meter) in May 2002. The previous buyer defaulted on the seller financing and the seller regained ownership.



Transaction No. 3**Property Data:**

Location: Off of Turner Road, Municipality of Piti, Island of Guam

Lot No.: A-1-R3

Land Area: 545,688 ± square meters (134.8 ± acres)

Improvements: Vacant at sale date

Utilities:

Water: No

Power: No

Sewer: No

Topography: Mostly sloping with rolling hills

Frontage/Access: Dirt road (jeep trail) along southern boundary. Paved road is located approximately 0.4 miles northeast of subject.

Zoning: A, Agricultural Zone

Transaction Data:

Transaction Type: Warranty Deed

Transaction Date: June 13, 2005

Recorded: Instrument No. 709921

Grantor: Lesson One, Inc.

Grantees: Vincent Chi-Wa Lin and Angelo Chi-Lien Lin

Consideration: \$350,000 (cash to seller)

Indicated Unit Rate: \$0.64 per square meter
(\$350,000 / 545,688 square meters)

Comments:

Details of this transaction were verified with Mr. Vincent Lin, one of the buyers. Mr. Lin stated that the Japanese seller needed to sell the land in order to terminate operations on Guam. He further noted that the land was acquired for long-term investment purposes. The land benefits from good, distant ocean views and according to Mr. Lin, approximately 75± percent of the land area is usable for residential subdivision purposes. It is noted that the buyers subsequently listed the property for sale on MLS in March 2006 with an asking price of \$3,280,000 (\$6.01 per square meter).

Transaction No. 4**Property Data:**

Location: Route 17 (Cross Island Road), east of Apra Heights, Municipality of Agat, Island of Guam

Lot No.: 401-1-9NEW-R2

Land Area: 1,000,000 ± square meters (247.1 ± acres)

Improvements: Vacant

Utilities:
 Water: Yes
 Power: Yes
 Sewer: No

Topography: Fairly level with rolling hills and low lying wetland areas (portion of Tarzan river). The subject is located between elevations 400± to 640± feet.

Frontage/Access: Extensive paved road frontage along southwest boundary of lot

Zoning: A, Agricultural Zone. By Notice of Action dated February 15, 1989 recorded as Instrument No. 456732, the subject was granted a conditional use permit to develop an eighteen-hole golf course and a club house.

Transaction Data:

Transaction Type: Warranty Deed

Transaction Date: March 11, 2005

Recorded: Instrument No. 705530

Grantor: STT Resort Inc. of Guam

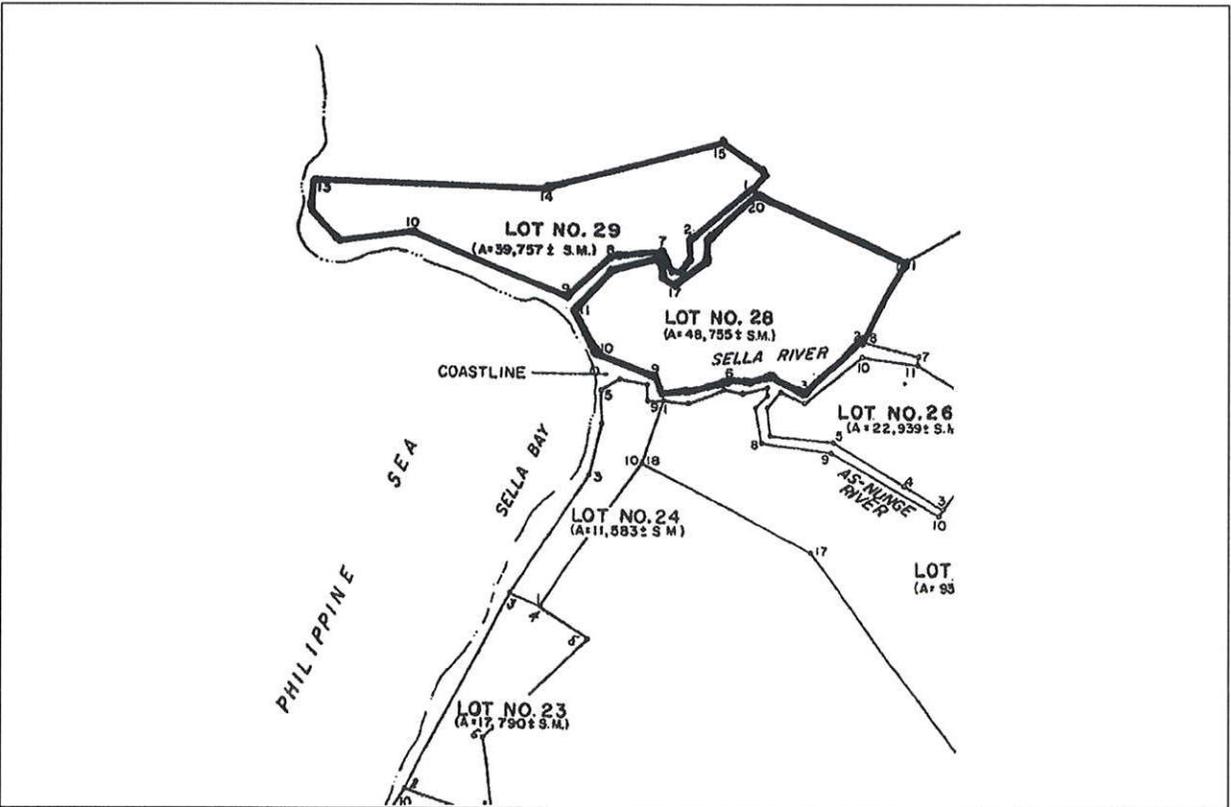
Grantee: Terra Capital Corporation

Consideration: \$950,000 (cash to seller)

Indicated Unit Rate: \$0.95 per square meter
 (\$950,000 / 1,000,000 square meters)

Comments:

Details of this transaction were verified with various representatives of Terra Capital Corporation, the buyer. The land was acquired for long-term holding and investment purposes.



Transaction No. 5**Property Data:**

Location: Sella Bay, west of Route 2, south of Facpi Point and north of Cetti Bay, Municipality of Umatac, Island of Guam

Identification:	<u>Lot No.</u>	<u>Land Area (sm)</u>	
	L28	48,755	(see comments)
	L29	39,757	(see comments)
	Total:	88,512	± square meters (21.9 ± acres)

Improvements: Vacant except for historic Spanish Bridge and Spanish Oven

Utilities:

Water: None
Power: None
Sewer: None

Topography: Fairly level to sloping

Frontage/Access: No existing road access (legal access may be subject to dispute)

Zoning: A, Agricultural Zone

Transaction Data:

Transaction Type: Warranty Deeds

Transaction Date: March 20, 2003

Recorded: Instrument Nos. 672662 and 672663

Grantor: Isabel A. Borja

Grantee: Family Finance Company, Inc.

Consideration: \$600,000 (cash to seller)

Indicated Unit Rate: \$6.78 per square meter (see comments)
(\$600,000 / 88,512 square meters)

\$27,397 per acre
(\$600,000 / 21.9 acres)

Comments:

Details of this transaction were verified with Mr. Oliver Bordallo, an attorney involved in the foreclosure related sale. Mr. Bordallo noted that although the buyer believed that the fair market value was lower than the purchase price, the seller owed this amount to the buyer and a relationship between the parties existed. Further, the buyer has additional property in the vicinity and there is additional cultural and historic ties to the land. According to Mr. Bordallo, the land is unregistered and the actual land area may be subject to dispute. The land area per the deeds reflects 100,000 square meters per lot, but lot maps indicated the areas shown above.

The land has narrow ocean frontage and additional frontage along two rivers. There is an historic Spanish Bridge and Spanish Oven located on the property.

W. NICHOLAS CAPTAIN, MAI, CRE

PROFESSIONAL BACKGROUND

President, Captain, Hutapea & Associates, Captain Realty Advisors and The Captain Company
Qualified Expert/Authority, Supreme Court of the United States (Case No. 06-116), Superior Court of Guam, Superior Court of the CNMI, Supreme Court of the Republic of Palau, Nuclear Claims Tribunal of the Republic of the Marshall Islands and the Board of Appeals in the City and County of Honolulu, State of Hawaii

Organizer and Host, The biennial Micronesia Real Estate Investment Conference (MREIC)
Author, Captain Real Estate News, An E-Newsletter For Real Estate Enthusiasts

PROFESSIONAL AND OTHER AFFILIATIONS

The Counselors of Real Estate - Designated Member
Appraisal Institute - Designated Member
Real Estate Broker, Island of Guam
Appraisal Institute, Former Ambassador to Micronesia, Philippines and Indonesia
Guam Educational Radio Foundation, Chairman of the Board of Trustees
The Counselors of Real Estate, Member, International Task Force, 2005
Appraisal Institute, International Relations Committee, 2001 - 2004
Appraisal Institute, Former National Instructor (USPAP Classes)
The Appraisal Foundation, Former National Instructor (USPAP Classes)
Territory of Guam Certified General Appraiser
Commonwealth of Northern Mariana Islands Certified General Appraiser
Hawaii State Certified General Appraiser, 1995 to 2007
University of Guam, Adjunct Instructor, CCEOP
Guam Association of Realtors, Board of Directors, 2004 to 2008
Beta Gamma Sigma, Member, National Honor Society for Collegiate Schools of Business
Appraisal Institute, Young Advisory Council, 1997 (Hawaii Chapter Scholarship Recipient)
Pan Pacific Congress, The Counselors of Real Estate's Chief Delegate in 2004 (Taiwan) and 2008 (Korea); Appraisal Institute's Alternate Chief Delegate in 2006 (San Francisco) and in 2002 (Malaysia)
Guam Racquetball Federation, Past President and 1999 Asian Racquetball Championships Team Member (Taiwan)

EDUCATION

Master of Business Administration Classes, University of Hawaii at Manoa, Honolulu, Hawaii
Bachelor of Business Administration Degree, University of Hawaii at Manoa, Honolulu, Hawaii, Finance Major (Graduated with 4.0 on 4.0 scale)

Special Real Estate Courses And Seminars:

Appraisal Institute, Small Hotel/Motel Valuation, 2006
Appraisal Institute, Uniform Standards of Professional Practice, 2004
Appraisal Institute, Online Business Practices and Ethics, 2004
Appraisal Institute, Online General Applications, 2004
The Appraisal Foundation, Instructor Certification Course, 2003
Appraisal Institute, Scope of Work, 2002
Appraisal Institute, The Appraiser as an Expert Witness: Preparation & Testimony, 1999
Appraisal Institute, Condemnation Appraising: Basic Principles & Applications, 1999
Appraisal Institute, Condemnation Appraising: Advanced Topics and Applications, 1999
Appraisal Institute, New Industrial Valuation, 1998
Appraisal Institute, Eminent Domain & Condemnation Appraising, 1998
Appraisal Institute, Special Purpose Properties, 1997
Appraisal Institute, Uniform Standards of Professional Appraisal Practice, 1996

W. NICHOLAS CAPTAIN, MAI, CRE (CONTINUED)

EDUCATION (CONTINUED)

Special Real Estate Courses and Seminars (Continued):

- Duplanty School of Real Estate, Various Courses, 1996
- Appraisal Institute, Course 540, Report Writing and Valuation Analysis, 1993
- Appraisal Institute, Course 2-1, Case Studies in Real Estate Valuation, 1992
- Appraisal Institute, Capitalization Theory and Techniques, Parts A & B, 1992
- Appraisal Institute, Course 1A1, Real Estate Appraisal Principles, 1992
- Dower School of Real Estate, Various Courses, 1992
- Appraisal Institute, Standards of Professional Practice, Parts A & B, 1991
- Appraisal Institute, Course 1A2, Basic Valuation Procedures, 1991
- University of Hawaii, Course 310, Real Estate Law, 1991
- International Right-of-Way Association, Valuation of Easements, 1991
- University of Hawaii, Course 300, Business Real Estate, 1990

TEACHING

- Small Investor Seminar Series, Parts I, II and III, 2008
- Uniform Standards of Professional Appraisal Practice Overview (author and instructor), Manila, Philippines, 2003
- Appraising the Appraisal, Parts A & B (author and instructor), Guam, 1999 and 2002
- An Introduction to Real Estate Appraisal in the Republic of Palau (author and instructor), Palau, 1999 and 2000
- An Introduction to the Uniform Standards of Professional Appraisal Practice (USPAP), Jakarta, Indonesia, 2000
- I Tano'-ta: A Valuation Perspective (co-instructor), Guam, 1999

PUBLICATIONS, ARTICLES AND PRESENTATIONS

- "Guam Real Estate Investors Guide", published in *Hawaii Business* (July 2007) and *Pacific Magazine* (July/August 2007).
- "Property Information: A Guam Case Study", published in *Real Estate Issues* (Winter 2003) by The Counselors of Real Estate and previously presented at 21st Pan Pacific Congress, Kuala Lumpur, Malaysia, 2002 [Submitted to Supreme Court of the United States - Case No. 06-116, and available for purchase at Amazon.com]
- "Guam Resort Hotels: The Impact of Global Forces on a Local Market," 22nd Pan Pacific Congress, Taipei, Taiwan, 2004
- "Hotel Valuation from the Perspective of Property Market Recovery in the Asian Pacific", Jakarta, Indonesia, 2002
- "Tulip Bulb Debacle Finds Rival in Guam", *Guam Business*, June 2001

PROFESSIONAL EXPERIENCE

Engaged in real estate research and valuation since 1991. Engaged in real estate consulting and brokerage since 1996. Engaged in real estate investment since 2001. Qualified as expert witness at courts in Guam, Saipan and Palau. In addition to extensive work on Guam, geographic areas covered include the four counties of the State of Hawaii (Honolulu, Maui, Kauai and Hawaii), the Islands of Saipan, Rota and Tinian (CNMI), the Republic of Palau, the Republic of the Marshall Islands, Federated States of Micronesia, the Independent State of Samoa, American Samoa and Papua New Guinea. Types of properties covered include resort, industrial, agricultural, residential, remote atolls, shopping centers, office buildings, golf courses, churches, fitness centers and a variety of other commercial and special use properties. Featured and quoted in various media including *Barron's*, *Los Angeles Times*, *Bloomberg*, *SBS television Australia*, *NHK (Japan and Okinawa)*, *Hawaii Business*, *Pacific Magazine*, *Bisnis Indonesia*, *The Counselor*, *Radio Australia*, *Valuation Insights & Perspectives*, *Building Industry*, *Marianas Business Journal*, *Guam Business*, *Directions*, *Pacific Daily News*, *Guahan*, *GU* and other publications. Appeared on national television programs including *Good Morning Japan* and *Dateline Australia*.