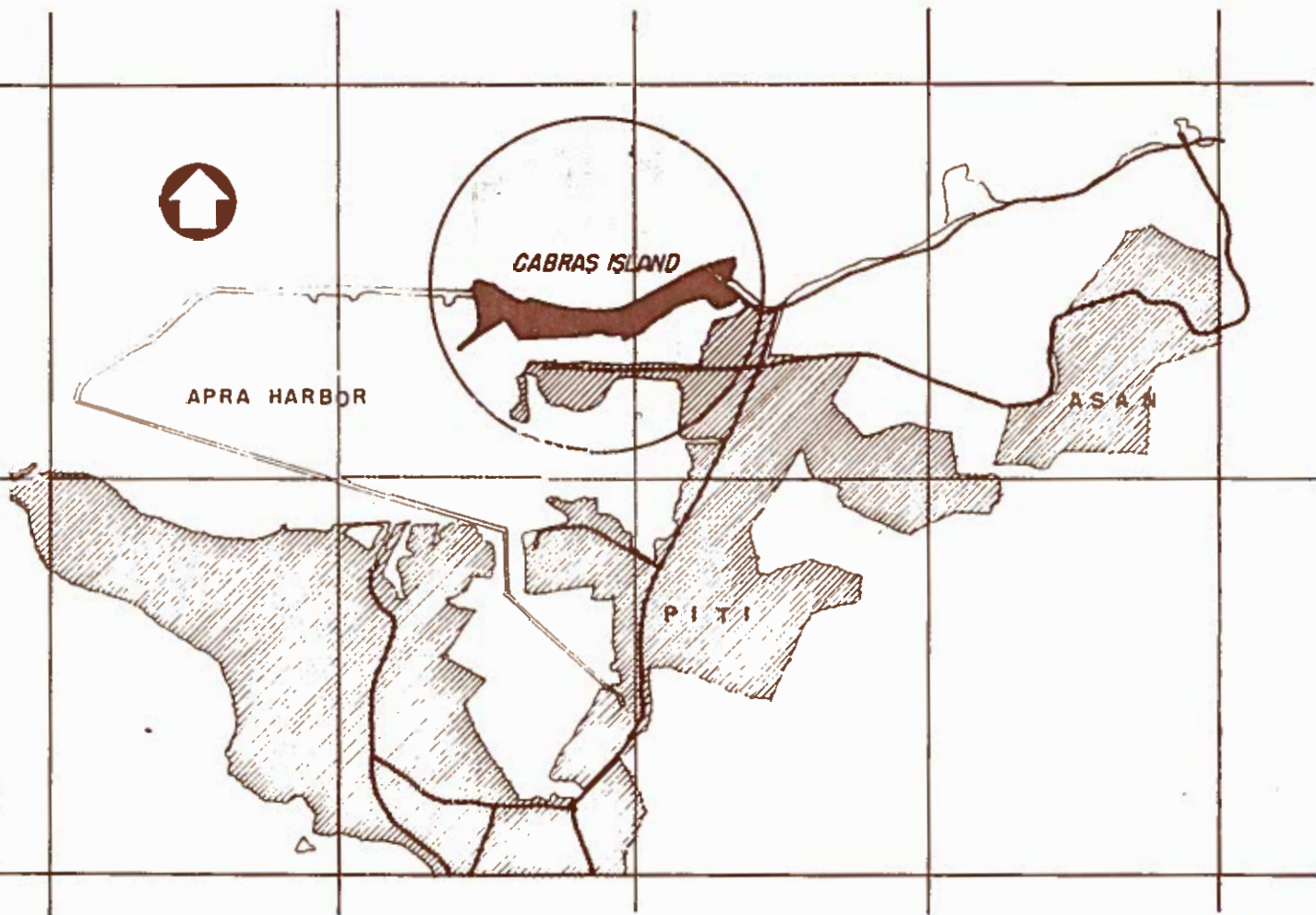


PROPOSAL FOR THE DEVELOPMENT OF CABRAS ISLAND, GUAM (ON TURN-KEY BASIS)



PRESENTED TO THE GOVERNOR OF GUAM

BY

**KEY VENTURES, INC. & ASD ASSOCIATES
TAMUNING, GUAM**

ADVANCE COPY

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INTRODUCTION

This is an offer to undertake the feasibility study of the Cabras Island Development Project, pursuant to our letter to Governor Ricardo J. Bordallo dated December 20, 1983 and his reply dated January 18, 1984. This offer is the first of a two-part offer we are working on for the Project, on a turn-key basis.

The second part is the Project design and construction, should the feasibility study show the Project will be a commercially viable venture, considering all the expected direct and indirect benefits to Guam, including the subsequent spin-off economic activities in the Pacific Basin. We have, in fact, done our own pre-feasibility investigations and looked into previous studies. We are convinced there are indications of positive findings.

We propose to undertake the feasibility study along the concept of the transshipment port in Cabras Island, backed up by an expanded and upgraded container yard and the establishment of efficient warehousing facilities. Thus, this offer contains the development concept, the most appropriate financing scheme, the scope of work, the organization, work plan and methodology, reciprocal responsibilities of all concerned, and the fee structure.

ASD ASSOCIATES, INC. is an architect-engineer consultant in Guam with an experienced staff. Its chief executive officer is Mr. Antonio S. Dimalanta, retired Chairman and President of Trans-Asia (Philippines), Inc. and currently director and consultant to Trans-Asia Group of Companies, a U.S. corporation with extensive international operations.

Mr. Dimalanta has been involved in a number of projects in Guam, both in the military and in the private sectors since the early 1950s. Due to his long exposure to the development of Guam, ASD ASSOCIATES, INC. was established to actively contribute in the economic development of Guam.

KEY VENTURES, INC. is a management/consultancy firm in Guam and headed by its Chairman and President Herman D. Sablan. Mr. Sablan is the key Economic Adviser to the Governor of Guam. He was former head of the Environmental Protection Agency and Chairman of the Capital Improvements Projects Committee of Guam.

For the feasibility study, we have gathered our best pooled professional talents in various fields we consider vital to the Cabras Island Development Project. These include experienced professionals in engineering, architecture, environmental planning and designs, economics and finance, port operations, business administration/management, international relations/diplomacy, marketing/promotions, public affairs, media communications, publishing, public administration and tourism; and among others, Trans-Asia Group of

THE OFFER

Companies, and Ruder and Finn International, Inc.

The feasibility study must be accomplished on fast-track basis for the Project to take advantage of the current international economic developments now. Because of the Project's urgency, we expect to accomplish the feasibility study three (3) months after commencement of the undertaking.

THE OFFER

KEY VENTURES, INC., in association with ASD ASSOCIATES, INC. offers to the Government of Guam, through the Office of the Governor, to undertake the Cabras Island Development Project on a turn-key basis, as Project Managers, to include the following inseparable phases of the Project work:

1. Feasibility Study
2. Financial Sourcing and Intermediation
3. Master Planning, Designs and Construction
 - a. Undertake topographic and hydrographic surveys
 - b. Undertake sub-surface investigations
 - c. Study the environmental impact
 - d. Container yard upgrading and expansion
 - 1) Fender system extension to accommodate additional berthing facilities
 - 2) Tuna unloading system and cold storage

facility at Wharf F3

- 3) Security lighting and fencing
 - 4) New chassis-mounted container stalls
 - 5) Building for administration, security and dispatch
 - 6) Container repair facility
 - 7) One 50-ton gantry crane
 - 8) Reefer facilities and utilities for expansion area
 - 9) Upgrade and repair of existing facilities (yard, tower, transit sheds, doors, port equipment and stevedore facility)
 - e. Industrial Park including warehouses
 - 1) Infrastructure and site preparation, (water, power, sewer and waste treatment plant as necessary, drainage, roads, communications, security, lighting and fencing)
 - 2) Receiving and delivery stations
 - h. Dredging and reclamation works as required
 - i. Development of a resort/club as it fits the concept
4. Project Promotions and Marketing

PROJECT CONCEPT

5. Operations Consultants for -
 - a. Ports
 - b. Industrial Estates
 - c. Warehousing complex
6. Development of a training program and a scheme of technology transfer within a reasonable period of time

PROJECT CONCEPT

In line with the call for Economic Rearmament for Guam by Governor Ricardo J. Bordallo, and dovetailed to existing Master Plan, the Cabras Island Development Project is designed to harness the maximum potential of Guam as a transshipment center for cargo moving between the U.S. Mainland, the Pacific Basin and the Far East.

The United States remains to be the major source of supply for Guam's imports and the major market for its exports. The same situation exists among the countries in the Far East, specifically the Philippines, Japan, Taiwan, Hong Kong and possibly Australia and New Zealand, as well as the North Mariana Territory and the Micronesian States.

The Project hopes to convert Guam from an import-for-consumption economy to an import-to-manufacture/assemble/package-for-export economy. This will result in an increase in inter-regional trade with the U.S. and a

further increase in regional trade within the Pacific Basin. As trade expands, the volume of containerized cargo movements will increase, giving rise to frequency of calls and reliability of port services. Guam as a transshipment center can, therefore, assume the position of competitive advantage over Hong Kong or Singapore or Kaoshiung.

The Project envisions to offer a faster turnover of trade between the American mainland and the countries in the Western Rim of the Pacific. This in turn will provide a competitive advantage over direct shipments from points in the American mainland to destinations West, and vice versa.

The current political and economic cooperation between the U.S. and the Association of Southeast Asian Nations and China is directly supportive of this Project. The recent pronouncements of President Reagan and the leaders of the Association of Southeast Asian Nations, and the most recent Reagan state visit to China are definitely indicative of increased trade traffic between the two regions.

Therefore, Cabras Island must be developed to install, expand and upgrade the container port facility, to establish an efficient warehousing operation for stockpiles, and to develop and operate an industrial site/estate providing for an enterprise network, which will trigger the multiplier effect on the economic growth of Guam.

BENEFITS

Once converted into a working transshipment center, Guam can:

1. Attract investment capital from international sources.
2. Become a financial center in the region.
3. Spearhead the economic and political development of the South Pacific.
4. Undoubtedly increase its economic growth and per capita income.
5. Decrease its economic dependence from the Federal Government in Washington, D.C. and ensure a self-reliant economy.

BENEFITS FROM THE PROJECT

The Cabras Island Development Project can be financially viable which can propel Guam into a self-reliant position and leadership in the economic development in the Pacific Basin.

The development of Cabras Island will greatly reduce the heavy dependence of the economy on Federal government programs. The development of a foreign trade zone in Guam is another vehicle towards increased economic activity that will lead to a possibility of Guam being the financial center in the Pacific.

The development of port facilities, warehousing complex and the industrial park will mean business potentials in the following production activities:

1. Clothing, apparel and other textile products
2. Footwear and other leather products
3. Glass, pottery and china
4. Lapidaries
5. Veneers and plywood
6. Electronics assembly plants
7. Food processing and storage facilities
8. Furniture and handicraft items

For the U.S. mainland, Guam can very well serve as a warehouse/depot of products exported to Asia and the Pacific Basin. And it can do the same for Asian and Pacific exports to the U.S.

Heavy imports of Asia from the U.S. consists of the following:

1. Cereals and grains
2. Dairy products
3. Fertilizers and chemicals
4. Spareparts
5. Completely knocked-down machineries

Based on our initial findings, the Project complex will provide a four-level economic benefit, namely:

1. Directly, it will benefit the Port of Guam. With expanded facilities and increased activities, there will necessarily be an increase in the incremental revenues for the Port.

2. Indirectly, it will cause increased profitability to the entire business community of Guam due to the establishment of the industrial estate within the Cabras Island Project.

3. Increased employment and induced benefits for the population due to the expected increase in per capita income; this, in turn, will open up new and lasting opportunities for the economic uplifting of the Island.

4. Significantly increased the economic tax base.

Indeed, these benefits can be the collective moving spirit towards an attitudinal change of the people, which is in keeping with the goals of an Economic Rearmament for Guam.

The above are foregone conclusions subject, of course, to a detailed verification when the feasibility study for the Project is undertaken.

APPENDIXES

APPENDIX A

SCOPE OF WORK

The scope of work for the preparation of a detailed feasibility study is outlined below:

1. Review and evaluation of existing studies/plans related to the Project.
 - a. Review of the existing port operations.
 - b. Review and update the existing Master Plan as approved by the Government of Guam.
 - c. Review existing local laws, U.S. Customs Tariff Code and other relevant regulations affecting the Project.
 - d. Assess the potential of Guam for economic and industrial development.
2. Assess and evaluate existing infrastructure related to the Project.
 - a. Assess the current capabilities of the Port.
 - b. Assess operations of existing warehouses as they complement the Project.
 - c. Review existing utility systems such as power, water, communications, sewerage and other requirements necessary to support the Project.
3. Economic studies comprise:
 - a. Review and evaluate the internal economic base of Guam.
 - b. Potentials for economic growth.

- c. Study of Guam's ocean-borne trade and shipping services.
 - d. Socio-economic impact.
 - e. Study of the external economic variables affecting the economy of Guam.
 - f. Identification of industrial growth areas supporting the establishment of Guam as transshipment center between the U.S. Mainland and the countries in the Western Rim of the Pacific and Asia.
 - g. Growth areas for economic self-sufficiency.
4. Technical and Pre-Engineering Studies.
- a. Site investigation/surveys.
 - b. Sub-surface investigations.
 - c. Wave and tide studies.
 - d. Environmental impact studies.
 - e. Master planning.
 - f. Architecture/Engineering specifications and cost estimates.
 - g. Transport economics.
5. Financial studies comprise:
- a. Determination of the total Project cost.
 - b. Design of the financial plan.
 - c. Preparation of the Financial Projection for ten years or life of the loan.

- Cash Flows Projections.
- Revenue Projections.
- Capital Expenditures Plan.
- Balance Sheet Projection.
- d. Profitability Analyses.
- e. Preparation of a Term-Sheet for Bank negotiations.
- 6. Marketing and Promotions.
 - a. Identification of industries/projects.
 - b. Mini Project profiles.
 - c. Master plan for public affairs program.
 - d. Pre-selling port services and industrial estate.
 - e. Advertising.

APPENDIX B

WORK PLAN AND METHODOLOGY

Based on the Scope of Work, we have outlined our approach to undertake the Feasibility Study as the initial task in the whole program within the timeframe of the Project. Considering that the implementation of the Project is based on turn-key concept, every relevant aspect of the entire Project will be covered by the Feasibility Study and by what we consider as the Project, as indicated in the Scope of Work.

TASKS AND ACTIVITIES

In order to attain the objectives of this Project, we have identified and organized the various tasks in a manner that each activity will commence simultaneously or in parallel, all of which will be completed in 12 weeks. We recognize the time constraint and the urgency of the Project, and for these reasons we have devised a simultaneous program of activities and the required organization to cope with the requirements of the Project.

In the performance of the various undertakings, the Project Managers shall assess and pursue the continuation of projects critical to the Master Plan of Cabras Island, which are on-going. We shall not, in any way, duplicate on-going activities, but instead, assist in strengthening these activities.

Initially, an extensive data gathering and review of all available information related to the Project will be done concurrently with the Master Planning, surveys and field investigations. Updating and evaluation of all available data, including port activities and facilities, will be performed. This will constitute the bulk of the initial (preliminary) report, together with appropriate evaluation and a detailed program of activities based on the initial findings. Goals and objectives will be defined and identified clearly, logically and justified with a realistic and workable program.

We will then proceed to the various specific tasks that will be done simultaneously, maintaining close coordination and constant supervision to ensure progress of work in line with the goals and objectives of the Project.

The various activities that will follow after the initial work (data gathering, review, evaluation and the preparation of a detailed work program) will be an intense study of the different aspects of the Project, consisting of the following:

1. Survey of existing conditions, offshore and on-shore, and sub-surface investigations which will be the basis of the planning and design of the physical plant facilities.

2. Preparation of the Master Plan covering the Port, Industrial Estate and the warehousing area.

3. Preliminary cost estimates based on the Master Plan and to include cost of operating and maintaining the Port complex.

4. Economic analysis and evaluation of the trans-shipment system including identification of investment potentials and pragmatic forecasts of future demands. Sound economic principles and objective evaluations will be the basic guidelines in formulating the economic and financial framework in the context of local, regional and global requirements. The tides of economic changes now flowing in the world at large, and in the Far East and the Pacific Basin in particular, demand that Guam establishes her role of political and economic influence at this time if she is to pursue a posture of economic self-sufficiency.

5. Devise and recommend financing scheme most suitable and beneficial to the Project; formulate appropriate guidelines and solicit financing offers that will be tailored to requisites of the Project, and assist the Government in the negotiations for the required funding.

6. Study and consider future directions in world trade, visualize present economic conditions and trends in developing countries, particularly in Asia and the Pacific region, with a view of formulating responsive trading patterns that will offset increased cost of energy, rapid rises in interest rates, facilitate deliveries of critical and essential commodities and products, and

stabilize trading activities among Pacific and Asian countries. The economic adjustment process has to be carefully planned and fully integrated in resolving complex international problems related to economic stability and trade. Recognition of the complex linkages between finance and trade is an aspect of the study that will be given due emphasis.

7. Policy formulation and objectives are related closely to promotions and marketing of the transshipment and industrialization concept of the Project that will spell out the degree of economic impact to the Island and the region. This, too, will be given due emphasis.

8. A study and analysis of the port and existing facilities will be conducted and correlated to the goals and objectives of the Project. We will investigate present trends in Port operations and shipping patterns and look towards the trends of the future as the revolutionary changes of the present would affect patterns, procedures and equipment of container ports. An efficient and viable Port operation is the key to a successful transshipment center as it pertains not only to the physical facilities but also to maritime operations, cargo handling facilities and methods, adequacy of supply of bulk fuel and repair facilities, and the management functions that govern these activities.

9. Implementation and execution of the program will be a major task which will require a comprehensive and coordinated function on the part of management. All aspects of the Project will be covered in an integrated program leading to the ultimate goal with significant milestones while the Project is being undertaken.

10. All studies and incremental reports will be the basis for the Pre-Final Report which will be reviewed in its entirety and submitted to the Government for comments prior to finalization of the Report.

11. The Final Report will constitute the completed Project Study, incorporating both the Government's and the Project Managers' views, recommendations, plans and program for implementing the Project concept of Guam as a transshipment center.

APPENDIX C

BUDGETARY COST ESTIMATES

The turn-key project is estimated to cost \$63.00 Million, broken down as follows:

1. Preparation of the detailed Feasibility Study	\$ 2.00 M
2. Pre-Engineering design, Master Planning and design	2.00
3. Construction cost	49.00
4. Promotions and marketing	2.00
5. Project Management	2.50
6. Contingencies (10% of Items 1,2,3 & 5)	===5.50===
Total	\$ 63.00 M =====

PROPOSED FINANCING SCHEME

The total Project Cost will be financed from a combination of equity financing and debt-financing from foreign sources as follows:

Total Project Cost (budgetary est.) \$ 63.00 M

Financing Scheme :

Debt portion \$ 43 M

Equity portion 20

_____ \$ 63.00 M

The financing mechanism will involve the active participation of local banks in leading the syndication

of the foreign borrowing with the assistance of the Project Managers, who will be responsible in preparing the appropriate financial package.

The financial package shall come in two phases:

1. Financial package to finance the pre-operating requirements which is basically the cost of preparing the detailed Feasibility Study. Financing for the pre-operating stage is envisioned to come from the equity of the Government of Guam. This will enhance the Project credibility and provide assurance to prospective financiers of the Government's determination to support the Project.
2. Financial package to finance the design and construction phase of the Project will be foreign loan and equity. Sources are:
 - 1) Dutch Financiers
 - 2) Swiss Banks
 - 3) American Banks
 - 4) Equity

The foreign sources of funds have expressed willingness to finance the Project provided it is economically and financially viable. Furthermore, the intention to finance it is anchored on the Government's capacity to execute the required Government guarantees or a guarantee from an acceptable commercial bank.

Preliminary indications from fund sources
show the following terms of references:

Interest rates	:	8 % per annum.
Repayment scheme	:	10 years to pay with possibility of nego- tiating for a 2-year grace period.
Collateral	:	Government guarantee and a guarantee from an acceptable commercial bank.
Terms/Conditions	:	Equity participa- tion from the Govern- ment; Project viability; Appointment of a foreign Technical Consultant.

APPENDIX D

RESPONSIBILITIES OF THE PROJECT MANAGERS IN THE PREPARATION OF THE FEASIBILITY STUDY

1. To intermediate for, and in behalf of, the Government of Guam to find the most appropriate financial package to finance the Feasibility Study.
2. To undertake the complete Feasibility Study within three (3) months as per Scope of Work and Timetable.
3. To present the completed Feasibility Study to the Government of Guam or its appropriate agency for approval, in preparation for the implementation of the Cabras Island Development Project's second phase.

RESPONSIBILITIES OF THE GOVERNMENT OF GUAM IN THE PREPARATION OF THE FEASIBILITY STUDY

1. To grant the Project Managers access to all pertinent data and information in the preparation of the Feasibility Study which are available in the different Government agencies and offices.
2. To grant the Project Managers access to the operations of the Port Authority of Guam and enable the Project Managers to dovetail the expansion scheme to the existing facilities and operations of the Port.
3. To provide the Project Managers, if necessary and on request, a reasonable working area within the premises of the Port Authority Building in Guam while undertaking the Feasibility Study.

4. To assign a liaison officer or group of competent personnel from the Port Authority of Guam and or the appropriate agencies to assist the Project Managers in undertaking the Feasibility Study.
5. To assist in facilitating the movement in and out of Guam technical personnel and equipment required in the conduct of the Feasibility Study.

APPENDIX E

FEE STRUCTURE

For services rendered, the Project Managers shall be paid a total of U.S. TWO MILLION DOLLARS (US\$2 M) payable as follows:

- 15 % upon signing of the Project Management Contract.
- 25 % upon submission of Preliminary Report.
- 25 % upon submission of Pre-Final Report.
- 25 % upon submission of Final Report.
- 10 % upon approval of the Feasibility Study.

APPENDIX F

PROJECT ORGANIZATION

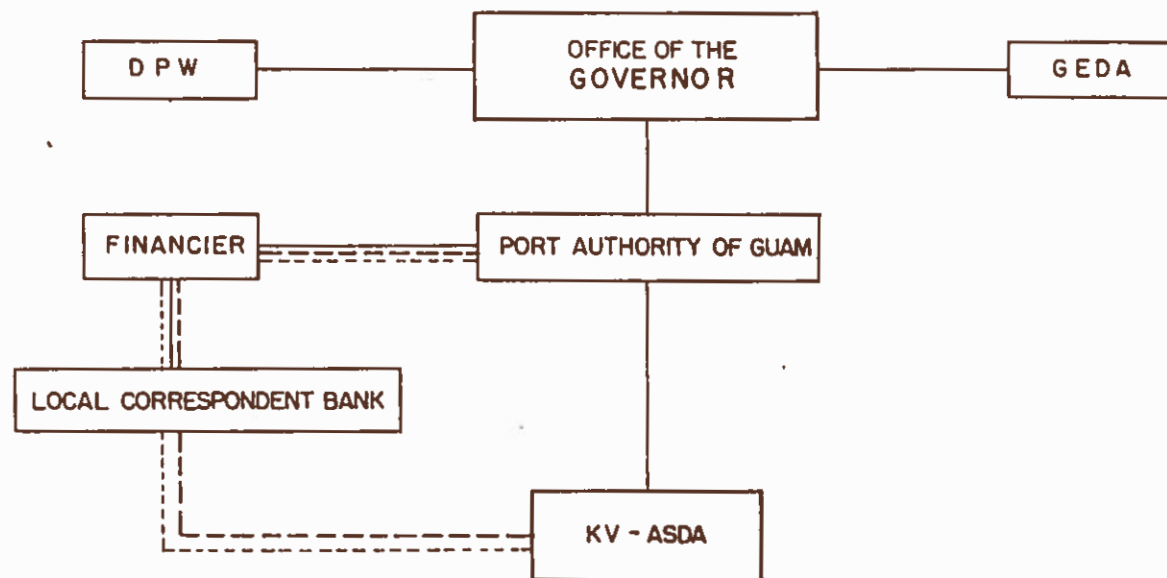
This project requires the coordination of the individual experts in dissimilar fields of endeavor to produce an end-product that has coherent, and internally consistent, conclusions and recommendations. An effort has been made in submitting this proposal to develop a project organization that will produce a clear, precise, and comprehensive Feasibility Study as required by a project of this nature. A total comprehensive approach involving technical, economic, social, financial, legislative, public affairs, marketing and political aspects from the local, regional and global standpoints, is the only realistic approach that can serve as a basis for a successful venture of this nature. The Project Organization Chart (Attached) reflects both the broad areas of functional specialization and the internal relationships required throughout the work on the Feasibility Study.

The Project Organization Chart provides a Project Leader who will be responsible for the day-to-day supervision of the work and coordinate all aspects of the Feasibility Study involving all aspects mentioned above. The Project Leaders of the associated firms (ASDA and KV) will constitute the principal liaison between the Consultants, the Government of Guam and the designated Project Managers.

☒ FULL TIME
☐ PART TIME

APPENDIX 6

NO.	POSITIONS	1	2	3	4	5	6	7	8	9	10	11	12	MAN-WEEK	REMARK
1	PRINCIPAL IN CHARGE													12	
2	RESIDENT MANAGER													12	
3	ARCHITECT & PLANNER													9/3	
4	PORT ENGINEER													8/4	
5	CIVIL ENGINEER													8	
6	STRUCTURAL ENGINEER													6	
7	MECHANICAL ENGINEER													6	
8	ELECTRICAL ENGINEER													7	
8	COST ENGINEER													10/2	
9	INDUSTRIAL ENGINEER													6	
10	GEODETIC ENGINEER													6	
10	MARKETING SPECIALIST													10/2	
11	GEOLOGIST													6	
12	FINANCIAL ANALYST													10/2	
13	ECONOMIST													10/2	
14	ENVIRONMENTAL SPECIALIST													6	
15	TRANSPORT SPECIALIST													8/4	
15	OCEANOGRAPHER													4	
16	PUBLIC AFFAIRS (2)													30/6	
17	LEGAL													1/11	



LEGEND:

- CONTRACTUAL
- - - - - COORDINATION
- - - - - FINANCIAL

PROJECT INTER-RELATIONSHIP CHART

APPENDIX H

CABRAS DEVELOPMENT PROJECT (GUAM) TIME TABLE

CABRAS DEVELOPMENT PROJECT (GUAM) TIME TABLE

CABRAS DEVELOPMENT PROJECT (GUAM) TIME TABLE

- 1 PREPARATION & SUBMISSION OF PROJECT PROPOSAL
- 2 SUBMISSION OF FINANCIAL PROPOSAL
- 3 NEGOTIATION & PROJECT MANAGEMENT AGREEMENT, DOCUMENTATION & PROCESSING
- 4 MOBILIZATION (PERSONNEL & EQUIPMENT)
- 5 FEASIBILITY STUDY
- 6 FINANCIAL PACKAGE, NEGOTIATION, SIGNING & INITIAL RELEASE OF FUNDS
- 7 SURVEY & DESIGN PHASE
- 8 CONSTRUCTION PHASE
- 9 PROMOTIONS & MARKETING ACTIVITIES
- 10 OPERATIONS (TRANSSHIPMENT COMPLEX)
CONSULTANCY SERVICES

[illegible]