FILE

START

Some pages unreadable and/or missing

More info on why

Computer #_____

TRUST TERRITORY OF THE PACIFIC ISLANDS--ARCHIVES SURVEY FORM

Primary Branch, Department, Bureau, or Office producing materials:
R&D

Subgroup of the above:
LAN

Author/Title/Date of publication (if any) of specific materials:

Subject of materials: (See schedule in TTPI Files System Manual)
LANG-2 ECD 12-2

Brief description:
Royal Taga Hotel Lease for public land on Saipan

Geographic area dealt with in materials:
TTPI at large:
Individual districts: ✓
Individual governments:
Individual islands:
Other:

Span of years covered by materials: 1966 - 1974

Format of information:
Correspondence: ✓
Reports: ✓
Clippings:
Other: c maps

Physical arrangement of materials: (How are they organized within the file?)
Geographically:
Chronologically: ✓
By subjects:
By organization:
Other:

Physical location of materials: (Area where presently located)
Office: R&D
File cabinet number: 75354 Subgroup: LAN
Drawer number: 3
File folder number: 178.57.2.2
Estimated quantity of materials: 1 folder

Recorded by:

Date:

Disposition of originals:

Microfilm roll No.: Frame #:

Computer #_____

TRUST TERRITORY OF THE PACIFIC ISLANDS--ARCHIVES SURVEY FORM

imary Branch, Department, Bureau, or Office producing materials:
R&D

ogroup of the above:
AN

thor/Title/Date of publication (if any) of specific materials:

bject of materials: (See schedule in TTPI Files System Manual)
1A6-2 ECD 12-2

ief description:
YAL TAGA Hotel Lease for public land on SAIPAN

ographic area dealt with in materials:
TTPI at large:
Individual districts: ✓
Individual governments:
Individual islands:
Other:

an of years covered by materials: 1966 - 1974

rmat of information:
Correspondence: ✓
Reports: ✓
Clippings:
Other: ✓ maps

ysical arrangement of materials: (How are they organized within the file?)
Geographically:
Chronologically: ✓
By subjects:
By organization:
Other:

ysical location of materials: (Area where presently located)
Office: R&D Subgroup: LAN
File cabinet number: 75354
Drawer number: 3
File folder number: 178.57.2.2
Estimated quantity of materials: 1 folder

ecorded by:

ate:

isposition of originals:

icrofilm roll No.: Frame #:

AN OUTLINE OF THE

ATTORNEY GENERAL'S OPINIONS

RELATING TO LAND MATTERS

AG.OP.NO.	SHORT TITLE/SUMMARY	AG. OPINIONS PAGE (VOL. I)
68-4	The High Commissioner, in regard to lease agreements between the Trust Territory Government and Micronesian Development Company(Jones Ranch) and Micronesian Hotel Corporation(Royal Taga), has agreed to not unreasonably withhold his approval of a United States mortgage bidding in the property at a foreclosure sale or the mortgagee's resale of the leasehold to a United States buyer.	74
68-7	The Trust Territory may not receive a rebate on the lease rent paid for houses damaged by typhoon Jean.	79
68-11	The proceeds from the sales or leases of public land should be deposited in the general fund of Congress of Micronesia for appropriation by that body.	86
69-1	The government of the Trust Territory by statute and common law owns all lands below the ordinary high-water mark, including so-called swamps or marshes below the ordinary high water mark even though such swamp or marshes contain some fresh water (re. Truk District).	88

178.57.2.2

AN OUTLINE OF THE

ATTORNEY GENERAL'S OPINIONS

RELATING TO LAND MATTERS

OP.NO.	SHORT TITLE/SUMMARY	AG. OPINIONS PAGE (VOL. I)
4	The High Commissioner, in regard to lease agreements between the Trust Territory Government and Micronesian Development Company(Jones Ranch) and Micronesian Hotel Corporation(Royal Taga), has agreed to not unreasonably withhold his approval of a United States mortgage bidding in the property at a foreclosure sale or the mortgagees resale of the leasehold to a United States buyer.	74
-7	The Trust Territory may not receive a rebate on the lease rent paid for houses damaged by typhoon Jean.	79
11	The proceeds from the sales or leases of public land should be deposited in the general fund of Congress of Micronesia for appropriation by that body.	86
-1	The government of the Trust Territory by statute and common law owns all lands below the ordinary high-water mark, including so-called swamps or marshes below the ordinary high water mark even though such swamp or marshes contain some fresh water (re. Truk District).	88

178.57.2.2

69-8	A domestic corporation which has non-citizen shareholders must get a business permit from the High Commissioner under P.L. 4-22.	96
69-12	With regard to rivers in Ponape: (2) the high water mark of rivers flow determines land ownership; (b) land below the high water mark belongs to the Government; (c) once it is determined that the river is a public waterway, a land owner along the river cannot stop anyone from operating a boat on the river; (d) flotsam which comes to rest above the high water mark on the land of an adjacent land owner belongs to the landowner; flotsam which remains in the river belongs to the first person to claim it.	101
69-20	Formation of a non-profit corporation to transfer real property for Palauan Museum is preferable to an "allocation" procedure for the same purpose.	111
69-22	Under particular contract leasing land to Trust Territory Government, reversion of land to prior owner will occur if government subleases land to private concern.	113
69-23	In order to register as a surveyor, a non-citizen must comply with provisions of P.L.3-41.	115
70-11	All leases of real property between citizens of the Trust Territory and non-citizens of the Trust Territory must be submitted to the High Commissioner first for his review and	144

	A domestic corporation which has non-citizen shareholders must get a business permit from the High Commissioner under P.L. 4-22.	96
	With regard to rivers in Ponape: (2) the high water mark of rivers flow determines land ownership; (b) land below the high water mark belongs to the Government; (c) once it is determined that the river is a public waterway, a land owner along the river cannot stop anyone from operating a boat on the river; (d) flotsam which comes to rest above the high water mark on the land of an adjacent land owner belongs to the landowner; flotsam which remains in the river belongs to the first person to claim it.	101
	Formation of a non-profit corporation to transfer real property for Palauan Museum is preferable to an "allocation" procedure for the same purpose.	111
	Under particular contract leasing land to Trust Territory Government, reversion of land to prior owner will occur if government subleases land to private concern.	113
	In order to register as a surveyor, a non-citizen must comply with provisions of P.L.3-41.	115
	All leases of real property between citizens of the Trust Territory and non-citizens of the Trust Territory must be submitted to the High Commissioner first for his review and	144

	approval, except for leases for residential purposes where the terms do not exceed one year. Leases in violation of this provision are invalid.	
71-2	Under Contract TT 395 - Bottling Company of Micronesia, Inc., is not entitled to perpetual renewal of a public lands lease but is limited to one renewal of the lease agreement.	179
71-7	The High Commissioner is empowered by Section 211 of Title 67 of the Trust Territory Code to waive the prohibitions set forth in Section 209 of said Title.	188
71-13	(a) Loans by a non-United States citizen or corporation to Trust Territory citizens are not violative of the Most Favored Nation clause of the Trusteeship Agreement. (b) Security for such loans may take any legal form except that the loan may not be secured by any interest in real property.	196
71-14	Limitations exist on the transfer of interest in land or lease, transfer of stock, or increase in capitalization, by the Continental-Truk Hotel Corporation involving the Continental/Travelodge hotels in the Trust Territory.	198
71-27	(a) A District Land Commission may not note on a Certificate of Title as an encumbrance to said title, an agreement for lease of private real property by a noncitizen of the Trust Territory, which agreement has not been approved by the High Commissioner.	226

approval, except for leases for residential purposes where the terms do not exceed one year. Leases in violation of this provision are invalid.

Under Contract TT 395 - Bottling Company of Micronesia, Inc., is not entitled to perpetual renewal of a public lands lease but is limited to one renewal of the lease agreement. 179

The High Commissioner is empowered by Section 211 of Title 67 of the Trust Territory Code to waive the prohibitions set forth in Section 209 of said Title. 188

(a) Loans by a non-United States citizen or corporation to Trust Territory citizens are not violative of the Most Favored Nation clause of the Trusteeship Agreement. 196

(b) Security for such loans may take any legal form except that the loan may not be secured by any interest in real property.

Limitations exist on the transfer of interest in land or lease, transfer of stock, or increase in capitalization, by the Continental-Truk Hotel Corporation involving the Continental/Travelodge hotels in the Trust Territory. 198

(a) A District Land Commission may not note on a Certificate of Title as an encumbrance to said title, an agreement for lease of private real property by a noncitizen of the Trust Territory, which agreement has not been approved by the High Commissioner. 226

(b) A citizen of the United States, but formerly a Trust Territory citizen may not be registered by the District Land Commission as the legal property owner of certain real property located in South Garapan, Saipan.

71-28 Nan Madol is owned by the Trust Territory as public land and the High Commissioner is without present statutory authority to grant such land to a private individual or establish a trust as proposed. 230

72-6 (a) Noncitizens of the Trust Territory must obtain the written consent of the High Commissioner for sub-leases of property. 258

(b) Common law does not recognize a condiminium interest in real property, consequently, legislation must be enacted providing such in order for any entity to sell condiminium interests in real property.

73-4 District No. 6 (San Antonio), Saipan, Mariana Islands, is not a legal entity for the purpose of holding an interest in land. 276

73-5 The statutory responsibilities of the Chief of Lands and Surveys include participating in the land use planning process insofar as existing public lands and private lands required for public use are concerned. 278

73-10 All those areas in Kagman and Marpi which are best suited for agricultural and village homesteading purposes will be used for such. 299

(b) A citizen of the United States, but formerly a Trust Territory citizen may not be registered by the District Land Commission as the legal property owner of certain real property located in South Garapan, Saipan.

Nan Madol is owned by the Trust Territory as public land and the High Commissioner is without present statutory authority to grant such land to a private individual or establish a trust as proposed. 230

(a) Noncitizens of the Trust Territory must obtain the written consent of the High Commissioner for sub-leases of property. 258

(b) Common law does not recognize a condiminium interest in real property, consequently, legislation must be enacted providing such in order for any entity to sell condiminium interests in real property.

District No. 6 (San Antonio), Saipan, Mariana Islands, is not a legal entity for the purpose of holding an interest in land. 276

The statutory responsibilities of the Chief of Lands and Surveys include participating in the land use planning process insofar as existing public lands and private lands required for public use are concerned. 278

All those areas in Kagman and Marpi which are best suited for agricultural and village homesteading purposes will be used for such. 299

ATTORNEY GENERAL'S OPINIONS
(1974 - Present)

AG.OP.NO.	SHORT TITLE/SUMMARY	DATE
74-1		
74-2		
74-3		
74-4		
74-5		
74-6		
74-7		
74-8		
74-9		
74-10		
74-11		

ATTORNEY GENERAL'S OPINIONS
(1974 - Present)

NO.	SHORT TITLE/SUMMARY	DATE

74-12		
74-13	The Government should not proceed with land transactions with the Catholic Church as the Catholic Church, including all of its administrative subdivisions, is a non-citizen organization which cannot own title to lands in the Trust Territory pursuant to 57 TTC § 11101.	9/18/74
?	Regarding age requirement for a successor in interest to a permit to homestead, a homesteader may designate a minor successor in interest to the rights held under a permit to homestead. Provided, the minor successor must fulfill all of the development requirements contained in the permit as though he were the original homesteader.	2/24/75

The Government should not proceed with land transactions with the Catholic Church as the Catholic Church, including all of its administrative subdivisions, is a non-citizen organization which cannot own title to lands in the Trust Territory pursuant to 57 TTC § 11101. 9/18/74

Regarding age requirement for a successor in interest to a permit to homestead, a homesteader may designate a minor successor in interest to the rights held under a permit to homestead. Provided, the minor successor must fulfill all of the development requirements contained in the permit as though he were the original homesteader. 2/24/75

Royal Taga Hotel

P.O. BOX 66 SAIPAN, MARIANAS ISLANDS Cable: TAGA, Saipan or CLIFF, Guam

October 6, 1971

Mr. Francisco C. Ada
District Administrator
Marianas Islands District
Trust Territory of the Pacific Islands
Saipan, M.I.

Dear Mr. Ada:

Your letter dated September 10, 1971 has been referred to the undersigned for comments. Please pardon the delay which has been caused by the writer's off-island travel.

At the present time, our attorneys are drafting up a lease between Micronesian Hotel Corporation and Marianas Travel Agency. Once this has been completed, it will be forwarded for consideration. You may be aware that from time to time the Royal Taga has allowed the present travel agency space to be utilized by various activities without charge. These activities include the former, Micronesian Airlines (Emmett Kay), Air Pacific, etc. These activities were considered an asset to both the Royal Taga and Saipan, and therefore, we have tried to help them as much as possible.

Marianas Travel Agency received its IATA appointment last month, and therefore, it is now being organized to comply with both Trust Territory and IATA specifications.

We assure you of our complete cooperation in this matter, and that the above mentioned lease agreement will be forwarded for your consideration in the very near future.

Sincerely yours,

Robert H. Jones
Vice President

RHJ/ehc

cc: Chief, Lands & Surveys
District Economic Development Office, Marianas
District Land Management Office, Marianas
Mr. Howard Bowie, Royal Taga Hotel
Manager

128.57.11

Royal Taga Hotel

P.O. BOX 66 SAIPAN, MARIANAS ISLANDS Cable: TAGA, Saipan or CLIFF, Guam

October 6, 1971

Mr. Francisco C. Ada
District Administrator
Marianas Islands District
Trust Territory of the Pacific Islands
Saipan, M.I.

Dear Mr. Ada:

Your letter dated September 10, 1971 has been referred to the undersigned for comments. Please pardon the delay which has been caused by the writer's off-island travel.

At the present time, our attorneys are drafting up a lease between Micronesian Hotel Corporation and Marianas Travel Agency. Once this has been completed, it will be forwarded for consideration. You may be aware that from time to time the Royal Taga has allowed the present travel agency space to be utilized by various activities without charge. These activities include the former, Micronesian Airlines (Emmett Kay), Air Pacific, etc. These activities were considered an asset to both the Royal Taga and Saipan, and therefore, we have tried to help them as much as possible.

Marianas Travel Agency received its IATA appointment last month, and therefore, it is now being organized to comply with both Trust Territory and IATA specifications.

We assure you of our complete cooperation in this matter, and that the above mentioned lease agreement will be forwarded for your consideration in the very near future.

Sincerely yours,

Robert H. Jones

Robert H. Jones
Vice President

RHJ/ehc

cc: Chief, Lands & Surveys
District Economic Development Office, Marianas
District Land Management Office, Marianas
Mr. Howard Bowie, Royal Taga Hotel
Manager

128.57.11

RECEIVED OCT 12 1971 MC

RECEIVED SEP 29 1971 MC

Saipan DHL

128.57.11

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

> [illegible]

[illegible]

[illegible]

RECEIVED
SEP 28 1971

~~Saipan 0116~~
178 57 11

[illegible]

[illegible]

[illegible]

[illegible]

MEMORANDUM FORM TT-5706

TRUST TERRITORY OF THE PACIFIC ISLANDS *Office of the High Commissioner, Saipan*

TO : Chief, Lands and Surveys DATE: Sept. 7, 1971

FROM : Registrar of Corporations

SUBJECT: Lease of office space by Marianas Travel Agency, Inc. within public land leased to Royal Taga Hotel, Saipan

In your August 18 memorandum on the above subject to the District Administrator, Mariana Islands (copy to the Registrar of Corporations), you make two principal points:

1. The lease or use of office space by Marianas Travel Agency, Inc. within public land leased to the Royal Taga Hotel, Saipan, is an "interest in real property" which must be approved by the High Commissioner..

2. By the terms of the lease between the Trust Territory Government and Micronesian Hotel Corporation, the gross revenue of the Marianas Travel Agency, Inc. should be included in the statement of gross revenues of the Royal Taga from which is computed the amount of rental due the Trust Territory.

While we concur in your first point that the use of a portion of the Royal Taga premises by Marianas Travel Agency, Inc. requires the approval of the High Commissioner, we must regretfully take issue with your second assertion. Our reading of the lease agreement between the Trust Territory Government and Micronesian Hotel Corporation reveals that only the rental payment made by Marianas Travel Agency, Inc. to the Royal Taga should be included in the gross revenues of the Royal Taga. Rental payments to the Trust Territory are based on the "gross revenues of the Lessee" and not, as you assert, on "the gross receipts of any and every business activity conducted on and within the demised premises".

Steve G. Oberg

Steve G. Oberg

cc: District Administrator, Mariana Islands
District Land Management Officer, Mariana Islands
Economic Development Officer, Mariana Islands
Chief, Economic Development

RECEIVED SEP 8 1971

Action: Mr. Aaron 178.57.11

TRUST TERRITORY OF THE PACIFIC ISLANDS *Office of the High Commissioner, Saipan*

TO : Chief, Lands and Surveys DATE: Sept. 7, 1971

FROM : Registrar of Corporations

SUBJECT: Lease of office space by Marianas Travel Agency, Inc. within public land leased to Royal Taga Hotel, Saipan

In your August 18 memorandum on the above subject to the District Administrator, Marianas Islands (copy to the Registrar of Corporations), you make two principal points:

1. The lease or use of office space by Marianas Travel Agency, Inc. within public land leased to the Royal Taga Hotel, Saipan, is an "interest in real property" which must be approved by the High Commissioner..

2. By the terms of the lease between the Trust Territory Government and Micronesian Hotel Corporation, the gross revenue of the Marianas Travel Agency, Inc. should be included in the statement of gross revenues of the Royal Taga from which is computed the amount of rental due the Trust Territory.

While we concur in your first point that the use of a portion of the Royal Taga premises by Marianas Travel Agency, Inc. requires the approval of the High Commissioner, we must regretfully take issue with your second assertion. Our reading of the lease agreement between the Trust Territory Government and Micronesian Hotel Corporation reveals that only the rental payment made by Marianas Travel Agency, Inc. to the Royal Taga should be included in the gross revenues of the Royal Taga. Rental payments to the Trust Territory are based on the "gross revenues of the Lessee" and not, as you assert, on "the gross receipts of any and every business activity conducted on and within the demised premises".

Steve G. Oberg

Steve G. Oberg

cc: District Administrator, Mariana Islands
District Land Management Officer, Mariana Islands
Economic Development Officer, Mariana Islands
Chief, Economic Development

RECEIVED SEP 8 1971

Action: Mr. Aaron 178.57.11

[illegible]

[illegible]

[illegible]

[illegible], Mariana Islands District

[illegible], Lands and Surveys

Ref: Lease of [illegible] space by Continental Travel Agency, [illegible] Royal Taga Hotel, Saipan

Ref: Lease of land by [illegible] - Manual of Administration Part 400

[illegible]

[illegible]

A copy of the master lease agreement for the Royal Taga Hotel is attached for your information.

As the Continental Travel Agency, Inc., is a corporation [illegible] Trust Territory [illegible] the sub-lease agreement between the [illegible] Travel Agency, Inc., and the [illegible] Hotel Corporation falls [illegible] of Part 400.1 of the Manual of Administration.

As your [illegible] in administering the Royal Taga Hotel lease [illegible] High Commissioner's policy [illegible] July [illegible], please have your staff process the sub-lease agreement [illegible] Manual Chapter 400.1. A complete financial accounting of the business activities [illegible] by the principals of the [illegible]

LEASE AGREEMENT

THIS INDENTURE OF LEASE, made and entered into this 21st day of May, 1965, by and between the TRUST TERRITORY OF THE PACIFIC ISLANDS, hereinafter referred to as "Government", represented by John M. Spivey, Contracting Officer for the High Commissioner, and the MICRONESIAN HOTEL CORPORATION, a Trust Territory corporation, hereinafter referred to as "Lessee",

5

W I T N E S S E T H :

For and in consideration of the payment of rental and of the other mutual covenants and conditions hereinafter contained, the Government hereby leases and demises and the Lessee hereby takes from the Government, for the purpose of conducting a hotel business and related activities, the real property located in Saipan, Mariana Islands, described as follows:

> Beginning at Corner 1 which is S 37-03-24W, a distance of 999.94 meters from triangulation station "NORTH BASE";
>
> Thence S 36-10-32W, 19.81 m. to Corner 2;
> thence S 35-30-51W, 284.99 m. to Corner 3;
> thence N 54-29-09W, 182.88 m. to Corner 4;
> thence N 53-05-35E, 309.32 m. to Corner 5;
> thence S 54-29-09E, 96.76 m. to Corner 1;
>
> the point of beginning, containing an area of 40,598.00 square meters, more or less, and being situated in Land Square 9, Section 1, Units i and 1, as shown on SK No. 23/65 on file with the Clerk of Courts, Mariana Islands District.

To have and to hold the same unto the Lessee, its successors and assigns for a term of twenty (20) years beginning the 1st day of June, 1965, and ending the 31st day of May, 1985, upon the following terms and conditions:

1. The Government reserves and the Lessee agrees to pay as rental for the demised premises an amount equivalent to two and one-half per cent (2½%) of the gross receipts of the Lessee from whatever business activity conducted within the demised premises for the first ten (10) years of this lease, payable quarterly. For the next ten (10) years, the rental shall be an amount equivalent to three per cent (3%) of the gross receipts of Lessee from whatever business activity conducted within the demised premises.

to three per cent (3%) of the gross receipts of Lessee from whatever business activity conducted within the demised premises.

2. The Government and Lessee covenant and agree that this lease shall and will be automatically extended for three (3) terms of ten (10) years each, upon the same terms and conditions, as contained herein, unless the Lessee gives the Government written notice to the contrary at least thirty (30) days prior to the expiration of this lease or the then existing term. Provided, however, that the rental for the demised premises for additional terms shall be an amount equivalent to three per cent (3%) of the gross receipts of the Lessee from whatever business activity conducted within the demised premises, payable quarterly.

3. The Government does hereby give to the Lessee the right and privilege at all times during the continuance of this lease, to make at its own expense such changes, improvements, alterations and addition to the herein leased premises, as Lessee may desire, including but not limited to the construction or erection of structures or buildings. Lessee agrees to commence initial construction within 90 days from the date of this lease.

4. The Lessee, shall, at its own expense, keep all buildings to be erected on the demised premises insured for the benefit of the Government and the Lessee, as their respective interests may appear, against loss or damage of fire, typhoon and earthquake, in responsible insurance companies authorized and licensed to issue such insurance, at all times during the term of this Lease. All such policies of insurance shall provide that the proceeds thereof shall be payable to the Government and Lessee, as their respective interests may appear, and certificates of such insurance shall be delivered to the Government.

The Lessee shall save and keep harmless the Government from any loss, cost, damage or expense arising out of any accident or other occurrence, causing injury to any person or property, and due directly or indirectly to the use or occupancy of said premises by Lessee. And in connection therewith, Lessee, further, shall and will, at its own expense, provide and keep in force for the benefit of the Government comprehensive general liability insurance in which the Government shall be named as an additional insured with minimum limits of liability in

respect of bodily injury of $100,000.00 for each person and $300,000.00 for each occurrence and in respect of property damage of $5,000.00 for each occurrence.

5. The Government does hereby covenant and agree that the said Lessee paying the said rent and performing the covenants and agreements aforesaid, shall and may at all times during the said term, peaceably and quietly have, hold, and enjoy the said premises, without any manner of let, suit, trouble, or hindrance of or from the said Government, or any other person or persons whomsoever.

6. As a condition to the granting of this lease, the incorporators and other stockholders of Lessee who are non-citizens of the Trust Territory hereby agree, at any time after twenty (20) years from date hereof, to sell, transfer, and convey unto the citizens of the Trust Territory, hereinafter referred to as Citizens, upon written notice from the Government that Trust Territory citizens desire to purchase, all of the interests of said stockholders/non-citizens in and to the Lessee, at a fair valuation and for a fair consideration, to be mutually agreed between Citizens and incorporators/non-citizens, if practicable. And if incorporators/non-citizens and Citizens shall not thus mutually agree on the valuation thereof, and on the consideration to be paid therefor, the purchase price shall be determined by three qualified appraisers, all of whom must be members of the American Institute of Appraisers, and one of whom shall be chosen by incorporators/non-citizens, one by Citizens, and a third by the two thus chosen, if Citizens and incorporators/non-citizens shall not mutually agree on a third appraiser. And when the value shall be so determined, incorporators/non-citizens shall, upon tender of said purchase price, sell, transfer, assign and convey to Citizens, all its/their interests in and to said Lessee.

Costs of appraisal shall be borne equally between the incorporators/non-citizens and Citizens.

7. The Government hereby covenants and agrees that Lessee may mortgage or otherwise encumber the demised premises, during the term hereof or any extention herein.

8. It is agreed between the Government and Lessee that in case at any time default be made by the Lessee in the payment of any rent when the same shall become due or payable, such default shall continue for thirty (30) days, or in case default shall be made by the Lessee in the performance of any of the other terms, conditions or covenants of said lease by said Lessee to be performed, other than the covenant for the payment of rent, and said default shall continue for a period of thirty (30) days after service of written notice of such default by the Government, then the Government may enter into and upon the demised premises or any part thereof and repossess the same, with or without terminating this lease, and without prejudice to any of its remedies for rent or breach of covenant.

9. The term "Gross Receipts" as mentioned in paragraphs 1 and 2 herein shall be construed to mean the total receipts, cash or accrued, of the Lessee received as compensation from whatever activity conducted within the demised premises; such term shall refer to, and shall include, rentals, royalties, fees, commissions, or other emoluments however designated and without any deductions whatsoever.

10. Upon the termination of expiration of this lease including the aforesaid three (3) options of extensions, that is to say, fifty (50) years from date hereof, the Government shall have the option: (a) to extend this lease for period or periods at a mutually agreeable rental; or (b) to purchase the buildings and/or improvements and facilities located within the demised premises, at a fair valuation and for a fair consideration, to be mutually agreed on, if practicable. And if the Government and Lessee shall not thus mutually agree on the valuation thereof, the Government shall pay, and the Lessee shall receive, such sum for the buildings/improvements and facilities as shall be fixed by three qualified appraisers, all of whom shall be members of the American Institute of Appraisers, one to be chosen by the Government, one to be chosen by the Lessee, and a third by the two thus chosen, if the Government and Lessee shall not mutually agree on a third appraiser. And when the value shall be so determined, Lessee hereby agrees to sell and convey, and the Government hereby agrees to purchase and pay therefor, such appraisal value thereof.

agrees to sell and convey, and the Government hereby agrees to purchase and pay therefor, such appraisal value thereof.

11. This agreement shall inure to the benefit of, and bind, as the case may be, the Government and the Lessee, their respective successors and assigns.

WITNESS the hands of the parties the date above written.

GOVERNMENT OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS

By: John M. Spivey, Contracting Officer for the High Commissioner

MICRONESIAN HOTEL CORPORATION, a Trust Territory Corporation, Lessee

By: J. C. Arriola, Duly Authorized Representative

WITNESSES:

Filed this 8th September 1965

Jesus C. Sasoda
Asst Clerk of Courts
Mariana Islands Dist

Lessee

By: _____
J. C. Arriola, Duly Authorized
Representative

WITNESSES:

_____

_____

Filed this 8th September 1965

Jesus C. Sasoda
Asst Clerk of Courts
Mariana Islands Dist

High Commissioner [illegible]

Internal Auditor

Report of Audit
Micronesian Hotel Corporation
[illegible] Royal Taga Hotel
Audit Report No. [illegible]

The subject audit report is attached for your information.

The audit disclosed that in general the terms of the lease between the Micronesian Hotel Corporation and the Trust Territory Government were being adhered to. However, we found that records of insurance policies were not on file in the Company's Saipan office, nor had copies been delivered to the Trust Territory Government. Recommendation No. 1 provides for corrective action.

[illegible]

cc: Deputy High Commissioner
Attorney General
Acting Director of Finance
Chief, Division of Lands and Surveys ✓

RECEIVED
FEB 11 1970

Saipan 0093

TO : High Commissioner DATE: 2/11/70

FROM : Internal Auditor

SUBJECT: Micronesian Development Company
Rental Payments for Land Leased
For Period from July 1, 1967 to
December 31, 1969

We have reviewed the records of the Micronesian Development Company relating to the rental payments made and due under terms of the lease between the Company and the Trust Territory of the Pacific Islands covering 7,000 acres of land located on Tinian Island. The purpose of the lease is for breeding, raising, importing, exporting and dealing in cattle and livestock and poultry and to carry on a grazing and agricultural business. This lease is for a term of 20 years from June 11, 1965 to June 10, 1985, and it provides for quarterly rental payments of one per cent of gross receipts for four years to June 11, 1969; two per cent of gross receipts for six years to June 11, 1975; and three per cent minimum (or higher as agreed) for the last ten years to June 11, 1985.

The gross receipts and applicable payments for the period from July 1, 1967 to June 30, 1969 are presented below. Prior to this period the operation had no gross receipts.

Period	Revenue	Rental Payments	Date Paid
July 1, 1967 - March 31, 1968	$ 27,462.00	$ 274.62	May 24, 1968
April 1, 1968 - June 30, 1968	91,818.58	918.19	March 31, 1969
July 1, 1968 - Dec. 31, 1968	9,052.16	90.52	March 31, 1969
Jan. 1, 1969 - June 11, 1969-- (at one per cent)	17,938.01	179.38	Jan. 6, 1970
June 11, 1969 - June 30, 1969-- (at two per cent)	7,771.85	155.44	Jan. 6, 1970
Total	$154,042.60	$1,618.15	

TO : High Commissioner DATE: 2/11/70

FROM : Internal Auditor

SUBJECT: Micronesian Development Company
Rental Payments for Land Leased
For Period from July 1, 1967 to
December 31, 1969

We have reviewed the records of the Micronesian Development Company relating to the rental payments made and due under terms of the lease between the Company and the Trust Territory of the Pacific Islands covering 7,000 acres of land located on Tinian Island. The purpose of the lease is for breeding, raising, importing, exporting and dealing in cattle and livestock and poultry and to carry on a grazing and agricultural business. This lease is for a term of 20 years from June 11, 1965 to June 10, 1985, and it provides for quarterly rental payments of one per cent of gross receipts for four years to June 11, 1969; two per cent of gross receipts for six years to June 11, 1975; and three per cent minimum (or higher as agreed) for the last ten years to June 11, 1985.

The gross receipts and applicable payments for the period from July 1, 1967 to June 30, 1969 are presented below. Prior to this period the operation had no gross receipts.

Period	Revenue	Rental Payments	Date Paid
July 1, 1967 - March 31, 1968	$ 27,462.00	$ 274.62	May 24, 1968
April 1, 1968 - June 30, 1968	91,818.58	918.19	March 31, 1969
July 1, 1968 - Dec. 31, 1968	9,052.16	90.52	March 31, 1969
Jan. 1, 1969 - June 11, 1969-- (at one per cent)	17,938.01	179.38	Jan. 6, 1970
June 11, 1969 - June 30, 1969-- (at two per cent)	7,771.85	155.44	Jan. 6, 1970
Total	$154,042.60	$1,618.15	

It will be noted that payments have not been made quarterly, nor on a current basis, as stipulated in the lease. Furthermore, the transactions for the two quarters ending December 31, 1969 were not entered in the Company records at the time of our examination in February, 1970. Although there is not a large amount of revenue due to the Trust Territory involved, we believe that these deficiencies should be called to the attention of the lessee for corrective action.

We reviewed the insurance policies on the operation carried by the lessee. We found that they included the Trust Territory of the Pacific Islands as an insured party. However, the policies reviewed had expired on August 17, 1969, and current policies were not available for our inspection at the Company's Saipan office. We were informed by a Company official that the policies had been renewed.

Recommendation No. 1

The Attorney General should request the Micronesian Development Company to adhere to the terms of its lease with the Trust Territory Government by (a) making lease rental payments on a current basis, and (b) either making available current insurance policies in the Company's Saipan office or furnishing the Trust Territory with duplicate copies.

Robert G. Griffis

Robert G. Griffis

It will be noted that payments have not been made quarterly, nor on a current basis, as stipulated in the lease. Furthermore, the transactions for the two quarters ending December 31, 1969 were not entered in the Company records at the time of our examination in February, 1970. Although there is not a large amount of revenue due to the Trust Territory involved, we believe that these deficiencies should be called to the attention of the lessee for corrective action.

We reviewed the insurance policies on the operation carried by the lessee. We found that they included the Trust Territory of the Pacific Islands as an insured party. However, the policies reviewed had expired on August 17, 1969, and current policies were not available for our inspection at the Company's Saipan office. We were informed by a Company official that the policies had been renewed.

Recommendation No. 1

The Attorney General should request the Micronesian Development Company to adhere to the terms of its lease with the Trust Territory Government by (a) making lease rental payments on a current basis, and (b) either making available current insurance policies in the Company's Saipan office or furnishing the Trust Territory with duplicate copies.

Robert G. Griffis

Robert G. Griffis

REPORT OF AUDIT
MICRONESIAN HOTEL CORPORATION
DBA ROYAL TAGA HOTEL
AUDIT REPORT NO. 71-14

Introduction

In accordance with our regular audit schedule we have made an examination of the Micronesian Hotel Corporation (DBA Royal Taga Hotel) for the period from October 1, 1967 to December 31, 1969.

The Micronesian Hotel Corporation was incorporated April 21, 1965 under the laws of the Trust Territory of the Pacific Islands for the principal purpose of constructing and operating hotels in the islands of the Trust Territory. The Trust Territory of the Pacific Islands leased real property located in Saipan, Mariana Islands to the Corporation for the purpose of conducting a hotel business and related activities for a term of 20 years from June 1, 1965 with the option to renew for three additional terms of ten years each. The rental for the first ten years of the lease is 2½ per cent of the Corporation's gross receipts from all business activities conducted on the property, increasing to 3 per cent thereafter.

Included in the terms of the lease is the provision that the Corporation shall, at its own expense, maintain insurance on all buildings for the benefit of the Trust Territory Government and the lessee against loss or damage from fire, typhoon and earthquake, and certificates of such insurance shall be delivered to the Trust Territory Government. In addition, comprehensive general liability insurance will be provided by the lessee, naming the Trust Territory Government as an additional insured with certain minimum limits of liability.

This examination was made for the purpose of (a) verifying the gross receipts of the Royal Taga Hotel and ascertaining that rental payments were based thereon and received, and (b) assuring that the terms of the lease relating to insurance coverage were being adhered to.

Accordingly, we reviewed the company records pertaining to gross receipts for the period under review and reconciled them with reports received in substantiation of the rental payments made to the Trust Territory Government. We also inspected and reviewed insurance policies in force to determine that the terms of the lease were being followed. The examination was performed intermittently from January 15, to February 9, 1970.

Detailed Findings and Recommendations

Rental Payments. Our review of the company records relating to gross receipts received during the period under review disclosed that in general the overall rental payments were calculated accurately (at 2½ per cent) and

REPORT OF AUDIT
MICRONESIAN HOTEL CORPORATION
DBA ROYAL TAGA HOTEL
AUDIT REPORT NO. 71-14

duction

pordance with our regular audit schedule we have made an examination e Micronesian Hotel Corporation (DBA Royal Taga Hotel) for the period October 1, 1967 to December 31, 1969.

icronesian Hotel Corporation was incorporated April 21, 1965 under the of the Trust Territory of the Pacific Islands for the principal purpose nstructing and operating hotels in the islands of the Trust Territory. rust Territory of the Pacific Islands leased real property located in n, Mariana Islands to the Corporation for the purpose of conducting a business and related activities for a term of 20 years from June 1, with the option to renew for three additional terms of ten years each. ental for the first ten years of the lease is 2½ per cent of the ration's gross receipts from all business activities conducted on the rty, increasing to 3 per cent thereafter.

ded in the terms of the lease is the provision that the Corporation , at its own expense, maintain insurance on all buildings for the it of the Trust Territory Government and the lessee against loss or e from fire, typhoon and earthquake, and certificates of such insurance be delivered to the Trust Territory Government. In addition, compre- ve general liability insurance will be provided by the lessee, naming rust Territory Government as an additional insured with certain minimum s of liability.

examination was made for the purpose of (a) verifying the gross pts of the Royal Taga Hotel and ascertaining that rental payments were thereon and received, and (b) assuring that the terms of the lease ing to insurance coverage were being adhered to.

dingly, we reviewed the company records pertaining to gross receipts the period under review and reconciled them with reports received in rtition of the rental payments made to the Trust Territory Government. so inspected and reviewed insurance policies in force to determine that erms of the lease were being followed. The examination was performed ntermittently from January 15, to February 9, 1970.

ded Findings and Recommendations

l Payments. Our review of the company records relating to gross pts recorded during the period under review disclosed that in general overall rental payments were calculated accurately (at 2½ per cent) and

payments were made on a timely basis. As the date of our examination the rental payment due for the quarter ended December 31, 1969 in the amount of $5,104.56 had not been paid. We were informed by a company official that this amount would be promptly paid together with some additional differences which were ascertained during the audit as being due.

A summary of rentals due and paid during the period are presented below. For quarterly details see Schedule I.

Period	Gross Receipts	Amount Due	Amount Paid	Net Differences Underpaid
10/1/67 - 12/31/68	$ 575,916.[illegible]	$[illegible]	$[illegible].11	$ 35.79
1/1/69 - 12/31/69	[illegible]	[illegible]	[illegible].60	5,083.55 1/
Total	$1,354,953.56	[illegible]	$89,751.62	$5,119.34

1/ Includes payment due for quarter ended December 31, 1969 of $5,104.56.

Rental Payments Related to Land Value. In order to compare the land rentals received during the period under review with the fair return on the nominal value of the leased land (public land), we visited the Department of Lands and Surveys and obtained the following information.

The area leased in prime resort hotel land situated on the waterfront and extending inland to a frontage on Marine Drive. The area is zoned in the Micronesian Architects and Engineers Report (1969) for resort hotel development.

The unimproved capital value of the leased land totaling 10,523 acres at the effective date of the lease (June 1, 1965) amounted an appraised value of 40¢ per square foot. The following calculation presents the land valuation, expected fair rate of return and the actual return on the leased land.

ntes were made on a timely basis. As the date of our computation the
l payment due for the quarter ended December 31, 1969 in the amount of
4.56 had not been paid. We were informed by a company official that
amount would be promptly paid together with such additional differences
were ascertained during the period as being due.

mary of rentals due and paid during the period are presented below. For
ously details see Schedule 1.

Period	Gross Receipts	Amount Due	Amount Paid	Net Differences Underpaid
67 - 12/31/68	$ 575,916.29	[illegible]	[illegible].11	$ 35.79
9 - 12/31/69	[illegible]	[illegible]	15,393.00	5,089.55 1/
Total	$1,354,953.36	[illegible]	$85,751.62	$5,125.34

ncluding payment due for quarter ended December 31, 1969 of $5,124.56.

l Payments Related to Land Value. In order to compare the land rentals
ved during the period under review with the fair return on the nominal
of the leased land (public land), we visited the Department of Lands
Surveys and obtained the following information.

was leased in prime resort hotel land situated on the waterfront and
ding inland to a frontage on Beach Road. The area is zoned in the
lan Architecture and Engineering Survey Plan (1969) for resort hotel
lopment.

unimproved capital value of the leased land totaling 10.523 acres at the
ctive date of the lease (June 1, 1967) amounted an appraised value of 1.04
square foot. The following calculation present the land valuation,
ted fair rate of return and the actual return on the leased land.

Description	1965 Value 40¢/Sq. Ft.
Unimproved Capital Value (UCV)-- Per Acre	$ 27,424.00
Leasehold--10.523 acres	$183,352.00
Annual Rental Return at 6% of UCV	11,001.00
Rental Payments--	
10/1/67 - 12/31/68	14,362.00
Per Cent of Return on UCV	7.83%
1/1/69 - 12/31/69	15,393.00
Per Cent of Return on UCV	8.40%

Insurance Coverage. During a preliminary examination of the Company records during January 1969 we had noted that certain insurance policies covering loss from fire, typhoon and earthquake damage on buildings erected on the leased premises had not been delivered to the Trust Territory Government in accordance with terms of the lease. In addition, these policies, together with a policy covering general liability insurance did not name the Trust Territory Government as an additional insured party. These deficiencies were called to the attention of the Attorney General at that time, and corrective action was taken by the company.

We reviewed insurance policies carried by the Company (Lessee) during the period under review. We found that current policies were not on file in the Company's Saipan office, but we were assured by the Company official in charge that policy renewals had been secured, and were in Guam. We believe copies of these policies should be on file in the Saipan office of the Company and duplicate copies of the insurance policies should be delivered to the Trust Territory Government as called for by the terms of the lease.

Recommendation No. 1

The Attorney General should take action to (a) request the Micronesian Hotel Corporation to promptly deliver current insurance policies to the Trust Territory Government in accordance with the terms of the lease, (b) assure that in the future renewals policies are promptly delivered to the Government, and (c) assure that the TT Government is named as an additional insured party.

	1965 Value 40¢/Sq. Ft.
e (UCV)--	$ 27,424.00
res	$183,352.00
6% of UCV	11,001.00
	14,362.00
n on UCV	7.83%
	15,393.00
n on UCV	8.40%

iminary examination of the Company records
not certain insurance policies covering
nake damage on buildings erected on the
ered to the Trust Territory Government in
. In addition, these policies, together
bility insurance did not name the Trust
nal insured party. These deficiencies were
ercy General at that time, and corrective

cied by the Company (Lessee) during the
current policies were not on file in the
e secured by the Company official in
en secured, and were in Guam. We believe
on file in the Saipan office of the
insurance policies should be delivered
s called for by the terms of the lease.

ation No. 1

ld take action to (a) request
poration to promptly deliver
s to the Trust Territory
with the terms of the lease,
ture renewals policies are
Government, and (c) assure
named as an additional

SCHEDULE A

MICRONESIAN HOTEL CORPORATION
DBA ROYAL TAGA HOTEL
STATEMENT OF RENTALS PAID AND DUE
FOR PERIOD FROM OCTOBER 1, 1967 TO DECEMBER 31, 1969

Quarter Ended	Gross Receipts Per Audit	Amount Due (2½%)	Payment Date	Payment Amount	Difference Under (Over)
10/1/67 - 12/31/67	$ 20,336.77	$ 508.42	2/19/68	$ 508.42	$ -0-
1/1/68 - 3/31/68	96,707.78	2,417.69	5/27/68	2,379.36	38.33
4/1/68 - 6/30/68	137,028.48	3,425.71	8/1/68	3,388.73	[illegible]
7/1/68 - 9/30/68	151,568.05	3,789.20	10/14/68	3,810.74	(3.54)
10/1/68 - 12/31/68	170,275.15	4,256.88	1/17/69	4,265.86	(8.98)
	$ 575,916.23	$14,397.90		$14,362.11	$ 35.79
1/1/69 - 3/31/69	$ 182,770.81	$ 4,569.27	5/7/69	$ 4,568.03	.73
4/1/69 - 6/30/69	213,948.01	5,348.70	8/1/69	5,392.46	(43.76)
7/1/69 - 9/30/69	218,189.95	5,453.52	12/1/69	5,421.50	22.02
10/1/69 - 12/31/69	204,182.36	5,104.56	---	-0-	5,104.56
	$ 819,042.13	$20,476.05		$15,392.50	$5,083.55
Grand Total	$1,394,958.36	$34,873.95		$29,754.61	$5,119.34

0093

August 9, 1969

Mr. Robert H. Jones
Vice President
Royal Taga Hotel
P.O. Box 66
SAIPAN
Mariana Islands 96950

Dear Mr.Jones:

This is with reference to your letter of July 16 (received here in Saipan on July 22) to the Attorney General pertaining to your company's application for authorization to lease space in the Royal Taga Hotel to Micronesia Broadcasting Corporation, a Trust Territory non-citizen corporation, for that company to operate and maintain a television station and studio. Let me also acknowledge receipt of your previous correspondence on this matter.

We have reviewed the lease agreement you have submitted dated April 15 and first amendment thereto dated July 14 between Micronesian Broadcasting Corporation and Micronesia Hotel Corporation, d/b/a the Royal Taga Hotel. We find the documents satisfactory and completely in order. The High Commissioner is prepared to approve this lease provided, however, that the Lease Agreement between your company and the Trust Territory Government be amended as described below to authorize the operation of a television station on the hotel premises.

As you know, your lease agreement with the Trust Territory provides that the premises are leased "for the purpose of conducting a hotel business and related activities," and is silent on the question of operation of a television studio. We have no objection-in fact-welcome use of the hotel premises for the operation of a television station but this will require an amendment of the agreement.

We suggest that the lease agreement be amended to read as follows:-

"The premises are leased and shall be used, except with the express written consent of the Government, only for the purpose of constructing, operating and maintaining a first class resort hotel and facilities incidental thereto, which shall include, without limiting the generally of the foregoing, the right to operate on the Premises the following activities and enterprises primarily for the use of the hotel guests: beauty and barber shops, restaurants,

"The premises are leased and shall be used, except with the express written consent of the Government, only for the purpose of constructing, operating and maintaining a first class resort hotel and facilities incidental thereto, which shall include, without limiting the generally of the foregoing, the right to operate on the Premises the following activities and enterprises primarily for the use of the hotel guests: beauty and barber shops, restaurants,

snack bars, bars and cocktail lounges, soft drink and ice cream parlors, night clubs, retail shops, motor vehicle and boat rental facilities, laundry and dry-cleaning establishments, medical and dental offices, entertainment facilities, recreational facilities, ticket agencies, tour and travel agencies, a garage and service station, and such other facilities as are normally found in a first class resort hotel. In addition, the Lessee may construct, operate and maintain on the premises a television broadcasting station and studio with all necessary facilities and equipment related thereto. Nothing herein shall be construed by the Lessee, its sublessee and assigns, and concessionaires, from the duty of conforming to all Trust Territory, District, or Municipal laws, regulations, or ordinances requiring the licensing of any of the listed activities or enterprises, including the obligation of paying the standard fee, if any, for such license or permit."

We are not necessarily wedded to this provision. It is similar to the language we are using in the Continental Hotel lease agreements. May I request that you have your attorney review this suggested language and if acceptable, prepare an amendment to the hotel lease agreement for approval by the High Commissioner.

Since the instant lease to Micronesia Broadcasting Company is your company's first sublease of the premises, I would also appreciate clarification of what you consider ~~to be includable into~~ the gross receipts of the Royal Taga Hotel from the commercial activities of Micronesia Broadcasting Company, including as part of. I note that in your letter of April 25, 1969 to the District Administrator, Mariana Islands District, you indicate that "the Trust Territory Government will receive the same portion of revenue from this lease as it is now receiving from the rest of the relative facility."

I note that in your letter of April 25, 1969 to the District Administrator, Mariana Islands District, you indicate that "the Trust Territory Government will receive the same portion of revenue from this lease as it is now receiving from the rest of the relative facility."

We are not sure exactly from this comment how you interpret the gross receipts provisions of the lease agreement. You seem to suggest that the Trust Territory Government is to receive 2.3 percent of the gross receipts of the business of MBC. The Attorney General considers that only the rental you would receive from MBC as well as anything of value (such as free advertising) would be ~~includable~~ included in your gross receipts from which you would pay the rental specified in Article I of the lease agreement. The Government does not consider that the [redacted] gross receipts of MBC would be includable in your gross receipts.

I would appreciate your advice on this point as well as the provision relating to using the premises for a television studio at your earliest convenience.

Sincerely yours,

Peter T. Coleman
Deputy High Commissioner

JSTANTON:mpm

bcc: Attorney General
District Admin, MID
~~Director~~
Director of Economic Development
Director of Land Management

DRAFT FOR REVIEW PURPOSES ONLY

DRAFT FOR REVIEW PURPOSES ONLY

[redacted]

[redacted] day of [redacted], made and entered into this [redacted] day of [redacted], [redacted], by and between the [redacted], hereinafter referred to as "[redacted]", represented by [redacted], [redacted] and the [redacted], and the [redacted], a [redacted] corporation, hereinafter referred to as "[redacted]".

[redacted]:

For and in consideration of the payment of rental and of the other mutual covenants and conditions hereinafter contained, the [redacted] hereby leases and demises and the [redacted] hereby takes from the [redacted], for the purpose of conducting a [redacted] business and related activities, the real property located in [redacted], [redacted] Islands, described as follows:

[redacted]

[redacted]

[redacted]

To have and to hold the same unto the [redacted], its successors and assigns for a term of [redacted] (50) years beginning the 1st day of [redacted], [redacted], and ending the [redacted] day of [redacted], [redacted], upon the following terms and conditions:

1. The [redacted] reserves and the [redacted] agrees to pay as rental for the demised premises an amount equivalent to ten and one-half per cent (10½) of the gross receipts of the [redacted] from whatever business activity conducted within the demised premises for the first ten (10) years of this lease, payable quarterly. For the next ten (10) years, the rental shall be an amount equivalent to three per cent (3%) of the gross receipts of [redacted] from whatever business activity conducted within the demised premises.

[illegible] rental equivalent to two and one-half per cent (2½%) of the gross receipts of the lessee from whatever business activity conducted within the demised premises for the first ten (10) years of this lease, payable quarterly. For the next ten (10) years, the rental shall be an amount equivalent to three per cent (3%) of the gross receipts of lessee from whatever business activity conducted within the demised premises.

2. The Government and lessee severally and agree that this lease shall and will be automatically extended for three (3) terms of ten (10) years each, upon the same terms and conditions, as contained herein, unless the lessee gives the Government written notice to the contrary at least thirty (30) days prior to the expiration of this lease or the then existing term. Provided, however, that the rental for the demised premises for additional terms shall be an amount equivalent to three per cent (3%) of the gross receipts of the lessee from whatever business activity conducted within the demised premises, payable quarterly.

3. The Government does hereby give to the lessee the right and privilege at all times during the continuance of this lease, to make at its own expense such changes, improvements, alterations and additions to the leased premises, as lessee may desire, including but not limited to the construction or erection of shopkeeper or buildings. Lessee agrees to commence initial construction within 90 days from the date of this lease.

4. The lessee, shall, at its own expense, keep all buildings to be erected on the demised premises insured for the benefit of the Government and the lessee, as their respective interests may appear, against loss or damage by fire, tornado and earthquake, in responsible insurance companies authorized and licensed to issue such insurance, at all times during the term of this lease. All such policies of insurance shall provide that the proceeds thereof shall be payable to the Government and lessee, as their respective interests appear, and certificates of such insurance shall be delivered to the Government.

The lessee shall save and keep harmless the Government from any loss, cost, damage or expense arising out of any accident or other occurrence, causing injury to any person or property, and due directly or indirectly to the use or occupancy of said premises by lessee. And in connection therewith, lessee, further, shall and will, at its own expense, provide and keep in force for the benefit of the Government comprehensive general liability insurance in which the Government shall be named as an additional insured with minimum limits of liability in

and will, at its own expense, provide and keep in force for the benefit of the Government comprehensive general liability insurance in which the Government shall be named as an additional insured with minimum limits of liability in

respect of bodily injury of $100,000.00 for each person and $300,000.00 for each occurrence and in respect of property damage of $5,000.00 for each occurrence.

5. The Government does hereby covenant and agree that the said lessee, paying the said rent and performing the covenants and agreements aforesaid, shall and may at all times during the said term, peaceably and quietly have, hold and enjoy the said premises, without any manner of let, suit, trouble, or hindrance of or from the said Government, or any other person or persons whomsoever.

6. As a condition to the granting of this lease, the incorporators and other shareholders of lessee who are non-citizens of the Trust Territory hereby agree, at any time after twenty (20) years from date hereof, to sell, transfer, and convey unto the citizens of the Trust Territory, hereinafter referred to as citizens, upon written notice from the Government that Trust Territory citizens desire to purchase, all of the interests of said stockholders/non-citizens in and to the lease, at a fair valuation and for a fair consideration, to be mutually agreed between citizens and incorporators/non-citizens, if practicable. And if incorporators/non-citizens and citizens shall not then mutually agree on the valuation thereof, and on the consideration to be paid therefor, the purchase price shall be determined by three qualified appraisers, all of whom must be members of the American Institute of Appraisers, and one of them shall be chosen by incorporators/non-citizens, one by citizens, and a third by the two thus chosen, if citizens and incorporators/non-citizens shall not mutually agree on a third appraiser. And then the value shall be determined, incorporators/non-citizens shall, upon tender of said purchase price, sell, transfer, assign and convey to citizens, all its/their interests in and to said lease.

Costs of appraisal shall be borne equally between the incorporators/non-citizens and citizens.

7. The Government hereby covenants and agrees that lessee may mortgage or otherwise encumber the demised premises, during the term hereof or any extension hereof.

citizens and citizens.

7. The Government hereby covenants and agrees that Lessee may mortgage or otherwise encumber the demised premises, during the term hereof or any extension hereof.

8. It is agreed between the Government and Lessee that in case at any time default be made by the Lessee in the payment of any rent when the same shall become due or payable, such default shall continue for thirty (30) days, or if also default shall be made by the Lessee in the performance of any of the other terms, conditions or covenants of said Lease by said Lessee to be performed, other than the covenant for the payment of rent, and said default shall continue for a period of thirty (30) days after service of written notice of such default by the Government, then the Government may enter into and upon the demised premises or any part thereof and repossess the same, with or without terminating this Lease, and without prejudice to any of its remedies for rent or breach of covenant.

9. The term "gross receipts" as mentioned in paragraphs 1 and 2 hereof shall be construed to mean the total receipts, cash or credit, of the Lessee received or acquirable from all sources arising directly therefrom within the premises covered by this Lease shall refer to, and shall include, rentals, royalties, fees, commissions, or other emoluments however designated and without any deductions whatsoever.

10. Upon the termination or expiration of this Lease including the renewals thereof (3) options of extensions, that is to say, thirty (30) years from date hereof, the Government shall have the option: (1) to extend this Lease for period or periods at a mutually agreeable rental; or (2) to purchase the buildings and/or improvements and facilities located within the demised premises, at a fair valuation and for a fair consideration, to be mutually agreed on, if practicable. And if the Government and Lessee shall not then mutually agree on the valuation thereof, the Government shall pay, and the Lessee shall receive, such sum for the buildings/improvements and facilities as shall be fixed by three qualified appraisers, all of them shall be members of the American Institute of Appraisers, one to be chosen by the Government, one to be chosen by the Lessee, and a third by the two thus chosen, if the Government and Lessee shall not mutually agree on a third appraiser. And when the value shall be so determined, Lessee hereby agrees to sell and convey, and the Government hereby agrees to purchase and pay therefor, such appraised value thereof.

[redacted]

- 4 -

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Filed this 8th September 1945

Jesus G. Sanchez
Asst Clerk of Courts
Mariana Islands Dist

BY - LAWS

OF

MICRONESIAN HOTEL CORPORATION

ARTICLE I

MEETINGS OF STOCKHOLDERS

1. All meetings of the stockholders shall be held at the principal office of the corporation in Saipan, Trust Territory of the Pacific Islands.

2. The regular annual meeting of the stockholders shall be held at 6:00 P.M. on the 15th day of April, in each year, beginning on the 15th day of April, 1965. Should the 15th day in the month of April in any year fall on a holiday, the regular meeting of the stockholders in such year shall be held on the next business day thereafter.

3. Notice of the annual meeting of stockholders shall be given in writing to shareholders entitled to vote by the Secretary personally or by sending a copy of the notice through the mail, postage prepaid, to the address of each such stockholder as the same appears on the records of the corporation or as supplied by a stockholder for the purpose of notice not less than seven (7) days before such meeting. Such notice shall specify the place, the day, and hour of the meeting, and the general nature of the business or proposal to be acted upon.

4. Special meetings of the stockholders may be called at any time for any purpose or purposes whatsoever by the President, or by the Board of Directors or by any three or more members thereof, or by one or more stockholders holding not less than fifty per cent (50%) of the voting power of the corporation.

5. Notice of special meetings of the stockholders, stating the place, the day and hour of themeeting, and in general terms the purpose or purposes thereof, shall be given by the Secretary to each stockholder entitled to vote in the same manner as such notice of an annual meeting.

6. Should the address of any stockholder not appear on the records of the corporation, then notices of any meeting of the stockholders shall be mailed, addressed to such stockholder at Saipan.

7. Any entry of the service of notice of a meeting of the

7. Any entry of the service of notice of a meeting of the

stockholders, given in the manner above provided, shall be made in the minutes of the proceedings of the stockholders, and such entry, if read and approved at a subsequent meeting of the stockholders, shall be conclusive on the question of such service.

8. When all the stockholders are present at any meeting, however called or noticed, and sign a written consent thereto or when the stockholders present and the stockholders not represented at such meeting give their consent thereto and such written consent is made a part of the records of such meeting, the proceedings had at such meeting are valid, irrespective of the manner in which the meeting is called or the place where it is held.

9. At any meeting of the stockholders the holders of a majority of the shares of the corporation entitled to vote must be represented in person or by proxy in writing, and the holders of such majority of the shares entitled to vote, when so represented, shall constitute a quorum for any and all purposes, including the election of directors; provided that the stockholders present at a duly called meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

10. Any regular or called meeting of the stockholders may adjourn from day to day, or from time to time without further notice, until its business is completed; and any regular or called meeting of the stockholders may adjourn from day to day, or from time to time, without further notice, if for any reason there be not present the holders of a majority of the shares of the corporation entitled to vote, in person or by proxy, until a quorum shall attend, such adjournment and the reasons therefor being recorded in the journal of the proceedings of the stockholders; and when a quorum shall attend, any business may be transacted which might have been transacted at any meeting had the same been held on the day on which the same was originally appointed or called.

11. The President, or in his absence, the Vice-President, shall call the meetings of the stockholders to order, and shall act as the presiding officer thereof.

12. The Secretary of the corporation shall act as Secretary at all meetings of the stockholders, and in his absence the presiding officer may appoint any person to act as Secretary.

13. At the regular annual meeting of the stockholders, held in

each year, the stockholders entitled to vote shall elect by ballot a Board of Directors as constituted by these By-Laws and the Articles of Incorporation of this corporation.

14. At each meeting of the stockholders, each stockholder shall have the right to vote, in person or by proxy, the number of shares entitled to vote standing in his own name on the books of the corporation at least ten (10) days prior thereto.

15. All proxies must be in writing, executed by the stockholders themselves, or by their duly authorised attorneys, and must be filed with the Secretary of the corporation at or before the meeting of the stockholdes.

ARTICLE II

DIRECTORS

1. The corporate powers, business, and affairs of the corporation shall be exercised, conducted and controlled by the Board consisting of five (5) Directors.

2. Each Director shall hold office for one year, or for such shorter period as he may have been appointed, and until his successor shall have been elected.

3. Any vacancy occurring in the office of Director by reason of death, resignation, or otherwise, shall be filled by an appointee of the majority of the remaining Directors, though less than a quorum, or by a sole remaining Director. Such director, so appointed, shall hold office until his successor is elected at the next annual meeting of the stockholders, or at any special meeting duly called for that purpose thereto.

4. Immediately after the election ofDirectors at the annual meeting of the stockholders, the Directors shall meet for the purpose of organization, the election of officers, and the transaction of other business.

5. All meetings of the Board of Directors shall be held at the office of the corporation in Saipan or at such other location as may be unanimously consented to by the members of the Board.

6. Special meetings of the Board of Directors shall be called at any time on the order of the President or on the order of any

three (3) Directors.

7. Regular meetings of the Board of Directors shall be held, without notice, on the first days of June, September, December and March, of each year at the hour of 6:00 P.M.

8. Notices of special meetings of the Board of Directors, stating the time, and in general terms the purpose or purposes thereof, shall be mailed or personally delivered to each director not later than the day before the day appointed for the meeting. An entry of the service of notice, given in the manner above provided, shall be made in the minutes of the proceedings of the Board of Directors, and such entry, if read and approved at a subsequent meeting of the Board of Directors, shall be conclusive on the question of service. If all the Directors shall be present, and those not present sign a written waiver of notice of such meeting, whether prior to or after the holding of such meeting, which said waiver shall be filed with the Secretary of the corporation and entered on the record of such meeting, any business may be transacted at such meeting and the transaction of such meeting shall be as valid as if had at a meeting regularly called and noticed.

9. Each director shall register his address with the Secretary and notices of meetings mailed or telegraphed to such address shall be valid notices thereof.

10. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, and every act or decision of a majority of the directors present at a meeting at which a quorum is present, made or done when duly assembled, shall be valid as the act of the Board of Directors; but a majority of those present at the time and place stated for any regular or special meeting, although less than a quorum, may adjourn the same from time to time, or from day to day, without further notice, until a quorum shall attend, and when a quorum shall attend, any business may be transacted which might have been transacted at the meeting had the same been held on the day on which the same was originally appointed or called.

11. The Board of Directors shall have full power and authority to borrow money on behalf of the corporation, including the power and authority to borrow money from any of the stockholders, directors, or officers of the corporation, and otherwise to incur indebtedness on behalf of the corporation, and to authorize the execution of promissory notes or other evidences of indebtedness of the corporation, and to agree to pay interest thereon; to sell, convey,

poration, and to agree to pay interest thereon; to sell, convey,

alienate, transfer, assign, exchange, lease and otherwise dispose of, mortgage, pledge, hypothecate, and otherwise encumber the property, real and personal, and the franchises of the corporation; to purchase, lease, and otherwise acquire property, real and personal, on behalf of the corporation; and generally to do and perform, or cause to be done and performed, any and every act which the corporation may lawfully do and perform.

12. For attendance at any meeting of the Board of Directors, every director shall receive an allowance of twenty-five dollars ($25.00) for attendance at each meeting.

ARTICLE III

OFFICERS

1. The executive officers of the corporation shall be a President, a Vice-President, a Secretary and a Treasurer, and such other officers as the Board may approve.

2. The officers shall be elected by the Board of Directors at the first meeting after the organization of the corporation and thereafter at the first meeting after the annual election of Directors, and they shall hold office for a period of one (1) year and until their successors are elected.

3. The Board of Directors may also appoint and remove such other officers, agents, and employees of the corporation as they may deem proper, and fix the duties of the same. The Board of Directors may delegate the power of appointment and removal and the power to fix the compensation of such other officers, agents, and employees to any officer of the corporation.

4. The compensation of the executive officers and of other officers, agents and employees of the corporation shall be fixed by the Board of Directors.

ARTICLE IV

PRESIDENT

1. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the stockholders and of the Board of Directors. He shall have general charge of the business of the corporation, shall execute, with the Secretary in

the name of the corporation, all deeds, bonds, contracts and other obligations and instruments authorized by the Board of Directors to be executed, and with the Secretary shall sign all certificates of shares of the corporation.

2. The President shall also have such other powers and shall perform such other duties as may be assigned to him by the Board of Directors.

ARTICLE V

VICE - PRESIDENT

1. The Vice-President shall be vested with all the powers and shall perform all the duties of the President in case of the absence or disability of the President.

2. The Vice-President shall also have such other powers and shall perform such other duties as may be assigned to him by the Board of Directors.

ARTICLE VI

SECRETARY

1. The Secretary shall keep the minutes of all proceedings of the stockholders and of the Board of Directors in books provided for that purpose. He shall attend to the giving and serving of notices of all meetings of the stockholders and of the Board of Directors and otherwise. He shall execute, with the President, in the name of the corporation, all deeds, bonds, contracts, and other obligations and instruments authorized by the Board of Directors to be executed, and with the President, shall sign all certificates for shares of the corporation. He shall be custodian of the corporate seal of the corporation, and when so ordered by the Board of Directors shall affix the seal to deeds, bonds, contracts, and other obligations and instruments. He shall keep and have charge of the journal of the meetings of the Board of Directors and of the stockholders the share and transfer book, the book of share certificates, the book of by-laws, and such other books and papers as the Board of Directors may direct.

ARTICLE VII

TREASURER

1. The Treasurer shall keep, or cause to be kept, full and

accurate accounts of receipts and disbursements in books to be kept for that purpose. He shall receive and deposit, or cause to be received and deposited, all moneys and other valuables of the corporation, in the name and to the credit of the corporation, in such depositories as may be designated by the Board of Directors. He shall disburse, or cause to be disbursed, the funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements. He shall render to the President and to the Board of Directors, whenever they may require, accounts of all his transactions as Treasurer and of the financial condition of the corporation. He shall, in general, perform all the duties incident to the office of Treasurer, subject to the control of the Board of Directors.

ARTICLE VIII

VACANCIES

1. If the office of the President, Vice-President, Secretary or Treasurer becomes vacant by reason of death, resignation, removal, or otherwise, the Board of Directors shall elect a successor who shall hold office for the unexpired term, and until his successor is elected.

ARTICLE IX

1. Certificates for shares of the corporation shall be issued when fully paid up, and may be issued prior to full payment under such restrictions as the Board of Directors may deem proper.

2. Certificates shall be in such form and device as shall be provided by the Board of Directors and shall fully comply with the provisions of the law. The certificates shall be signed by the President and by the Secretary and the seal ofthe corporation shall be affixed thereto.

3. No new certificates shall be issued until the former certificates for the shares represented thereby shall have been surrendered and cancelled, except in the case of lost or destroyed certificates, and in that case only after the receipt of a bond by the corporation, satisfactory to the Board of Directors, indemnifying the corporation and all persons against loss in consequence of the issuance of such new certificate.

4. Shares of the corporation may be transferred by endorsement by the signature of the owner, his agent or attorney or legal

by the signature of the owner, his agent or attorney or legal

representative, and the delivery of the certificates; but such transfer is not valid except as to the parties thereto, until the same is so entered upon the books of the corporation as to show the names of the parties by whom and to whom transferred, the number of certificates, and the number or designation of shares and the date of transfer, and until the old certificates are surrendered and cancelled. The transferee in any transfer of shares shall be deemed to have full notice of, and consent to, the by-laws of the corporation to the same extent as if he has signed a written assent thereto.

5. The Board of Directors of this corporation may, subject to the provisions of the general corporation law, dispose of the shares of this corporation, in such amounts and at such times as shall be determined by the said Board of Directors, and in the discretion of the said Board of Directors, accept in full or in part payment therefor such property, services or other considerations and at such valuations as the Board of Directors may determine.

6. The Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates.

ARTICLE X

SEAL

1. The Board of Directors shall provide a suitable seal for the corporation.

ARTICLE XI

AMENDMENTS

1. These ByLaws may be repealed or amended, or new bylaws may be adopted, at any annual meeting or at any other meeting of the shareholders, called for that purpose by the Board of Directors, by a vote representing not less than fifty one per cent (51%) of the shares entitled to vote. The written assent of the holders of not less than 51% of the shares entitled to vote shall also be effectual to repeal or amend any bylaws or to adopt additional bylaws. The Board of Directors shall also have the power to repeal and amend these bylaws and to adopt new bylaws, except that the Directors shall not have the power to change the authorized number of Directors.

ARTICLE XII

NOTICES

NOTICES

1. All notices shall, in addition to being served as herein provided, be personally served where personal service is required by the laws of the trust erritory of the Pacific Islands.

The foregoing are approved and adopted by the stockholders as the ByLaws of the corporation this 21st day of April, 1965.

JONES & GUERRERO CO., INC.,
A Guam Corporation

By _____
Kenneth T. Jones, Jr.

_____
Kenneth T. Jones, Jr.

_____
Paul M. Calvo

_____
Edward M. Calvo

_____
Sterling C. McIntosh

_____
J. C. Arriola

ATTEST:

_____
J. C. ARRIOLA
SECRETARY

ARTICLES OF INCORPORATION

OF

MICRONESIAN HOTEL CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

THAT WE, the undersigned, have this day voluntarily associated ourselves together for the purpose of forming a corporation under and pursuant to the laws of the Trust Territory of the Pacific Islands, and we do hereby certify as follows:

I

The name of this corporation shall be:

MICRONESIAN HOTEL CORPORATION.

II

The principal office or place of business is: Saipan, Mariana Islands, Trust Territory of the Pacific Islands.

III

The period of the existence and the duration of the life of this corporation shall be perpetual.

IV

The purposes for which said corporation is formed are:

FIRST: To purchase, lease, or otherwise acquire, for cash or on terms of credit, real estate in the islands of the Trust Territories, or elsewhere; to erect thereon hotels or other buildings, and to sell, lease, or otherwise dispose of same; to own, lease and operate in the islands of the Trust Territory and elsewhere one or more hotels, and all adjuncts and accessories thereto, including restaurants, barrooms, barbershops, baths, news and cigar stores, roof gardens, and to furnish amusements therefor; to do and perform any and all things for the pleasure, comfort, convenience and amusement of guests in said hotels; to promote immigration and travel to the islands of the Trust Territory.

SECOND: To purchase, lease, or otherwise acquire, in whole or in part, the business, goodwill, rights, franchises and property of every kind; and to undertake the whole or any part of the assets or liabilities of any person, firm, association, or corporation engaged in or authorized to conduct any business similar to any business authorized to be conducted by this corporation, or owning property necessary or suitable for its purposes, and to pay for the same in cash, in the stock or bonds of this company, or otherwise; to hold or in any manner dispose of the whole or any part of the business or property as acquired, and to exercise all the powers necessary or incidental to the conduct of such business.

THIRD: To borrow money, to issue bonds, debentures, notes and other obligations of this corporation from time to time, for any of the objects or purposes of this corporation, and to mortgage, pledge, hypothecate, and/or convey in trust, any or all of its property to secure the payment thereof.

FOURTH: To lend and advance money or give credit to such persons and on such terms as may seem expedient, and in particular to customers and others having dealings with the company, and to give guarantee or become security for any such persons; but nothing herein contained shall be construed to give this corporation banking powers.

FIFTH: To enter into, make, perform, and carry out contracts of every kind and for any lawful purpose consistent with the purpose of this corporation, without limit as to amount, with any person, firm, association, corporation, municipality, state or government, or any subdivision, district or department thereof.

SIXTH: To hold, purchase, or otherwise acquire, or be interested in, or to sell, assign, pledge, or otherwise dispose of, shares of the capital stock, bonds, or other evidences of debt issued or created by any other corporation, whether foreign or domestic, and whether now or hereafter organized; and while the holder of any such shares of stock, to exercise all the rights and privileges of ownership, including the right to vote thereof, to the same extent as a natural person might or could do.

SEVENTH: In the purchase or acquisition of property, business rights or franchises, or for additional working capital, or for any other object in or about its business or affairs, and without limit as to amount, to incur debt, and to raise, borrow and secure the payment of money in any lawful manner, including the issue and sale or other disposition of bonds, warrants, debentures, obligations,

negotiable and transferable instruments and evidences of indebtedness of all kinds, whether secured by mortgage, pledge, deed of trust or otherwise.

EIGHTH: Subject to the laws of the Trust Territory, to guarantee the payment of dividends or interest of any shares, stocks, debentures, or other securities issued by, or any other contract or obligation of, any corporation.

NINTH: To do any and all such other acts, thing, business or businesses in any manner connected with or necessary, incidental, convenient or auxiliary to any of the objects hereinbefore enumerated, or calculated, directly or indirectly, to promote the interest of the corporation; and in carrying on its purposes, or for the purpose of attaining or furthering any of its business, to do any and all acts and things, and to exercise any and all other powers, which a copartner or natural person could do or exercise, and which now or hereafter may be authorized by law.

TENTH: The several clauses contained in this statement of purposes shall be construed as both purposes and powers, and the statements contained in each clause shall be in nowise limited or restricted, by reference to, or inference from, the terms of any other clause, but shall be regarded as independent purposes and powers; and no recitation, expression or declaration of specific or special powers or purposes herein enumerated shall be deemed to be exclusive; but it is hereby expressly declared that all other lawful powers not inconsistent herewith are hereby included.

V

The total number of authorized shares of the capital stock of this corporation is Five Hundred Thousand Dollars ($500,000.00), lawful money of the United States, divided into five thousand shares of the same class of One Hundred Dollars ($100.00) par value per share.

VI

The names and addresses of the incorporators are as follows:

NAME	ADDRESS
Jones & Guerrero Company, Inc., a Guam corporation	P. O. Box 7 Agana, Guam

NAME	ADDRESS
EDWARD M. CALVO	Maite, Guam P. O. Box 246 Agana, Guam
J. C. ARRIOLA	Tamuning, Guam P. O. Box 776 Agana, Guam

VII

The number of directors of said corporation shall be five (5) and the names and residences of the directors who are appointed for the first year and to serve until the election and qualification of their successors are as follows:

NAME	ADDRESS
KENNETH T. JONES JR.	Maite, Guam P. O. Box 7 Agana, Guam
J. C. ARRIOLA	Tamuning, Guam P. O. Box 776 Agana, Guam
PAUL M. CALVO	Maite, Guam P. O. Box 246 Agana, Guam
EDWARD M. CALVO	Maite, Guam P. O. Box 246 Agana, Guam
S. C. McINTOSH	Afame, Guam P. O. Box 7 Agana, Guam

VIII

The names of the officers who are appointed for the first year and to serve until the election and qualification of their successors are as follows:

NAME	OFFICE
KENNETH T. JONES, JR.	President

NAME	OFFICE
KENNETH T. JONES, JR.	President

NAME	OFFICE
EDWARD M. CALVO	Vice-President
J. C. ARRIOLA	Secretary
PAUL M. CALVO	Treasurer
S. C. McINTOSH	Assistant Treasurer

IX

The corporate powers, business and affairs of the corporation shall be exercised, conducted and controlled by the board of directors.

X

The stockholders entitled to vote at the stockholders meetings shall have one (1) vote for each share of voting stock held by him.

XI

The board of directors of the corporation may, from time to time, declare and the corporation may pay dividends on its outstanding shares in cash, property, or its own shares, only out of the unreserved and unrestricted earned surplus, except when the corporation is insolvent or when the payment thereof would render the corporation insolvent.

XII

This corporation may be dissolved prior to the time fixed in its Articles of Incorporation, by an affirmative vote of the stockholders holding eighty per cent (80%) of its capital stock, at a meeting of the stockholders called for that purpose; and in the event of any liquidation, dissolution or winding up of the affairs of the corporation, its assets shall first be used in the payment of the debts and claims against it, and those remaining shall then be distributed among the shareholders in proportion to the par value of their shares.

XIII

The private property of the stockholders should not be subject to the payments of corporate debts to any extent whatsoever.

XIV

No shareholder shall transfer, alienate, or in any way dispose

No shareholder shall transfer, alienate, or in any way dispose

of any share of the corporation unless such share shall first have been offered for sale to the corporation. The corporation reserves and shall have the exclusive right and option to purchase such shares at a price equal to the par value thereof within thirty (30) days after such offer. After the expiration of such time, the shareholders, if the corporation shall not have exercised its option to purchase such share, shall be free to transfer, alienate, or otherwise dispose of such shares without any restriction whatsoever. Failure of the corporation to purchase any share or shares and the sale or transfer thereof to any other person shall not, as to any future sale or transfer of said shares or share, or of any share or shares issued in lieu thereof, discharge any such share or shares from the restrictions herein contained. It is the intent that all restrictions hereby imposed upon the sale or transfer of shares shall apply to all shares, whensoever, howsoever, and by whomsoever acquired, in the hands of all holders or owners, whether original shareholders or subsequent purchasers or transferees and whether acquired through the voluntary or involuntary act of a shareholder or by operation of law and whether a part of the first authorized issue or of any subsequent or increased issue.

XV

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Articles of Incorporation in the manner now or hereafter provided by law and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserve power.

IN WITNESS WHEREOF, the persons named as incorporators and directors of MICRONESIAN HOTEL CORPORATION have executed these Articles of Incorporation this _____ day of _____, 1965.

JONES & GUERRERO COMPANY, INC.

By _____
KENNETH T. JONES, JR., President

_____
KENNETH T. JONES, JR.,
Individually

_____
EDWARD M. CALVO

_____
E. C. ARRIOLA

_____
S. C. McINTOSH

_____
PAUL M. CALVO

V. C. ARRIOLA

S. C. McINTOSH

PAUL M. CALVO

TERRITORY OF GUAM)
) ss.
CITY OF AGANA)

On this [illegible] day of [illegible] 1965, before me, a Notary Public in and for the territory of Guam, personally appeared [illegible] TO CHEN, JR., known to me to be the president of the corporation that executed the within instrument and acknowledged to me that he executed the same on behalf of said corporation.

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

NOTARY PUBLIC
[illegible] FUKUKAWA
Notary Public
In and for the territory of Guam
My Commission expires Sept. 12, 1967

)SEAL(

TERRITORY OF GUAM)
) ss.
CITY OF AGANA)

On this [illegible] day of [illegible], 1965, before me, a Notary Public for and in the territory of Guam, personally appeared [illegible] E. JONES, JR., EDWARD M. CALVO, V. C. ARRIOLA, PAUL M. CALVO, and S. McINTOSH, known to me to be the persons whose names subscribed to the within instrument and acknowledged to me that they executed the same.

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

NOTARY PUBLIC
[illegible] FUKUKAWA
Notary Public
In and for the territory of Guam
My Commission expires Sept. 12, 1967

)SEAL(

Micronesian Construction Company

Term: 10 years

Rental (land): $78.85 per month

Area: 15,971 sq. meter

Coca Cola Bottling Co.

Term: 5 years

Rental (Building): $125.00 per month

Area (Bldg): 11,200 sq. ft.

Royal Taga Hotel

Date of payment	Gross Revenue	Rental (2½ % of Gross)
2/19/68	$20,336.77	$508.42
5/27/68	95,174.46	2,379.36
9/6/68	135,549.17	3,388.73

Assistant Commissioner for Administration Dec. 7, 1967

Acting District Administrator, Mariana Islands

Your reply of 12/4/67 on Royal Taga Hotel sewage problems

Reference is to your memo of December 4, 1967, in reply to ours of November 29, 1967 on the subject of inadequate sewage facilities at the Royal Taga Hotel.

We believe that you have read "implications" in our memo that never existed. We nowhere expressed "complete surprise at this situation", nor did we "imply that Headquarters is responsible for having made commitments with regard to supplying power, water and sewer facilities to the new hotel management." If you will refer to the memo, I said ..."I do not, at this present time, know who made these promises of Utility services... etc...." (underlines provided). I do not see where such a statement implies that "Headquarters is responsible...", unless someone at Headquarters is suffering from guilty conscience!

As you are aware, Mr. Peter Coleman, our District Administrator, departed on Home Leave on November 10, 1967. On November 12, we were struck by Typhoon Gilda and again, on November 19, by Typhoon Harriet. Rota was badly devastated, and much of our energies, in the past few weeks, especially of myself, my Assistant Mr. Akimoto, and our Public Works Officer Mr. Ray Mathews have been devoted to the critical mission of alleviating the hardship situations at Rota and in programming rehabilitation and reconstruction at Rota.

On November 28, 1967, when the Director of Sanitation and the Mosquito Controls Officer called on us to cite the sewage problem at the Royal Taga, we felt that it was imperative that you, as well as the High Commissioner, be immediately apprised of this situation. There was no intent to ..."throw the entire responsibility for the current sewage problem into the lap of Headquarters", as you state in the last paragraph of your memo!

As of the date of the Director of Sanitation's visit, we have not been advised by anyone as to the official opening date of The Royal Taga. We have been hearing rumors that December 9 had been designated. We still have not received any official notification that the Hotel will open on December 9, although Mr. O'Connor of the Corporation has verbally confirmed December 9, after we made direct inquiries.

Assistant Commissioner for Administration Dec. 7, 1967

Acting District Administrator, Mariana Islands

Your reply of 12/4/67 on Royal Taga Hotel sewage problems

Reference is to your memo of December 4, 1967, in reply to ours of November 29, 1967 on the subject of inadequate sewage facilities at the Royal Taga Hotel.

We believe that you have read "implications" in our memo that never existed. We nowhere expressed "complete surprise at this situation", nor did we "imply that Headquarters is responsible for having made commitments with regard to supplying power, water and sewer facilities to the new hotel management." If you will refer to the memo, I said ..."I do not, at this present time, know who made these promises of utility services... etc...." (underlines provided). I do not see where such a statement implies that "Headquarters is responsible...", unless someone at Headquarters is suffering from guilty conscience!

As you are aware, Mr. Peter Coleman, our District Administrator, departed on Home Leave on November 10, 1967. On November 12, we were struck by Typhoon Gilda and again, on November 19, by Typhoon Harriet. Rota was badly devastated, and much of our energies, in the past few weeks, especially of myself, my Assistant Mr. Akimoto, and our Public Works Officer Mr. Ray Matthews have been devoted to the critical mission of alleviating the hardship situations at Rota and in programming rehabilitation and reconstruction at Rota.

On November 28, 1967, when the Director of Sanitation and the Mosquito Controls Officer called on us to cite the sewage problem at the Royal Taga, we felt that it was imperative that you, as well as the High Commissioner, be immediately apprised of this situation. There was no intent to ..."throw the entire responsibility for the current sewage problem into the lap of Headquarters", as you state in the last paragraph of your memo!

As of the date of the Director of Sanitation's visit, we have not been advised by anyone as to the official opening date of the Royal Taga. We have been hearing rumors that December 9 had been designated. We still have not received any official notification that the Hotel will open on December 9, although Mr. O'Connor of the Corporation has verbally confirmed December 9, after we made direct inquiries.

Be that as it may, we felt it only proper to advise the High Commissioner and your office of the crisis on our hands, as we had assumed that you would be interested, and could possibly offer assistance and advice. With the very limited resources available at the District level, we, in effect, sent an SOS to our Headquarters for this assistance and advice, and we are very surprised and discouraged that the response has been one of recrimination and blame-assessment. This is not the sort of assistance we asked for, or need!

We are continuing to make every effort possible, at our level, to work something out on the sewage problem. In addition, we are faced with a water problem at the Royal Taga, but we believe that a temporary solution has been worked out. You state in your memo that "a meeting was held on November 30 with representatives of Headquarters Public Works...and that steps are being taken to meet the emergency, temporarily, at least." And, further that "This Office (Assistant Commissioner for Administration) will continue to follow-up on this matter and will make every effort to solve the problem until such time as the new permanent system can be installed and placed in operation." May we expect to be advised as to the steps that are being taken to meet the emergency? Also, may we suggest that "efforts to solve the problem" should be a joint venture between your office and the District Administration, as being the most advantageous and efficient method of solving these problem?

Indicative of our effort in alleviating this problem, I have asked our District Public Works office Ray Matthews to give the sewer problem the highest priority. Mr. Matthews will start on the sewer project by Saturday of this week. I would like to assure you that we will do everything within our capabilities to correct this problem.

Francisco C. Ada

cc: High Commissioner
Acting Director of Public Works
Assistant Commissioner for Health Services
Assistant Commissioner for REsources & Development ✓
Attorney-General
District Public Works Officer, Marianas

bet as it may, we felt it only proper to advise the High
issioner and your office of the crisis on our hands, as we had
med that you would be interested, and could possibly offer
stance and advice. With the very limited resources available
he District level, we, in effect, sent an SOS to our Headquarters
this assistance and advice, and we are very surprised and dis-
aged that the response has been one of recrimination and blame-
essment. This is not the sort of assistance we asked for, or need!

re continuing to make every effort possible, at our level, to work
thing out on the sewage problem. In addition, we are faced with
ter problem at the Royal Taga, but we believe that a temporary
tion has been worked out. You state in your memo that "a meeting
held on November 30 with representatives of Headquarters Public
s...and that steps are being taken to meet the emergency, tem-
rily, at least." And, further that "This Office (Assistant
issioner for Administration) will continue to follow-up on this
er and will make every effort to solve the problem until such time
he new permanent system can be installed and placed in operation."
we expect to be advised as to the steps that are being taken to
the emergency? Also, may we suggest that "efforts to solve the
lem" should be a joint venture between your office and the District
nistration, as being the most advantageous and efficient method of
ing these problem?

ontive of our effort in alleviating this problem, I have asked our
rict Public Works office Ray Matthews to give the sewer problem
highest priority. Mr. Matthews will start on the sewer project
aturday of this week. I would like to assure you that we will do
ything within our capabilities to correct this problem.

Francisco C. Ada

High Commissioner
Acting Director of Public Works
Assistant Commissioner for Health Services
Assistant Commissioner for REsources & Development ✓
Attorney-General
District Public Works Officer, Marianas

AE/RED

1. Bus. ____
2. PW ____
3. Rhyne ____

File: Econ Dev
Cy sent LMO

Acting District Administrator, Mariana Islands 12/4/67

Assistant Commissioner for Administration

Sewage Problems at the ROYAL TAGA Hotel

Ref. (a): Contracting Officer Memorandum of January 11, 1966 to Distad Mariana, subject: "Lease with Micronesian Hotel Corporation".

Ref. (b): Contracting Officer Memorandum of January 11, 1966 to Distad Mariana, subject: "Drawings Submitted for Review by the Micronesian Hotel Corporation".

Ref. (c): Distad Mariana letter of January 17, 1966 to Mr. Kenneth Jones, President of Micronesian Hotel Corporation

This is in reply to your memorandum of November 29, 1967 to this office, subject: "Inadequate Sewage and Danger Health Hazard at Royal Taga Hotel, Saipan", in which you advised this office of the "critical and urgent" situation which now exists as a result of the tie-in of the new Royal Taga Hotel to the sewer system in the Susupe area. If I read your memorandum correctly, your office has exhibited complete surprise at this situation and implies that Headquarters is responsible for having made commitments with regard to supplying power, water, and sewer facilities to the new hotel management.

As you are aware, a meeting was held on November 30 with representatives of Headquarters Public Works to investigate this situation, and based on an initial report from the Acting Director of Public Works, steps are being taken to meet the emergency, temporarily, at least. This office will continue to follow-up on this matter and will make every effort to solve the problem until such time as the new permanent system can be installed and placed in operation.

However, I feel that for the record certain realities of this entire picture should be pointed out to you:

By Reference (a), the District Administrator, Marianas was appointed as Representative of the Contracting Officer with responsibility for administering the Lease Agreement with the Micronesian Hotel Corporation.

By Reference (b), prints of design aspects of the new hotel were forwarded to the District Administrator, Marianas, along with comments of the Chief Engineer, for your use in writing Mr. Jones of the Corporation.

AE/RED

1. Bus. ____
2. PW ____
3. Rhyne ____

File: Econ Dev
Cy sent LMO

Acting District Administrator, Mariana Islands 12/4/67

Assistant Commissioner for Administration

Sewage Problems at the ROYAL TAGA Hotel

): Contracting Officer Memorandum of January 11, 1966 to Distad Mariana, subject: "Lease with Micronesian Hotel Corporation".

): Contracting Officer Memorandum of January 11, 1966 to Distad Mariana, subject: "Drawings Submitted for Review by the Micronesian Hotel Corporation".

): Distad Mariana letter of January 17, 1966 to Mr. Kenneth Jones, President of Micronesian Hotel Corporation

in reply to your memorandum of November 29, 1967 to this subject: "Inadequate Sewage and Danger Health Hazard at aga Hotel, Saipan", in which you advised this office of the al and urgent" situation which now exists as a result of the of the new Royal Taga Hotel to the sewer system in the Susupe If I read your memorandum correctly, your office has exhibited e surprise at this situation and implies that Headquarters is ible for having made commitments with regard to supplying water, and sewer facilities to the new hotel management.

are aware, a meeting was held on November 30 with representa- f Headquarters Public Works to investigate this situation, and n an initial report from the Acting Director of Public Works, re being taken to meet the emergency, temporarily, at least. fice will continue to follow-up on this matter and will make ffort to solve the problem until such time as the new permanent can be installed and placed in operation.

, I feel that for the record certain realities of this entire should be pointed out to you:

rence (a), the District Administrator, Marianas was appointed esentative of the Contracting Officer with responsibility for tering the Lease Agreement with the Micronesian Hotel Corporation.

rence (b), prints of design aspects of the new hotel were forwarded District Administrator, Marianas, along with comments of the ngineer, for your use in writing Mr. Jones of the Corporation.

By Reference (c), the District Administrator, Marianas contacted Mr. Jones, and incorporated the Chief Engineer's comments in the letter.

A request was made of the Corporation for "Plans for site work in the immediate vicinity of the structure, showing proposed method of water and power and sewage disposal". This office does not have a copy of the Jones reply, but it is presumed that one was made and that your office was aware of his plans for sewage disposal.

In the meantime, it should be pointed out, all electrical and water hook-ups have been handled through the Saipan Utility Agency, which is under the direct jurisdiction of the District Administrator, Marianas and it is presumed that such work was carried out by the authority of applications filed for these utilities. We are certain, therefore, that your office must have taken aware of these requests and the action which was being taken by the Agency. We also allocated funds, to you, incidentally, to finance the necessary installations.

I have outlined the above at this time simply to keep the record straight, for by implication in your November 29 memorandum, you appear to have thrown the entire responsibility for the current sewage problem into the lap of Headquarters.

J. F. Screen

cc:
High Commissioner
Acting Director of Public Works
Assistant Commissioner for Health Services
Assistant Commissioner for Resources & Development
Attorney General

By Reference (c), the District Administrator, Marianas contacted Mr. Jones, and incorporated the Chief Engineer's comments in the letter.

A request was made of the Corporation for "Plans for site work in the immediate vicinity of the structure, showing proposed method of water and power and sewage disposal". This office does not have a copy of the Jones reply, but it is presumed that one was made and that your office was aware of his plans for sewage disposal.

In the meantime, it should be pointed out, all electrical and water hook-ups have been handled through the Saipan Utility Agency, which is under the direct jurisdiction of the District Administrator, Marianas and it is presumed that such work was carried out by the authority of applications filed for these utilities. We are certain, therefore, that your office must have taken aware of these requests and the action which was being taken by the Agency. We also allocated funds, to you, incidentally, to finance the necessary installations.

I have outlined the above at this time simply to keep the record straight, for by implication in your November 29 memorandum, you appear to have thrown the entire responsibility for the current sewage problem into the lap of Headquarters.

J. F. Screen

cc:
High Commissioner
Acting Director of Public Works
Assistant Commissioner for Health Services
Assistant Commissioner for Resources & Development
Attorney General

[illegible]

[illegible]

[illegible]

DEC 1967

[illegible]

[illegible]

TRUST TERRITORY GOVERNMENT

Office of the District Administrator, Saipan, M.I.

Memorandum

TO : Assistant Commissioner for Resources & Development DATE: Oct. 20, 1967

FROM : District Administrator, Mariana Islands

14

SUBJECT: Request for clarification of Micronesian Hotel Corporation lease re extent of its business activities

With the opening soon of the Royal Taga Hotel of the Micronesian Hotel Corporation, I feel it is important that we clarify now that provision of the lease relating to "the purpose of conducting a hotel business and related activities".

We would like to know the types of businesses that this corporation can go into. For example, we have heard that this corporation is ordering 20 U-Drive cars. As you know, we have several local U-Drive concerns now operating in Saipan. Some are planning to expand in anticipation of the opening of this hotel but are now reluctant to do so because of the information that the hotel will be having its own U-Drive facility. Since our policy has been to encourage local enterprises, it would seem that the hotel having its own U-Drives would stifle the expansion of existing local businesses.

I realize that this is a difficult matter to resolve and I will be glad to discuss this further with you and the Attorney General at your earliest convenience.

Peter T. Coleman

Peter T. Coleman

cc: Office of Attorney General

hw answered 10/19

File

[redacted]

On Tuesday the MV Saipan being 15 Trucks 25 U Drive Datsuns unloads to open a Supermarket on the site within 6 months

Any Comments?

RECEIVED NOV 7 1967

VERNMENT

Office of the District Administrator, Saipan, M.I.

l

issioner for Resources & Development DATE: Oct. 20, 1967

istrator, Mariana Islands

14

arification of Micronesian Hotel Corporation
t of its business activities

he Royal Taga Hotel of the Micronesian Hotel
important that we clarify now that provision of
purpose of conducting a hotel business and

types of businesses that this corporation can
have heard that this corporation is ordering
know, we have several local U-Drive concerns
Some are planning to expand in anticipation
tel but are now reluctant to do so because of
hotel will be having its own U-Drive facility.
to encourage local enterprises, it would seem
own U-Drives would stifle the expansion of

difficult matter to resolve and I will be glad
ith you and the Attorney General at your earliest

Peter T. Coleman

Peter T. Coleman

neral

MV Saipan
25 U Drive Datsuns
being is Trucks
intends to open a
Supermarket on the site
within 6 months
Any Comments
S.

[illegible]

1. [illegible]

2. [illegible]

3. [illegible]

[illegible]

---

1. [illegible]
2. Land Report

[illegible]

12

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

cc: [illegible] ✓

RECEIVED
NOV 3 1967

[illegible]

TRUST TERRITORY OF THE PACIFIC ISLANDS
OFFICE OF THE HIGH COMMISSIONER
SAIPAN, MARIANA ISLANDS 96950

COMMERCIAL
CABLE ADDRESS
HICOTT SAIPAN

9

June 2, 1967

President of the Senate
Congress of Micronesia
Capital Hill, Saipan, Mariana Islands

Dear Mr. President:

With this letter, I am submitting to the Senate in advance of the Third Regular Session of the Congress of Micronesia "A bill for an act placing on the local governments the responsibility of licensing and collecting license fees for all service businesses." Although the proposed bill represents the present thinking and recommendations of the Administration on this subject, I wish to stress that we are not necessarily fixed in our position as to the particular language contained in the bill. The purpose of presenting the proposal in advance of the session is to acquaint the Congress with our views and provide us with an opportunity to obtain the reaction of the Congress prior to the final disposition of this legislation.

The purpose of this legislation is to provide specifically that local governments have the power and authority by statute to charge and collect license fees for service-type businesses, such as, plumbers, accountants, radio repair shops, etc. As the law now reads the local governments are given the authority to license retail businesses, but it does not mention service-type businesses. The term "retail business" could be interpreted to be limited to those businesses which sell articles to consumers.

I urge that the bill be considered now and that the Congress act upon it during the Third Regular Session.

Sincerely yours,

W. R. Norwood
High Commissioner

Attachment

TRUST TERRITORY OF THE PACIFIC ISLANDS
OFFICE OF THE HIGH COMMISSIONER
SAIPAN, MARIANA ISLANDS 96950

COMMERCIAL, CABLE ADDRESS
HICOTT SAIPAN

9

June 2, 1967

President of the Senate
Congress of Micronesia
Capital Hill, Saipan, Mariana Islands

Dear Mr. President:

With this letter, I am submitting to the Senate in advance of the Third Regular Session of the Congress of Micronesia "A bill for an act placing on the local governments the responsibility of licensing and collecting license fees for all service businesses." Although the proposed bill represents the present thinking and recommendations of the Administration on this subject, I wish to stress that we are not necessarily fixed in our position as to the particular language contained in the bill. The purpose of presenting the proposal in advance of the session is to acquaint the Congress with our views and provide us with an opportunity to obtain the reaction of the Congress prior to the final disposition of this legislation.

The purpose of this legislation is to provide specifically that local governments have the power and authority by statute to charge and collect license fees for service-type businesses, such as, plumbers, accountants, radio repair shops, etc. As the law now reads the local governments are given the authority to license retail businesses, but it does not mention service-type businesses. The term "retail business" could be interpreted to be limited to those businesses which sell articles to consumers.

I urge that the bill be considered now and that the Congress act upon it during the Third Regular Session.

Sincerely yours,

for R. H. Thompson
W. R. Norwood
High Commissioner

Attachment

THIRD REGULAR SESSION, 1967

CONGRESS OF MICRONESIA

A BILL

For an Act placing on the local governments the responsibility of licensing and collecting license fees for all service businesses.

BE IT ENACTED BY THE CONGRESS OF MICRONESIA:

Section 1. Section 48 (a) (2) of the Trust Territory Code is hereby amended to read as follows:

"Licensing and collecting license fees of <u>all</u> retail <u>and service</u> businesses within the municipality, subject, however, to all applicable territorial government or district laws."

Section 2. This Act shall take effect upon the approval of the High Commissioner.

THIRD REGULAR SESSION, 1967

CONGRESS OF MICRONESIA

A BILL

For an Act placing on the local governments the responsibility of licensing and collecting license fees for all service businesses.

BE IT ENACTED BY THE CONGRESS OF MICRONESIA:

Section 1. Section 48 (a) (2) of the Trust Territory Code is hereby amended to read as follows:

"Licensing and collecting license fees of all retail and service businesses within the municipality, subject, however, to all applicable territorial government or district laws."

Section 2. This Act shall take effect upon the approval of the High Commissioner.

TRUST TERRITORY OF THE PACIFIC ISLANDS
CONGRESS OF MICRONESIA
Capitol Hill, Saipan, M. I.

8

S. B. No. 22
H.D. 1
H.D. 2
H.D. 3

THE SENATE OF THE CONGRESS OF MICRONESIA

We hereby certify that the foregoing Bill passed the Second and Final Reading in the Senate of the Congress of Micronesia, Third Regular Session, 1967, on the 8th day of August, 1967.

John O. Mairiano
President of the Senate

Valerie U. Pedro
Clerk of the Senate

THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF MICRONESIA

We hereby certify that the foregoing Bill passed the Second and Final Reading in the House of Representatives of the Congress of Micronesia, Third Regular Session, 1967, on the 5th day of August, 1967.

Bethwel Henry
Speaker of the House of Representatives

Carl Heine
Clerk of the House of Representatives

TRUST TERRITORY OF THE PACIFIC ISLANDS
CONGRESS OF MICRONESIA
Capitol Hill, Saipan, M. I.

8

H. B. No. 22
H.D. 1
H.D. 2
H.D. 3

THE SENATE OF THE CONGRESS OF MICRONESIA

We hereby certify that the foregoing Bill passed the Second and inal Reading in the Senate of the Congress of Micronesia, Third egular Session, 1967, on the 8th day of August, 1967.

John O. Ngiraked
President of the Senate

Valerio V. Pedro
Clerk of the Senate

THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF MICRONESIA

We hereby certify that the foregoing Bill passed the Second and nal Reading in the House of Representatives of the Congress of cronesia, Third Regular Session, 1967, on the 5th day of August, 1967.

Bethwel Henry
Speaker of the House of Representatives

Carl Heine
Clerk of the House of Representatives

THIRD REGULAR SESSION, 1967

CONGRESS OF MICRONESIA

AN ACT

To amend Chapter 18 of the Code of the Trust Territory, by replacing present Sections 1144 through 1153 with new Sections 1144 through 1152 of the same Chapter, relating to business license fees, fuel tax, import and export taxes, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF MICRONESIA:

Section 1. Chapter 18 of the Code of the Trust Territory is hereby amended by replacing the present Sections 1144 through 1153 with new Sections 1144 through 1152 in the same Chapter to read as follows:

"Section 1144. Business Licenses.

(a) Licenses required. Any person, partnership, corporation or association engaging in the business of importing, exporting, selling of securities, banking, insurance, conducting or operating public utilities, as a condition precedent to engaging or continuing in such business, shall obtain from the Director of Budget and Finance of the Trust Territory, through the District Administrator, a license to engage in or conduct such business.

(b) Terms and conditions of licenses. Licenses issued under this Section shall not be transferable and shall be valid on the basis of a fiscal year period (July 1 to June 30) and, regardless of when issued, shall expire on the thirtieth (30th) day of June of the year for which issued or renewed; provided, however, that all original license fees shall be prorated and one-fourth ($\frac{1}{4}$) of the annual fee charged for each quarter or portion of a quarter remaining in the fiscal year from the date of issuance.

(c) License fees. The following annual fees shall be paid

THIRD REGULAR SESSION, 1967

CONGRESS OF MICRONESIA

AN ACT

To amend Chapter 18 of the Code of the Trust Territory, by replacing present Sections 1144 through 1153 with new Sections 1144 through 1152 of the same Chapter, relating to business license fees, fuel tax, import and export taxes, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF MICRONESIA:

Section 1. Chapter 18 of the Code of the Trust Territory is hereby amended by replacing the present Sections 1144 through 1153 with new Sections 1144 through 1152 in the same Chapter to read as follows:

"Section 1144. Business Licenses.

(a) Licenses required. Any person, partnership, corporation or association engaging in the business of importing, exporting, selling of securities, banking, insurance, conducting or operating public utilities, as a condition precedent to engaging or continuing in such business, shall obtain from the Director of Budget and Finance of the Trust Territory, through the District Administrator, a license to engage in or conduct such business.

(b) Terms and conditions of licenses. Licenses issued under this Section shall not be transferable and shall be valid on the basis of a fiscal year period (July 1 to June 30) and, regardless of when issued, shall expire on the thirtieth (30th) day of June of the year for which issued or renewed; provided, however, that all original license fees shall be prorated and one-fourth ($\frac{1}{4}$) of the annual fee charged for each quarter or portion of a quarter remaining in the fiscal year from the date of issuance.

(c) License fees. The following annual fees shall be paid for the respective license at time of issuance and on or before the thirtieth (30th) day of June of each year, except as otherwise provided for in subsection (b):

(1)	Importer	$100.00 per annum
(2)	Exporter	$ 10.00 per annum
(3)	Banks	$250.00 per annum
(4)	Securities Dealers	$250.00 per annum
(5)	Insurance Companies	$200.00 per annum
(6)	Insurance Brokers	$ 75.00 per annum
(7)	Insurance Agents	$ 50.00 per annum
(8)	Public Utilities	$250.00 per annum

(d) Multiple locations and combination businesses. Any person, partnership, corporation or association who operates or conducts businesses in two or more locations in the Trust Territory or who operates or conducts any business which consists of a combination of two or more of the classes of businesses outlined in this Section shall obtain a separate license for each such location and class of business.

(e) Renewal. A licensee may renew his license upon the expiration thereof by the payment of the annual license fee.

(f) Revocation or suspension of licenses; judicial review. The Director of Budget and Finance of the Trust Territory with the approval of the Attorney General may revoke or suspend any license issued under this Section, upon finding, after public notice and adequate hearing, that such revocation or

for the respective license at time of issuance and on or before the thirtieth (30th) day of June of each year, except as otherwise provided for in subsection (b):

(1)	Importer	$100.00 per annum
(2)	Exporter	$ 10.00 per annum
(3)	Banks	$250.00 per annum
(4)	Securities Dealers	$250.00 per annum
(5)	Insurance Companies	$200.00 per annum
(6)	Insurance Brokers	$ 75.00 per annum
(7)	Insurance Agents	$ 50.00 per annum
(8)	Public Utilities	$250.00 per annum

(d) Multiple locations and combination businesses. Any person, partnership, corporation or association who operates or conducts businesses in two or more locations in the Trust Territory or who operates or conducts any business which consists of a combination of two or more of the classes of businesses outlined in this Section shall obtain a separate license for each such location and class of business.

(e) Renewal. A licensee may renew his license upon the expiration thereof by the payment of the annual license fee.

(f) Revocation or suspension of licenses; judicial review. The Director of Budget and Finance of the Trust Territory with the approval of the Attorney General may revoke or suspend any license issued under this Section, upon finding, after public notice and adequate hearing, that such revocation or

suspension is in the public interest. Any person aggrieved by any such decision of the Director of Budget and Finance shall be entitled to a review of the same by Trial Division of the High Court upon written appeal made within thirty (30) days from the date the decision is issued. Upon review, the findings of the Director of Budget and Finance, if supported by substantial evidence, shall be conclusive. The filing of an appeal shall not stay the order of revocation or suspension, unless irreparable damage is alleged.

Section 1145. Collection of taxes and license fees; Records.

(a) Any taxes imposed or authorized under this Chapter upon property shall be a lien upon the property and may be collected by levy upon it in the same manner as the levy of an execution.

(b) Any taxes or license fees imposed or authorized under this Chapter or under any District law may also be collected by a civil suit brought either in the name of the taxing unit concerned or in the name of the person authorized to collect the same. In such civil suit a written statement of the treasurer of the unit concerned, as to the amount of tax due, the fact that it is unpaid, and who is authorized to collect it, shall be sufficient evidence of these matters unless the contrary is expressly shown.

(c) The prepayment of any license fee imposed or authorized under this Chapter or under any District law may be made a condition of the issuance of the license. If the licensing

suspension is in the public interest. Any person aggrieved by any such decision of the Director of Budget and Finance shall be entitled to a review of the same by Trial Division of the High Court upon written appeal made within thirty (30) days from the date the decision is issued. Upon review, the findings of the Director of Budget and Finance, if supported by substantial evidence, shall be conclusive. The filing of an appeal shall not stay the order of revocation or suspension, unless irreparable damage is alleged.

Section 1145. Collection of taxes and license fees; Records.

(a) Any taxes imposed or authorized under this Chapter upon property shall be a lien upon the property and may be collected by levy upon it in the same manner as the levy of an execution.

(b) Any taxes or license fees imposed or authorized under this Chapter or under any District law may also be collected by a civil suit brought either in the name of the taxing unit concerned or in the name of the person authorized to collect the same. In such civil suit a written statement of the treasurer of the unit concerned, as to the amount of tax due, the fact that it is unpaid, and who is authorized to collect it, shall be sufficient evidence of these matters unless the contrary is expressly shown.

(c) The prepayment of any license fee imposed or authorized under this Chapter or under any District law may be made a condition of the issuance of the license. If the licensing

authority issues the license without prepayment of the fee, the license may be revoked by the licensing authority at any time if the fee is not paid within such time as the licensing authority shall fix.

(d) The Director of Budget and Finance of the Trust Territory, with the approval of the High Commissioner, shall prescribe such rules and regulations as are necessary to collect all taxes, fees and charges levied or imposed under this Chapter and all such taxes, fees and charges shall be deposited in the Treasury of the Trust Territory for appropriation by the Congress of Micronesia. Such rules and regulations shall wherever practicable require payment in full of all taxes, fees and charges immediately upon assessment and, in the case of import taxes, before any merchandise is released by the carrier or his agent to the importer and, in the case of export taxes, before any merchandise is loaded on any vessel or aircraft.

(e) Every person, firm, corporation, or association engaging in any transaction subject to a tax, fee or charge levied or imposed under this Chapter shall keep a full and accurate record of each such transaction engaged in by him and such record shall be available for examination by the High Commissioner or his authorized representative for at least three (3) years after the date of such transaction. Any person, firm, corporation or association willfully failing to keep or make available for examination such records shall be guilty of a misdemeanor and

authority issues the license without prepayment of the fee, the license may be revoked by the licensing authority at any time if the fee is not paid within such time as the licensing authority shall fix.

(d) The Director of Budget and Finance of the Trust Territory, with the approval of the High Commissioner, shall prescribe such rules and regulations as are necessary to collect all taxes, fees and charges levied or imposed under this Chapter and all such taxes, fees and charges shall be deposited in the Treasury of the Trust Territory for appropriation by the Congress of Micronesia. Such rules and regulations shall wherever practicable require payment in full of all taxes, fees and charges immediately upon assessment and, in the case of import taxes, before any merchandise is released by the carrier or his agent to the importer and, in the case of export taxes, before any merchandise is loaded on any vessel or aircraft.

(e) Every person, firm, corporation, or association engaging in any transaction subject to a tax, fee or charge levied or imposed under this Chapter shall keep a full and accurate record of each such transaction engaged in by him and such record shall be available for examination by the High Commissioner or his authorized representative for at least three (3) years after the date of such transaction. Any person, firm, corporation or association willfully failing to keep or make available for examination such records shall be guilty of a misdemeanor and

upon conviction thereof shall be punished in accordance with the terms of Section 1151 and, in addition thereto, shall be subject to the immediate revocation of any relevant existing license to do business in the Trust Territory.

Section 1146. Gasoline and diesel fuel tax.

(a) The power to levy and collect taxes on gasoline and diesel fuel is reserved to the Congress of Micronesia.

(b) An excise tax is hereby levied upon the use, distribution or sale within the Trust Territory of all gasoline and diesel fuel at the rate of five (5) cents per gallon so used, distributed or sold.

Section 1147. Copra and trochus shell export tax. An export tax of ten per cent (10%) is hereby levied on all copra and trochus shell produced in and exported from the Trust Territory.

Section 1148. Scrap metal export tax. The following export taxes are hereby levied on all scrap metal exported from the Trust Territory:

(1) Non-ferrous--twenty-five per cent (25%) ad valorem.

(2) Ferrous--five per cent (5%) ad valorem.

(3) Lead, and lead covered cable--ten per cent (10%) ad valorem.

Section 1149. Import taxes.

upon conviction thereof shall be punished in accordance with the terms of Section 1151 and, in addition thereto, shall be subject to the immediate revocation of any relevant existing license to do business in the Trust Territory.

Section 1146. Gasoline and diesel fuel tax.

(a) The power to levy and collect taxes on gasoline and diesel fuel is reserved to the Congress of Micronesia.

(b) An excise tax is hereby levied upon the use, distribution or sale within the Trust Territory of all gasoline and diesel fuel at the rate of five (5) cents per gallon so used, distributed or sold.

Section 1147. Copra and trochus shell export tax. An export tax of ten per cent (10%) is hereby levied on all copra and trochus shell produced in and exported from the Trust Territory.

Section 1148. Scrap metal export tax. The following export taxes are hereby levied on all scrap metal exported from the Trust Territory:

(1) Non-ferrous--twenty-five per cent (25%) ad valorem.

(2) Ferrous--five per cent (5%) ad valorem.

(3) Lead, and lead covered cable--ten per cent (10%) ad valorem.

Section 1149. Import taxes.

(a) The following import taxes are hereby levied on all products specified herein which are imported into the Trust Territory for resale:

(1) Cigarettes--Seven (7) cents per every twenty cigarettes.

(2) Tobacco, other than cigarettes--Fifty per cent (50%) ad valorem.

(3) Perfumery, cosmetics and toiletries, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used as applications to the hair or skin, lipsticks, pomades, powders and other toilet preparations not having medicinal properties--Twenty-five per cent (25%) ad valorem.

(4) Soft drinks and non-alcoholic beverages-at the rate of two (2) cents on each twelve (12) fluid ounces or fractional part thereof.

(5) Beer and Malt beverages-at the rate of three (3) cents per can or bottle of twelve (12) fluid ounces or fractional part thereof.

(6) Distilled alcoholic beverages-at the rate of six dollars ($6) per wine gallon.

(7) Wine-at the rate of one dollar and fifty cents ($1.50) per wine gallon.

(8) Foodstuffs for human consumption - one per cent (1%)

(a) The following import taxes are hereby levied on all products specified herein which are imported into the Trust Territory for resale:

(1) Cigarettes--Seven (7) cents per every twenty cigarettes.

(2) Tobacco, other than cigarettes--Fifty per cent (50%) ad valorem.

(3) Perfumery, cosmetics and toiletries, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used as applications to the hair or skin, lipsticks, pomades, powders and other toilet preparations not having medicinal properties--Twenty-five per cent (25%) ad valorem.

(4) Soft drinks and non-alcoholic beverages-at the rate of two (2) cents on each twelve (12) fluid ounces or fractional part thereof.

(5) Beer and Malt beverages-at the rate of three (3) cents per can or bottle of twelve (12) fluid ounces or fractional part thereof.

(6) Distilled alcoholic beverages-at the rate of six dollars ($6) per wine gallon.

(7) Wine-at the rate of one dollar and fifty cents ($1.50) per wine gallon.

(8) Foodstuffs for human consumption - one per cent (1%)

ad valorem.

(9) All other imported products, except those specified above and gasoline and diesel fuel - three per cent (3%) ad valorem.

(b) Any commodities subject to a tax under this section which are not received by the importer or certified as damaged may be exempted from such tax upon certification of damage or non-receipt by the carrier or his agent.

Section 1150. Distribution of revenues. The Treasurer of the Trust Territory shall pay eighty per cent (80%) of the taxes collected pursuant to Section 1146 and fifty per cent (50%) of the taxes collected pursuant to Sections 1147, 1148, and 1149 into the treasury of the district government wherein the taxes were collected for appropriation by the district legislature: Provided, that unless and until a Yap District Legislature is established, taxes collected in the Yap Islands and deposited in the treasury of the district government shall be expended as authorized and appropriated by the Yap Islands legislative body: Provided, further, that taxes collected in the Yap District outside the Yap Islands and paid into the treasury of the district government shall be retained in the treasury until a Yap District Legislature is established and shall appropriate such funds.

Section 1151. Penalties.

(a) General. Whoever willfully violates any of the

ad valorem.

(9) All other imported products, except those specified above and gasoline and diesel fuel - three per cent (3%) ad valorem.

(b) Any commodities subject to a tax under this section which are not received by the importer or certified as damaged may be exempted from such tax upon certification of damage or non-receipt by the carrier or his agent.

Section 1150. Distribution of revenues. The Treasurer of the Trust Territory shall pay eighty per cent (80%) of the taxes collected pursuant to Section 1146 and fifty per cent (50%) of the taxes collected pursuant to Sections 1147, 1148, and 1149 into the treasury of the district government wherein the taxes were collected for appropriation by the district legislature: Provided, that unless and until a Yap District Legislature is established, taxes collected in the Yap Islands and deposited in the treasury of the district government shall be expended as authorized and appropriated by the Yap Islands legislative body: Provided, further, that taxes collected in the Yap District outside the Yap Islands and paid into the treasury of the district government shall be retained in the treasury until a Yap District Legislature is established and shall appropriate such funds.

Section 1151. Penalties.

(a) General. Whoever willfully violates any of the

provisions of this Chapter, or any license, rule or regulation issued thereunder, shall, upon conviction, be imprisoned for a period of not more than one year or fined not more than Five Hundred Dollars ($500.00), or both.

(b) Administrative. In case of failure to pay any tax, fee, or charge levied or imposed under this Chapter when due, there shall be added to the amount due ten (10%) per cent of the amount of such tax, fee or charge if the failure is not for more than one month, with an additional ten (10%) per cent for each additional month or fraction thereof during which such failure continues, not exceeding one hundred per cent (100%) in the aggregate.

Section 1152. Grace period.

All taxes assessed, levied or imposed under Public Laws 1-9, 1-10 and 1-13 prior to and which are unpaid as of the effective date of this Act are hereby declared to be due and payable within sixty (60) days following the effective date of this act. Any person who, or firm, corporation, partnership or association which, owes such tax and fails to pay such tax in full, including interest at the rate of six per cent (6%) per annum, shall be subject to the penalties prescribed in Section 1151 and the Director of Budget and Finance of the Trust Territory, shall collect or caused to be collected such tax, interest and penalty in accordance with

provisions of this Chapter, or any license, rule or regulation issued thereunder, shall, upon conviction, be imprisoned for a period of not more than one year or fined not more than Five Hundred Dollars ($500.00), or both.

(b) Administrative. In case of failure to pay any tax, fee, or charge levied or imposed under this Chapter when due, there shall be added to the amount due ten (10%) per cent of the amount of such tax, fee or charge if the failure is not for more than one month, with an additional ten (10%) per cent for each additional month or fraction thereof during which such failure continues, not exceeding one hundred per cent (100%) in the aggregate.

Section 1152. Grace period.

All taxes assessed, levied or imposed under Public Laws 1-9, 1-10 and 1-13 prior to and which are unpaid as of the effective date of this Act are hereby declared to be due and payable within sixty (60) days following the effective date of this act. Any person who, or firm, corporation, partnership or association which, owes such tax and fails to pay such tax in full, including interest at the rate of six per cent (6%) per annum, shall be subject to the penalties prescribed in Section 1151 and the Director of Budget and Finance of the Trust Territory, shall collect or caused to be collected such tax, interest and penalty in accordance with

Section 1145 or in any other manner authorized by law."

Section 2. This Act shall take effect upon approval by the High Commissioner.

October 3, 1967

W. R. Norwood
High Commissioner
Trust Territory of the Pacific Islands

Section 1145 or in any other manner authorized by law."

Section 2. This Act shall take effect upon approval by the High Commissioner.

October 3, 1967

W. R. Norwood
High Commissioner
Trust Territory of the Pacific Islands

TRUST TERRITORY GOVERNMENT

Office of the District Administrator, Saipan, M.I.

Memorandum

TO : Assistant Commissioner for Resources & Development DATE: Oct. 20, 1967

FROM : District Administrator, Mariana Islands

7

SUBJECT: Request for clarification of Micronesian Hotel Corporation lease re extent of its business activities

With the opening soon of the Royal Taga Hotel of the Micronesian Hotel Corporation, I feel it is important that we clarify now that provision of the lease relating to "the purpose of conducting a hotel business and related activities".

We would like to know the types of businesses that this corporation can go into. For example, we have heard that this corporation is ordering 20 U-Drive cars. As you know, we have several local U-Drive concerns now operating in Saipan. Some are planning to expand in anticipation of the opening of this hotel but are now reluctant to do so because of the information that the hotel will be having its own U-Drive facility. Since our policy has been to encourage local enterprises, it would seem that the hotel having its own U-Drives would stifle the expansion of existing local businesses.

I realize that this is a difficult matter to resolve and I will be glad to discuss this further with you and the Attorney General at your earliest convenience.

Peter T. Coleman

cc: Office of Attorney General

6

LEASE AGREEMENT

THIS INDENTURE OF LEASE, made and entered into this 21st day of May, 1965, by and between the TRUST TERRITORY OF THE PACIFIC ISLANDS, hereinafter referred to as "Government", represented by John M. Spivey, Contracting Officer for the High Commissioner, and the MICRONESIAN HOTEL CORPORATION, a Trust Territory corporation, hereinafter referred to as "Lessee",

W I T N E S S E T H :

For and in consideration of the payment of rental and of the other mutual covenants and conditions hereinafter contained, the Government hereby leases and demises and the Lessee hereby takes from the Government, for the purpose of conducting a hotel business and related activities, the real property located in Saipan, Mariana Islands, described as follows:

Beginning at Corner 1 which is S 37-03-34W, a distance of 999.94 meters from triangulation station "NORTH BASE";

Thence S 26-10-33W, 19.21 m. to Corner 2;
thence S 35-30-51W, 264.90 m. to Corner 3;
thence N 54-29-09W, 182.86 m. to Corner 4;
thence N 53-05-35E, 209.32 m. to Corner 5;
thence S 54-29-09E, 96.76 m. to Corner 1;

the point of beginning, containing an area of 40,299.00 square meters, more or less, and being situated in Land Square 9, Section 1, Units 1 and 1, as shown on SK No. 23/56 on file with the Clerk of Courts, Mariana Islands District.

9.9 acres

To have and to hold the same unto the Lessee, its successors and assigns for a term of twenty (20) years beginning the 1st day of June, 1965, and ending the 31st day of May, 1985, upon the following terms and conditions:

1. The Government reserves and the Lessee agrees to pay as rental for the demised premises an amount equivalent to two and one-half per cent (2½%) of the gross receipts of the Lessee from whatever business activity conducted within the demised premises for the first ten (10) years of this lease, payable quarterly. For the next ten (10) years, the rental shall be an amount equivalent to three per cent (3%) of the gross receipts of Lessee from whatever business activity conducted within the demised premises.

7½%

activity conducted within the demised premises.

2. The Government and Lessee covenant and agree that this lease shall and will be automatically extended for three (3) terms of ten (10) years each, upon the same terms and conditions, as contained herein, unless the Lessee gives the Government written notice to the contrary at least thirty (30) days prior to the expiration of this lease or the then existing term. Provided, however, that the rental for the demised premises for additional terms shall be an amount equivalent to three per cent (3%) of the gross receipts of the Lessee from whatever business activity conducted within the demised premises, payable quarterly.

3. The Government does hereby give to the Lessee the right and privilege at all times during the continuance of this lease, to make at its own expense such changes, improvements, alterations and addition to the herein leased premises, as Lessee may desire, including but not limited to the construction or erection of structures or buildings. Lessee agrees to commence initial construction within 90 days from the date of this lease.

4. The Lessee, shall, at its own expense, keep all buildings to be erected on the demised premises insured for the benefit of the Government and the Lessee, as their respective interests may appear, against loss or damage of fire, typhoon and earthquake, in responsible insurance companies authorized and licensed to issue such insurance, at all times during the term of this lease. All such policies of insurance shall provide that the proceeds thereof shall be payable to the Government and Lessee, as their respective interests may appear, and certificates of such insurance shall be delivered to the Government.

The Lessee shall save and keep harmless the Government from any loss, cost, damage or expense arising out of any accident or other occurrence, causing injury to any person or property, and due directly or indirectly to the use or occupancy of said premises by Lessee. And in connection therewith, Lessee, further, shall and will, at its own expense, provide and keep in force for the benefit of the Government comprehensive general liability insurance in which the Government shall be named as an additional insured with minimum limits of liability in

respect of bodily injury of $100,000.00 for each person and $300,000.00 for each occurrence and in respect of property damage of $5,000.00 for each occurrence.

5. The Government does hereby covenant and agree that the said Lessee paying the said rent and performing the covenants and agreements aforesaid, shall and may at all times during the said term, peaceably and quietly have, hold, and enjoy the said premises, without any manner of let, suit, trouble, or hindrance of or from the said Government, or any other person or persons whomsoever.

6. As a condition to the granting of this lease, the incorporators and other stockholders of Lessee who are non-citizens of the Trust Territory hereby agree, at any time after twenty (20) years from date hereof, to sell, transfer, and convey unto the citizens of the Trust Territory, hereinafter referred to as Citizens, upon written notice from the Government that Trust Territory citizens desire to purchase, all of the interests of said stockholders/non-citizens in and to the Lessee, at a fair valuation and for a fair consideration, to be mutually agreed between Citizens and incorporators/non-citizens, if practicable. And if incorporators/non-citizens and Citizens shall not thus mutually agree on the valuation thereof, and on the consideration to be paid therefor, the purchase price shall be determined by three qualified appraisers, all of whom must be members of the American Institute of Appraisers, and one of whom shall be chosen by incorporators/non-citizens, one by Citizens, and a third by the two thus chosen, if Citizens and incorporators/non-citizens shall not mutually agree on a third appraiser. And when the value shall be so determined, incorporators/non-citizens shall, upon tender of said purchase price, sell, transfer, assign and convey to Citizens, all its/their interests in and to said Lessee.

Costs of appraisal shall be borne equally between the incorporators/non-citizens and Citizens.

7. The Government hereby covenants and agrees that Lessee may mortgage or otherwise encumber the demised premises, during the term hereof or any extension herein.

6. It is agreed between the Government and Lessee that in case at any time default be made by the Lessee in the payment of any rent when the same shall become due or payable, such default shall continue for thirty (30) days, or in case default shall be made by the Lessee in the performance of any of the other terms, conditions or covenants of said lease by said Lessee to be performed other than the covenant for the payment of rent, and said default shall continue for a period of thirty (30) days after service of written notice of such default by the Government, then the Government may enter into and upon the demised premises or any part thereof and repossess the same, with or without terminating this lease, and without prejudice to any of its remedies for rent or breach of covenant.

9. The term "Gross Receipts" as mentioned in paragraphs and herein shall be construed to mean the total receipts, cash or accrued, of the Lessee received as compensation from whatever activity conducted within the demised premises; such term shall refer to, and shall include, rentals, royalties, fees, commissions, or other emoluments however designated and without any deductions whatsoever.

10. Upon the termination of expiration of this lease including the aforesaid three (3) options of extensions, that is to say, fifty (50) years from date hereof, the Government shall have the option: (a) to extend this lease for period or periods at a mutually agreeable rental; or (b) to purchase the buildings and/or improvements and facilities located within the demised premises, at a fair valuation and for a fair consideration, to be mutually agreed on, if practicable. And if the Government and Lessee shall not thus mutually agree on the valuation thereof, the Government shall pay, and the Lessee shall receive, such sum for the buildings/improvements and facilities as shall be fixed by three qualified appraisers, all of whom shall be members of the American Institute of Appraisers, one to be chosen by the Government, one to be chosen by the Lessee, and a third by the two thus chosen, if the Government and Lessee shall not mutually agree on a third appraiser. And when the value shall be so determined, Lessee hereby agrees to sell and convey, and the Government hereby agrees to purchase and pay therefor, such appraisal value thereof.

therefor, such appraisal value thereof,

11. This agreement shall inure to the benefit of, and bind, as the case may be, the Government and the Lessee, their respective successors and assigns.

WITNESS the hands of the parties the date above written.

GOVERNMENT OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS

By: _____
John M. Spivey, Contracting Officer
for the High Commissioner

MICRONESIAN HOTEL CORPORATION,
a Trust Territory Corporation,
Lessee

By: _____
J. C. Arriola, Duly Authorized
Representative

WITNESSES:

_____

_____

Filed this 6th [illegible]

[illegible]
[illegible]
Marianas Islands [illegible]

LAW OFFICES
ARRIOLA, BOHN & GAYLE
BOHN BUILDING - P. O. BOX 776
AGANA, GUAM
96910
TELEPHONE 78-731

CALIFORNIA OFFICES
SUITE 1700 - HOBART BUILDING
582 MARKET AT MONTGOMERY
SAN FRANCISCO 94
640 FIRST STREET, BENICIA
CABLE ADDRESS: ALL OFFICES
"ARBOHN"

July 27, 1965

Micronesian Hotel Corp.

4

Mr. Robert K. Shoecraft,
Attorney General
Trust Territory of the Pacific Islands,
Saipan Mariana Islands, 96950

Re: Hotel Lease

Dear Bob:

This morning when I was in Saipan, I was at the site of the hotel where workmen were cleaning the premises when I met Mr. Elmer Gay, your chief surveyor for the District of Saipan. He informed me that the final map of the leased property does note include an area of approximately 75 feet from the edge of the leased property to the high water mark. I informed him at that time that the leased area includes all the property up to the high water mark.

I had seen a sketch of the leased property some months back, but I have no map or sketch in my files to indicate whether the leased property includes the beach. The description of the leased property is mentioned in the lease agreement, but no indication whether the beach area is included. Will you kindly go over the map prepared by Mr. Gay and see whether or not the leased property includes the area up to the high water mark? As you can readily see, an area of 75 feet between the leased property and high water mark will readily hamper and, would seriously jeopardize our plans for the construction of the hotel. It has always been our understanding that the beach area will be included in the property to be leased to the hotel corporation.

I shall appreciate a reply at your earliest convenience.

Very truly yours,

ARRIOLA, BOHN & GAYLE

J. C. ARRIOLA

JCA:bc

4

Micronesian Hotel Corp.

s at the site of
ises when I met
trict of Saipan.
d property does
from the edge of
informed him
the property.

rty some months
to indicate
. The description
se agreement, but
ed. Will you
see whether or
o the high water
eet between the
ly hamper and,
onstruction of
ng that the beach
ased to the hotel

iest convenience.

GAYLE

3

LAW OFFICES
ARRIOLA, BOHN & GAYLE
BOHN BUILDING, P.O. BOX 776
AGANA, GUAM
96910
TELEPHONE 74-73

July 27, 1965

Mr. Robert K. Shoecraft,
Attorney General
Trust Territory of the Pacific Islands,
Saipan Mariana Islands 96950

Re: Hotel Lease

Dear Bob:

This morning when I was in Saipan, I was at the site of the hotel where workmen were cleaning the premises when I met Mr. Elmer Gay, your chief surveyor for the District of Saipan. He informed me that the final map of the leased property does note include an area of approximately 75 feet from the edge of the leased property to the high water mark. I informed him at that time that the leased area includes all the property up to the high water mark.

I had seen a sketch of the leased property some months back, but I have no map or sketch in my files to indicate whether the leased property includes the beach. The description of the leased property is mentioned in the lease agreement, but no indication whether the beach area is included. Will you kindly go over the map prepared by Mr. Gay and see whether or not the leased property includes the area up to the high water mark? As you can readily see, an area of 75 feet between the leased property and high water mark will readily hamper and, would seriously jeopardize our plans for the construction of the hotel. It has always been our understanding that the beach area will be included in the property to be leased to the hotel corporation.

I shall appreciate a reply at your earliest convenience.

Very truly yours,

ARRIOLA, BOHN & GAYLE

J. C. ARRIOLA

JCA:bc

Attorney General
Trust Territory of the Pacific Islands,
Saipan Mariana Islands 96950

Re: Hotel Lease

Dear Bob:

This morning when I was in Saipan, I was at the site of the hotel where workmen were cleaning the premises when I met Mr. Elmer Gay, your chief surveyor for the District of Saipan. He informed me that the final map of the leased property does note include an area of approximately 75 feet from the edge of the leased property to the high water mark. I informed him at that time that the leased area includes all the property up to the high water mark.

I had seen a sketch of the leased property some months back, but I have no map or sketch in my files to indicate whether the leased property includes the beach. The description of the leased property is mentioned in the lease agreement, but no indication whether the beach area is included. Will you kindly go over the map prepared by Mr. Gay and see whether or not the leased property includes the area up to the high water mark? As you can readily see, an area of 75 feet between the leased property and high water mark will readily hamper and would seriously jeopardize our plans for the construction of the hotel. It has always been our understanding that the beach area will be included in the property to be leased to the hotel corporation.

I shall appreciate a reply at your earliest convenience.

Very truly yours,

ARRIOLA, BOHN & GAYLE

J. C. ARRIOLA

JCA:bc

THE TRUST TERRITORY OF THE PACIFIC ISLANDS
Office of the High Commissioner
Saipan, Mariana Islands

ORIGINAL

January 8, 1968

Memorandum

To : Acting Assistant Commissioner, Administration

From : Chief Engineer, Engr./Const. Service

Subject: Proposed Hotel; JBG Construction Company

Ref.(a): Unsigned, undated drawings Titled "Proposed Saipan Hotel" consisting of: Cover Sheet, A1, A2, S1, S2, S3, S4, S5, S6, S7, and S8 and "Typical Guestroom Layout."

Ref.(b): Letter, Jones & Guerrero Company, Incorporated to High Commissioner dated December 16, 1965.

Ref.(c): Lease agreement between Government of Trust Territory and the Micronesian Hotel Corporation, signed May 21, 1965 and filed September 8, 1965.

A professional engineering review of the Reference (c) drawings cannot be satisfactorily accomplished at this time for the following reasons:

1) The designs are not complete, there being no plans for site work, nor for Mechanical and Electrical features.

2) Structural calculations are not available to indicate the assumed design loads, the assumed material strength, and the assumed soil bearing, wind, and seismic factors.

3) Specifications are not available, thus no comment can be made and the type or quality of workmanship, materials or fixtures contemplated.

The text of Reference (b), indicates that the designs are possibly being prepared in increments, and that perhaps the contractor intends to start work with "foundation plans", and develop other designs as the work progresses. This is a very dangerous and frequently expensive practice, and should never be condoned if sound construction practice is desired. Nevertheless, a strictly technical analysis of such feature as are shown or implied from the Reference (a) drawings was made; resulting in the following observations:

Cover Sheet: This "site plan" indicates that half of guest rooms will have a view of the parking lot and the traffic along Beach Road; not a particularly good example of imaginative use of a choice strip of Government owned waterfront.

TRUST TERRITORY OF THE PACIFIC ISLANDS "ORIGINAL"
Office of the High Commissioner
Saipan, Mariana Islands

January 5, 1966

Memorandum

To : Acting Assistant Commissioner, Administration

2

From : Chief Engineer, Engr./Const. Service

Subject: Proposed Hotel; J&G Construction Company

Ref.(a): Unsigned, undated drawings Titled "Proposed Saipan Hotel" consisting of; Cover Sheet, A1, A2, S1, S2, S3, S4, S5, S6, S7, and S8 and "Typical Guestroom Layout."

Ref.(b): Letter, Jones & Guerrero Company, Incorporated to High Commissioner dated December 16, 1965.

Ref.(c): Lease agreement between Government of Trust Territory and the Micronesian Hotel Corporation, signed May 21, 1965 and filed September 8, 1965.

A professional engineering review of the Reference (a) drawings cannot be satisfactorily accomplished at this time for the following reasons:

1) The designs are not complete, there being no plans for site work, nor for Mechanical and Electrical features.

2) Structural calculations are not available to indicate the assumed design loads, the assumed material strength, and the assumed soil bearing, wind, and seismic factors.

3) Specifications are not available, thus no comment can be made and the type or quality of workmanship, materials or fixtures contemplated.

The text of Reference (b), indicates that the designs are possibly being prepared in increments, and that perhaps the contractor intends to start work with "foundation plans", and develop other designs as the work progresses. This is a very dangerous and frequently expensive practice, and should never be condoned if sound construction practice is desired. Nevertheless, a strictly technical analysis of such feature as are shown or implied from the Reference (a) drawings was made; resulting in the following observations:

Cover Sheet: This "site plan" indicates that half of guest rooms will have a view of the parking lot and the traffic along Beach Road; not a particularly good example of imaginative use of a choice strip of Government owned waterfront.

A1: a): Apparently the rooms are not to be airconditioned, which they should not require if advantage is taken of the prevailing island breeze. But since no cross or through ventilation is provided in any of the guest rooms, only those on the street or "non-view" side receive the breeze. Those on the sea or view side are blanketed from the breeze. Are guests to be asked there choice, "do you want a room with ventilation or with a view?"

b): The swing of balcony door opening appears to unnecessarily interfere with use of the writing desk.

c): There appears to be no provision for individual reading lamps.

d): A four-foot (4') "tub" is handily worthy of the name. The Barber Shop would appear to not require a "view" and could therefore be located on the second floor, street side.

e): The dining room and kitchen complex, especially the latter, appear rather small for the patronage anticipated as evidenced by the 96 car parking lot.

f): Good practice dictates a toilet and washroom for kitchen help.

A2: a): Fire escape door must open out.

b): Either here or the 1st floor should include a "storeroom" for excess luggage.

c): This plan indicates all the more the desirability of having all rooms with both view and ventilation. Some or all rooms could be equipped for air conditioning, but the guest should be provided with an optimum of natural ventilation, and not be obliged to sit in an air-conditioned cubicle.

S1)
S8) No comment feasible without specifications and calculations.

Some general comments, prompted by both the technical aspects and potential "long range Capital Improvement concepts, are:

1) Just what "service life" is desired of the facility? Is obsolescence expected in 5 or 10 years, or is the hotel expected to be reasonably "current" and appropriate for the conditions expected in 20 years from now? The latter would seem to be contemplated from the terms of the lease. The ref (a) plans however could hardly be expected to provide such long range suitability.

2) What is contemplated for sewage disposal which will not pollute the beach or over load the virtually non-existent municipal system? If by septic tank and leaching field, where located, what design, etc?

A1: a): Apparently the rooms are not to be airconditioned, which they should not require if advantage is taken of the prevailing island breeze. But since no cross or through ventilation is provided in any of the guest rooms, only those on the street or "non-view" side receive the breeze. Those on the sea or view side are blanketed from the breeze. Are guests to be asked there choice, "do you want a room with ventilation or with a view?"

b): The swing of balcony door opening appears to unnecessarily interfere with use of the writing desk.

c): There appears to be no provision for individual reading lamps.

d): A four-foot (4') "tub" is handily worthy of the name. The Barber Shop would appear to not require a "view" and could therefore be located on the second floor, street side.

e): The dining room and kitchen complex, especially the latter, appear rather small for the patronage anticipated as evidenced by the 96 car parking lot.

f): Good practice dictates a toilet and washroom for kitchen help.

A2: a): Fire escape door must open out.

b): Either here or the 1st floor should include a "storeroom" for excess luggage.

c): This plan indicates all the more the desirability of having all rooms with both view and ventilation. Some or all rooms could be equipped for air conditioning, but the guest should be provided with an optimum of natural ventilation, and not be obliged to sit in an air-conditioned cubicle.

S1)
S8) No comment feasible without specifications and calculations.

Some general comments, prompted by both the technical aspects and potential "long range Capital Improvement concepts, are:

1) Just what "service life" is desired of the facility? Is obsolescence expected in 5 or 10 years, or is the hotel expected to be reasonably "current" and appropriate for the conditions expected in 20 years from now? The latter would seem to be contemplated from the terms of the lease. The ref (a) plans however could hardly be expected to provide such long range suitability.

2) What is contemplated for sewage disposal which will not pollute the beach or over load the virtually non-existent municipal system? If by septic tank and leaching field, where located, what design, etc?

3) All construction plans and their related specifications (and design calculations where needed) should be prepared and signed by a recognized, licensed, architect or civil engineer.

4) All specifications and plans and other documents relating to the use of Government land, or to any development on any land which is contemplated for use by the general public, should be subject to review and approval by cognizant government officials.

5) Until such time as a Building Code is adopted and enforced, all construction of facilities contemplated for use by the general public should be subject to inspection and approval by the Government.

Finally, your attention is invited to the attached memorandum on "use of Government Land" which, if implemented earlier, would have avoided the potentially unsatisfactory situation now confronting the Trust Territory Government. As a possible remedy, there are attached two proposed alternate actions:

1) A letter from the High Commissioner cancelling the lease for Government owned-land on which subject hotel is proposed, or

2) A letter signed by the Chief Engineer to be released by Acting Assistant Commissioner, Administration, requesting further information on the design of the contemplated hotel.

HWWaite
H. W. Waite

Attachments

cc: High Commissioner
Deputy High Commissioner
Assistant Commissioner for Resources and Development
Assistant Commissioner for Community Services
Legal
District Administrator, Marianas

FILE
END