

April 15, 2026

Mr. Earl J. Garrido
Acting Chairperson
Chamorro Land Trust Commission
590 South Marine Drive
Tamuning, Guam 96913

cc: Carlos Camacho, Authorized Agent, Guam International Country Club, Inc.

Re: Tax Equity Investment Structure for Renewable Energy Project – Section 48 ITC Compliance

Dear Mr. Garrido,

Thank you for your continued engagement regarding the renewable energy project being developed on the Chamorro Land Trust Commission (“CLTC”) premises leased to Guam International Country Club, Inc. (“GICC”). This letter is submitted in connection with GICC’s April 6, 2026 request for Lease Framework Confirmation and is intended to provide the CLTC Board with a clear explanation of the contemplated tax equity investment structure, its necessity for compliance with Section 48 of the Internal Revenue Code of 1986, as amended (the “Code”), and the protections that ensure CLTC’s interests and the fundamental landlord-lessee relationship remain unaffected.

I. Purpose of the Tax Equity Structure

The federal Investment Tax Credit (“ITC”) available under Section 48 of the Code provides a substantial tax credit based on the fair market value (“FMV”) of qualifying renewable energy property placed in service. To claim the ITC at FMV rather than at the developer’s cost basis, a project must satisfy specific ownership and “at risk” requirements under the Code. This is accomplished through a customary tax equity partnership structure in which an outside investor acquires a significant ownership interest in the project entity that owns the renewable energy improvements.

Without this structure, the ITC would be limited to the developer’s cost, significantly reducing the economic value of the credit and, in many cases, rendering the project financially infeasible. The tax equity investor’s participation is what effectuates the step-up to FMV for purposes of calculating the ITC, which is accretive to the project’s overall economics and essential to achieving financial close.

II. Overview of the Hybrid Tax Equity Structure

The contemplated structure is a widely used renewable energy tax equity partnership model. A special-purpose project entity (the “Project Company”) will be formed to own, develop, construct, and operate the renewable energy improvements on the leased premises. The key features of this structure are as follows:

- **99%/1% Partnership Allocation.** The tax equity investor will hold a 99% membership interest in the Project Company, and the managing member (an affiliate of the project developer) will hold the remaining 1% interest. This allocation is required so that the investor's ownership stake is sufficient to satisfy the ITC eligibility and "at risk" requirements under Sections 48 and 49 of the Code, and to support the allocation of tax benefits—including the ITC, accelerated depreciation, and tax-exempt income—to the investor.
- **Investor Capital Contribution.** The investor's capital contribution will be sized at approximately 5% of the fair market value of the renewable energy improvements. This contribution level is designed to minimize the preferred return obligations owed by the project to the investor while still satisfying the "at risk" and economic substance requirements under applicable tax law.
- **Tax Benefit Allocation.** During the ITC compliance period, the 99% investor will receive allocations of tax-exempt income generated by the project as well as tax losses (including depreciation). These allocations will continue until the investor's capital account has been fully utilized. Thereafter, any remaining losses will be allocated to the 1% managing member. This allocation methodology follows established IRS safe harbor guidance for partnership flip structures.
- **Five-Year Compliance Period and Partnership Flip.** Section 48(a)(5) of the Code requires that the renewable energy property remain in qualifying use and ownership for a minimum of five years following the date the ITC is claimed. Upon the expiration of this five-year recapture period, the investor's interest in the Project Company will "flip" from 99% to 5%, and the managing member's interest will correspondingly increase from 1% to 95%. This flip is triggered automatically upon satisfaction of a defined yield target or the passage of the compliance period, whichever occurs later.
- **Put/Call Exit Structure.** Following the partnership flip, the managing member will have the right (but not the obligation) to purchase the investor's remaining 5% interest through a call option, and the investor will have a corresponding put option requiring the managing member to purchase that interest. The exercise price will be set at fair market value at the time of exercise, consistent with IRS requirements. This mechanism provides a clean and certain exit path for the investor.

III. Scope and Limitations of Investor Ownership

It is critical to emphasize that the investor's 99% ownership interest is strictly limited to the Project Company and the renewable energy improvements and project assets held by that entity. Specifically:

1. The investor will have no leasehold interest, tenancy, or possessory right in the CLTC premises.
2. The investor will have no ownership interest in the underlying land, which remains CLTC trust property.

3. GICC will retain continuous and exclusive legal possession, control, and responsibility for the leased premises at all times.
4. The investor's rights are purely contractual, arising from its membership interest in the Project Company, and do not constitute a transfer or conveyance of any interest in the Lease or the premises.

The fundamental CLTC-GICC landlord-lessee relationship is entirely unaffected by this structure. The tax equity arrangement pertains solely to the ownership and financing of the project equipment and revenue streams.

IV. Economic Benefit to the Project

This structure is accretive to the project for a straightforward reason: the ITC is calculated on the fair market value of the qualifying energy property when placed in service. A developer building a project at cost would receive a credit based on that cost. However, when a tax equity investor acquires an ownership interest through an arm's-length transaction, the ITC is instead calculated on the FMV of the property, which is typically higher than cost. The investor's participation is what establishes the arm's-length FMV basis that enables the project to capture the full value of the ITC.

By sizing the investor's capital contribution at approximately 5% of FMV, the project minimizes the ongoing preferred return payments owed to the investor while still meeting the substantive ownership requirements. This allows more project cash flow to remain available for debt service, operations, and returns to the developer—ultimately supporting a stronger, more financially sustainable project on the CLTC premises.

V. Consistency with the Lease

The First Amendment to the Commercial Lease Agreement dated December 18, 2025, expressly provides that “[e]ach Party shall take reasonable actions and provide reasonable cooperation, at no material cost or additional liability to such Party, as may be necessary to support compliance with the investment tax credit available under Section 48 of the Internal Revenue Code of 1986, as amended and financing underwriting guidelines related thereto.” The tax equity structure described herein is precisely the type of arrangement contemplated by this provision.

This structure does not amend or modify the Lease. It operates entirely within the existing permitted use framework and the cooperation obligations already agreed upon by both parties.

VI. Request for Board Acknowledgment

We respectfully request that the CLTC Board acknowledge the tax equity investment structure described in this letter and confirm that:

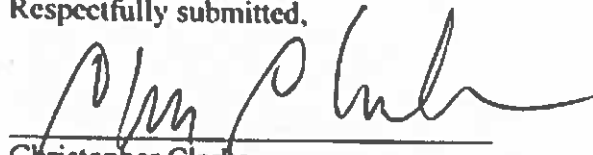
5. The 99%/1% partnership structure described herein is consistent with the Lease and the cooperation obligations under Section 1 of the First Amendment;
6. The investor's ownership of a 99% interest in the Project Company does not constitute a transfer or conveyance of any leasehold or possessory interest in the CLTC premises; and

7. The contemplated structure, including the partnership flip and put/call exit mechanism, is fully authorized under the existing Lease as amended.

This confirmation is essential to provide the certainty required by tax equity investors and project lenders and to allow the project to proceed to financial closing on the timeline discussed with the Commission.

We appreciate the Commission's leadership and support in advancing this project, which represents a significant contribution to Guam's renewable energy objectives. We remain available at your convenience to provide any additional information, answer questions, or appear before the Board.

Respectfully submitted,



Christopher Clarke
Agent for LSA Capital LLC
Tax Equity Investor Representative