




Date 31st January 2007

HTP Milocer AD (1) 


and

Adriatic Properties D.O.O. (2) 


and

Aidway Investments Limited (3) 

and

The Ministry of Tourism (4) 

and

General Hotel Management Limited (5) 

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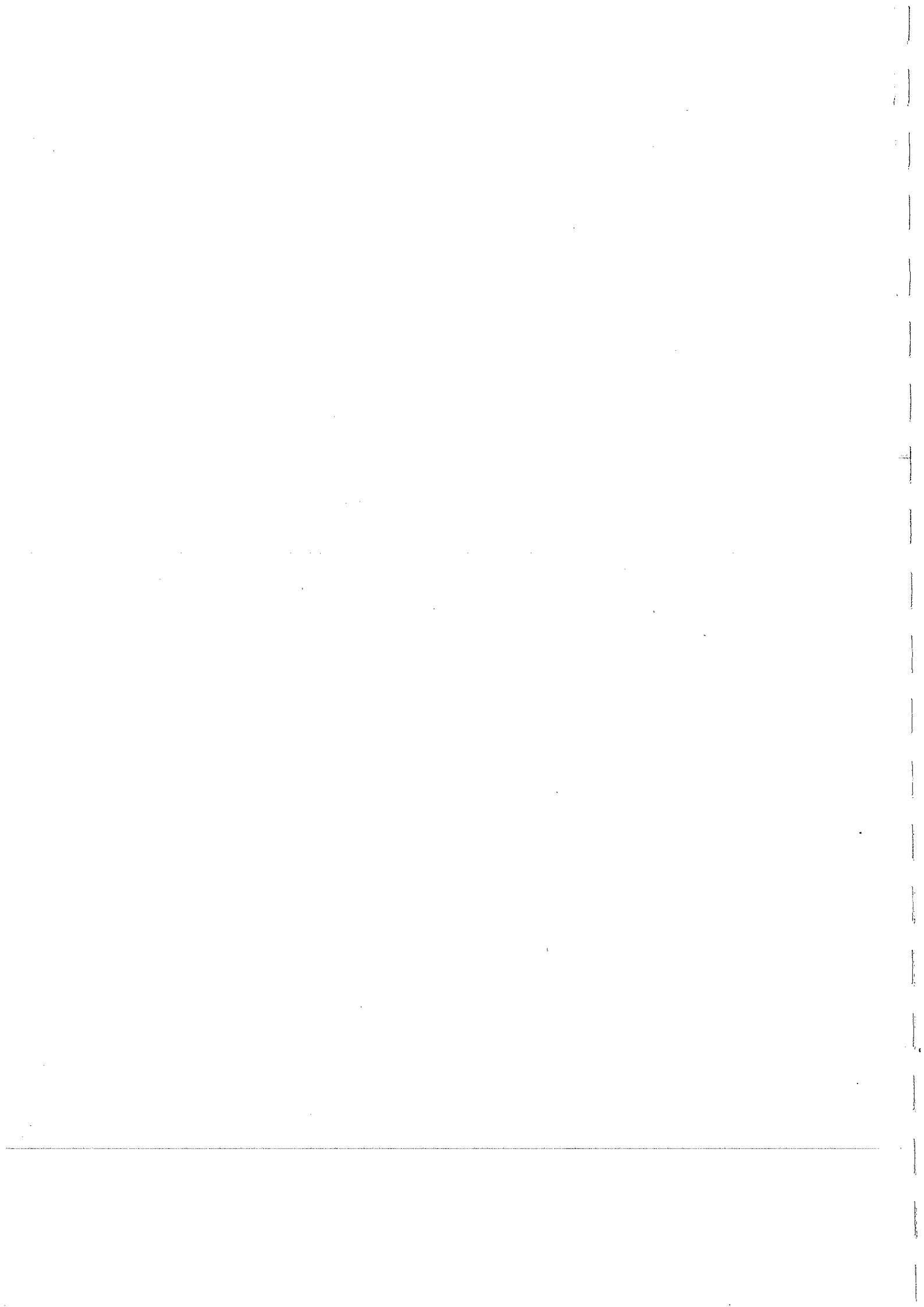
relating to

The Property currently known as

The Queens Beach Hotel

Sveti Stefan

Montenegro



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THIS LEASE is made the ... 31st day of January 2007

BETWEEN:

- (1) HTP Milocer AD the registered office of which is at 85315 Sveti Stefan, Montenegro (the Landlord)
- (2) Adriatic Properties D.O.O. with its registered office at Budva, Mediteranska 2, Montenegro (The Tenant) and
- (3) Aidway Investments Limited P O Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands (The Guarantor)
- (4) The Ministry of Tourism of Rimski Trg, 81000 Podgorica, Republic of Montenegro SCG (the Landlord Guarantor)
- (5) General Hotel Management Limited whose principal place of business is at 1 Orchard Spring Lane #0402 Tourism Court, Singapore 247729 (GHM)

NOW THIS DEED WITNESSES as follows:

PART ONE: DEFINITIONS AND INTERPRETATIONS

1. DEFINITIONS AND INTERPRETATION

For all purposes of this Lease the terms defined in this clause have the meanings specified.

1.1 'Accounting Period'

'Accounting Period' shall have the following meaning

- 1.1.1 the first Accounting Period shall be the period commencing on the Rent Commencement Date and ending on 31 December next following the Rent Commencement Date;
- 1.1.2 each subsequent Accounting Period shall be the year commencing on 1 January in each subsequent year of the Term;

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1.13 the last Accounting Period shall be the period commencing on 1 January in the last year of the Term and expiring at the End of the Term;

1.2 **'Aggregation Certificate'**

'Aggregation Certificate' means the Certificate described in Schedule 6, Part 2

1.3 **'The Aggregated Guaranteed Rent'**

'The Aggregated Guaranteed Rent' means, in any Half Yearly Period, the total of the Guaranteed Rent and the SS Guaranteed Rent.

1.4 **'The Aggregated Percentage Turnover'**

'The Aggregated Percentage Turnover' means, in any Half Yearly Period, the total of the Percentage Turnover and the SS Percentage Turnover.

1.5 **'The Certificate Date'**

'The Certificate Date' means the date on which the Architect issues a completion certificate in accordance with paragraph 2.6 of Schedule 4

1.6 **'Concession Agreement'**

'Concession Agreement' means any agreement entered into by the Tenant or GHM under which the operation and/or control of any Facility is delegated, sub-contracted or otherwise outsourced to any third party provided that the term 'Concession Agreement' shall not include any Permitted Underletting.

1.7 **'The Conduits'**

'The Conduits' means the pipes, sewers, drains, mains, ducts, conduits, gutters, watercourses, wires, cables, channels, flues and all other conducting media – including any fixings, louvers, cowls and any other ancillary apparatus – that are in on over or under the Property.

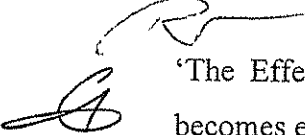
1.8 **'The Deadline Date'**

'The Deadline Date' means 30 September 2007;

1.9 **'The Effective Date'**


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 'The Effective Date' means ³¹15 January 2007 being the date on which this Lease becomes effective in accordance with Clause 45.

 **1.10 'The Employees'**

'The Employees' means 35 employees of the Landlord engaged in the hotel business being carried on at the Property at the date of this Lease provided that if the contract of employment of an Employee is terminated for any reason (whether by such Employee or the Tenant) and if such former "Employee" is subsequently re-employed by the Tenant in the business being carried on at the Property then, for the purposes of this Lease, such former "Employee" shall on his or her re-employment, be deemed to be a Hotel Employee and not an Employee.

 **1.11 'The Estimated Completion Date'**

'The Estimated Completion Date' means 31 December 2008.

1.12 'The Excess Rent'

'The Excess Rent' means the excess rent (if any) paid by the Tenant calculated and defined in Schedule 6 Part 2.

1.13 'Facilities'

'Facilities' means all and any hotels, restaurants, bars, shops, kiosks, fitness centres, spas, water sports or other facilities or other recreational activities installed in or operating from the Property or from the beach coloured yellow on the Plan or beyond the boundaries of the Property or the said beach but which are for the benefit of the Property and/or its guests at any time during the Term.

1.14 'FF&E'

'FF&E' means furniture, fixtures and equipment (whether fixed or moveable) from time to time required for or in connection with the operation of the Property in accordance with the Permitted Use including without limitation, lobby furniture, carpeting and other floor coverings, draperies, paintings, bed-spreads, television sets, recreational and sporting equipment, office furniture and equipment (such as safes, cash registers and accounting, duplicating, facsimile and communication equipment) and all computer and other equipment needed for the reservation system and all other

electronic equipment needed for the operation of the Property in accordance with the Permitted Use from time to time, guest room furniture, specialized hotel equipment (such as equipment required for the operation of kitchens, laundries, the front desk, dry cleaning facilities, bars and cocktail lounges), special lighting and other equipment, vehicles, material handling equipment and cleaning and engineering equipment and all other equipment, apparatus and moveable property needed for such purposes.

1.15 Force Majeure'

'Force Majeure' means any operation of the forces of nature as reasonable foresight and ability on the part of the affected party could not provide against (including hurricanes, tornadoes, other severe storms, floods, earthquakes, volcanic eruptions, disease, epidemics and certain fires and explosions); fires and explosions caused wholly or in part by human agency; acts of war, riots, terrorism or other civil commotion; strikes or other similar labour disturbances which significantly and adversely affect the operation of the business being conducted at the Property (but not strikes or other labour disturbances which affect only the Property) or acts or omissions of government authorities having jurisdiction over the Property which significantly and adversely affect the operation of the business being conducted at the Property.

1.16 Gender and number

Words importing one gender include all other genders; words importing the singular include the plural and vice versa.

1.17 'GHM'

'GHM' means General Hotel Management Limited or such other Group Company of General Hotel Management Limited that enters into the Management Agreement which is a party to this Lease solely for the purposes of PART NINE of this Lease.

1.18 'GHM Proprietary Assets'

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'GHM Proprietary Assets' means any item (including uniforms, cutlery, china, glasswear, brochures and directories) at the Property that carries the 'GHM' name and logo or other proprietary software, operating and other manuals, personal guest history, records and the like that are associated with hotel operations by GHM save to the extent that such personal guest history, records and other similar information relates to just the hotel operation carried out at the Property and is severable from GHM Proprietary Assets (for example the names and contact details of hotel customers and the dates of their stays at the hotel within the Property but not details of such customer stays at other hotels operated by GHM or a Group Company of GHM).

1.19 'GHM Standards'

'GHM Standards' means the standards to which the Property should be operated and maintained which shall be the highest quality of facilities, operations and services and shall be generally consistent with the level of service and operation prevailing at other resorts operated by GHM or a Group Company of General Hotel Management Limited throughout the Term and to no lesser standard than the standards of service and operation prevailing at other resorts operated by GHM or a Group Company of General Hotel Management Limited as of the date of this Lease. Throughout the Term the Property shall be operated and maintained to the GHM standards.

1.20 'Group Company'

'Group Company' shall mean any holding company for the time being of any of the parties hereto or any subsidiary for the time being of such party or of any such holding company and for the purposes of this definition;

1.20.1 a company is deemed to be another's holding company if (but only if) the other is its subsidiary, and

1.20.2 a company is deemed to be a subsidiary of another if (and only if);

(a) that other company either;

(i) is a member of it and controls the composition of its board of Directors,
or

(ii) holds more than half in nominal value of its equity share capital,
or

- (iii) has the right to appoint or remove directors holding the majority of the voting rights at meetings of the board on all or substantially all matters,

or,

- (b) the first mentioned company is a subsidiary of any other subsidiary company of the first mentioned company

1.21 'Guaranteed Rent'

'Guaranteed Rent' means an initial sum of €500,000 for each full Accounting Period and proportionately for the First Accounting Period and for part of an Accounting Period up until the first Review Date (as such term is defined in Schedule 5) and thereafter as calculated in accordance with Schedule 5.

1.22 'Half Yearly Days'

'Half Yearly Days' means the 15th July and 15th January in each Accounting Period.

1.23 'Half Yearly Period'

'Half Yearly Period' means either the period commencing 1 January and ending 30 June or the period commencing 1 July and ending 31 December in each Accounting Period.

1.24 Headings

The clause, paragraph and Schedule headings and the table of contents do not form part of this document and are not to be taken into account in its construction or interpretation.

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1.25 'Hotel Employees'

'Hotel Employees' shall mean the employees employed at the Property by the Tenant or GHM from time to time throughout the Term and shall include the Employees whilst employed by the Tenant at the Property at the date of this Lease.

1.26 'Insurance Rent'

'The Insurance Rent' means the gross sums including any commission which the Landlord from time to time pays –

1.26.1 by way of premium for insuring the Property, including insuring Business Interruption Insurance, in accordance with his obligations contained in PART FOUR of this Lease.

1.26.2 by way of premium for insuring in such amount and on such terms as the Landlord acting reasonably considers appropriate against all liability of the Landlord to third parties arising out of or in connection with any matter including or relating to the Property, and

1.26.3 for insurance valuations.

1.27 'The Insured Risks'

'The Insured Risks' means the risks of loss or damage by fire, storm, tempest, earthquake, lightning, explosion, riot, civil commotion, malicious damage, terrorism, impact by vehicle, by aircraft and articles dropped from aircraft – other than war risks – flood damage and bursting and overflowing of water pipes and tanks and any other risks, whether or not in the nature of the foregoing, that the Landlord acting reasonably from time to time decides to insure against.

1.28 'Interest'

'Interest' means Interest at the Interest Rate calculated on a daily basis from the date on which interest becomes chargeable on any payment pursuant to any provision of this Lease to the date on which such payment is made.

1.29 'The Interest Rate'

'The Interest Rate' means the official interest rate published by the government of Montenegro or the Central Bank of Montenegro throughout the Term and which is currently the rate of 6% per year.

1.30 Interpretation of 'consent' and 'approved'

References to 'consent of the Landlord' or words to similar effect are references to a prior written consent signed by or on behalf of the Landlord and references to the need for anything to be 'approved by the Landlord' or words to similar effect are references to the need for a prior written approval by or on behalf of the Landlord.

1.31 Interpretation of 'the Guarantor'

The expression 'the Guarantor' includes not only the person named above as the Guarantor but also any person who enters into covenants with the Landlord pursuant to clause 33.

1.32 Interpretation of 'the Landlord'

The expression 'the Landlord' includes the person or persons who at any time throughout the Term is or are entitled to possession of the Property when this Lease comes to an end.

1.33 Interpretation of 'the last year of the Term' and 'the End of the Term'

References to 'the last year of the Term' are references to the actual last year of the Term howsoever it determines, and references to the 'End of the Term' are references to the end of the Term whensoever and howsoever it determines.

1.34 Interpretation of 'the Tenant'

'The Tenant' includes any person who is for the time being bound by the tenant covenants of this Lease.

1.35 Interpretation of 'this Lease'

Unless expressly stated to the contrary, the expression 'this Lease' includes any documents supplemental to or collateral with this document or entered into in accordance with this document.

1.36 Joint and several liability

Where any party to this Lease for the time being comprises two or more persons, obligations expressed or implied to be made by or with that party are deemed to be made by or with the persons comprising that party jointly and severally.

1.37 'Legal Obligations'

'Legal Obligations' means any obligation relating to the Property or its occupation or use imposed by any present or future law, regulation, notice, direction or requirement of any governmental, public, judicial or local authority.

1.38 'Losses'

References to 'losses' are references to liabilities, damages or losses, awards of damages or compensation, penalties, costs, disbursements and expenses arising from any claim, demand, action or proceedings.

1.39 'Management Agreement'

'Management Agreement' means the Management Agreement to be entered into between the Tenant and GHM in the form attached hereto as Schedule 9.

1.40 Obligation not to permit or suffer

Any covenant by the Tenant not to do anything includes an obligation not to permit or suffer that thing to be done by another person.

1.41 'The Permitted Use'

'The Permitted Use' means the use of the Property and the Facilities as a luxury international hotel and such other uses as are ancillary to such use including, conference facilities, restaurant, leisure facilities, or health/spa facilities. Such use shall include the rental and operation of the Units in accordance with clause 24.

1.42 'Permitted Underletting'

'Permitted Underletting' means the underletting of a kiosk, shop or Unit.

1.43 'The Plan'

'The Plan' means the large scale plan which has been signed by the parties as a separate document in duplicate and which shall be deemed to form part of this Lease, a smaller scale version of which has been annexed to this Lease for convenience only the parties acknowledging that the larger scale plan shall prevail in the event of any inconsistency.

1.44 'The Plant'

'The Plant' means such systems plant and machinery as may from time to time be provided for the amenity of the Property, such as security and surveillance systems, fire alarm and prevent equipment, sprinklers, heating, ventilation and air-conditioning plant, public address and other communication facilities.

1.45 'Preliminary Rent'

'Preliminary Rent' means the sum of:

- (a) €150,000 per year (and proportionately for part of a year) payable from the Effective Date up to and including the day immediately preceding the Rent Commencement Date in accordance with Clause 2.1.1;
- (b) The sum of €200,000 payable in accordance with Clause 2.1.2.

1.46 'The Property'

'The Property' means

1.46.1 the land described in Schedule 1 as more particularly shown on the Plan and edged in purple.

1.46.2 the buildings known as at the date of this Lease as the Queens Beach Hotel and all other buildings currently installed on the land described in Schedule 1.

1.46.3 such of the Works as have from time to time been carried out to the said land or buildings

1.46.4 all erections, structures, fixtures, fittings and appurtenances constructed or installed on the said land or buildings from time to time, throughout the Term

1.46.5 all additions, alterations and improvements to the said land or buildings and

1.46.6 the Conduits, Plant, Facilities and FF&E.

1.47 'Quarter Days'

'Quarter Days' shall mean the dates which are:

- (a) the date which is 3 calendar months from the Effective Date and each anniversary of such date;
- (b) the date which is 6 calendar months from the Effective Date and each anniversary of such date;
- (c) the date which is 9 calendar months from the Effective Date and each anniversary of such date; and
- (d) each anniversary of the Effective Date.

1.48 'References to clauses and Schedules'

Any reference in this document to a clause, sub clause, paragraph, subparagraph or Schedule without further designation is to be construed as a reference to the clause, sub clause, paragraph, subparagraph or Schedule to this document so numbered.

1.49 References to laws

Unless expressly stated to the contrary any references to a specific law include any statutory extension or modification amendment or re-enactment of the law and any regulations or orders made under the law and any general reference to a law includes any regulations or orders made under that law.

1.50 'Rent Commencement Date'

'Rent Commencement Date' means the earlier of 60 days from the Certificate Date or the date upon which any of the hotel guest rooms within the Property first receives paying guests.

1.51 'Rents'

'Rents' means the Preliminary Rent, the Guaranteed Rent, the Turnover Rent, and the Insurance Rent.

1.52 'Sveti Stefan Lease'

'The Sveti Stefan Lease' shall mean the Lease entered into between HTP Budvanska Rivijera AD and the Tenant and dated the same date as this Lease and where referred to in this Lease the terms 'SS Guaranteed Rent', 'SS Rent Commencement Date', 'SS Percentage Turnover', 'SS Turnover Rent' and 'SS Works' shall mean respectively the Guaranteed Rent, Rent Commencement Date, Percentage Turnover, Turnover Rent and the Works as defined in the Sveti Stefan Lease.

1.53 'The Term'

'The Term' means the period commencing with the date of this Lease and expiring on the 30th anniversary of the Effective Date.

1.54 'The Termination Date'

'The Termination Date' means, subject to paragraph 2.4 of Schedule 4, the anniversary of the Estimated Completion Date.

1.55 'Turnover Facility'

'Turnover Facility' means, subject to paragraph 3.4 of Schedule 6, Part 1, all the Facilities and activities installed on or operating from the Property at the Rent Commencement Date or planned to be installed on or operating from the Property within a reasonable time after the Rent Commencement Date except any area or space within the Property intended to be used for retail purposes, watersport activities or transportation.

1.56 'The Turnover Rent'

'The Turnover Rent' means (on and from the Rent Commencement Date) the 'Turnover Rent' as defined and calculated in accordance with Schedule 6.

1.57 'A Unit'

'A Unit' or 'The Units' mean a residential unit or villa forming part of the Property as further described in clause 24 and Schedule 7 and which, for the purposes of this Lease shall also be considered guest rooms.

1.58 'VAT'

'VAT' means value added or other similar sales or purchase tax in force in the Republic of Montenegro from time to time throughout the Term.

1.59 'The Works'

'The Works' means the works described or referred to in Schedule 7, to be carried out on the Property in accordance with Schedule 4.

PART TWO : DEMISE

2 DEMISE

The Landlord demises the Property to the Tenant, excepting and reserving to the Landlord the rights specified in Schedule 2, to hold the Property to the Tenant for the Term subject to the Subjections referred to in Schedule 3 yielding and paying to the Landlord:

2.1 The Preliminary Rent on the following dates and in the following manner:

2.1.1 the sum of €150,000 per annum payable in equal quarterly instalment of €37,500 in advance the first such instalment to be paid on the Effective Date and all subsequent instalments on the Quarter Days save that the final instalment of Preliminary Rent shall be adjusted so that the Preliminary Rent actually payable for such final instalment shall be the proportion of the Annual Preliminary Rent of €150,000 for the period from the Quarter Day on which the final instalment of Prelimianry Rent is paid up to and including the day immediately preceding the Rent Commencement Date. Any over payment of the final instalment of Preliminary Rent will be set off against the Guaranteed Rent until such overpayment is refunded to the Tenant.; and

2.1.2 the sum of €200,000 payable on the Effective Date.

2.2 For the period commencing on the Rent Commencement Date and ending on the expiry of the Term the greater of the Guaranteed Rent and the Turnover Rent payable as follows:

2.2.1 The Guaranteed Rent shall be payable by equal monthly instalments on the first day of each month save that the first monthly instalment shall be payable on the Rent Commencement Date for the period from the Rent Commencement Date until the end of the month in which the Rent Commencement Date occurs and the final monthly instalment shall be paid on the first day of the final month and shall be for the period beginning on that day and ending on the Expiry of the Term.

2.2.2 Within seven days of submission of the Half Yearly Turnover Statement described in Schedule 6 Part 1 and submitted by the Tenant each Half Yearly Day the Tenant shall pay the Turnover Rent (if any) being the amount by which the Turnover Percentage exceeds the Guaranteed Rent as shown in the Half Yearly Turnover Statement;

2.2.3 Subject to Clause 2.4, if at the end of an Accounting Period the amount of Turnover Rent as certified in the Turnover Certificate (as defined in Schedule 6, Part 1) is greater or less than the amount of Turnover Rent actually paid for such Accounting Period then the Tenant shall pay to the Landlord the amount of the shortfall or the Landlord shall pay to the Tenant the amount overpaid (as the case may be) within 15 days of the issue of the Turnover Certificate.

2.3 by way of further rent the Insurance Rent payable in accordance with clause 22.

2.4 the parties acknowledge that the Guaranteed Rent and the Turnover Rent payable under this Lease shall be aggregated with respectively the SS Guaranteed Rent and the SS Turnover Rent for the purpose of calculating the total Guaranteed Rent and Turnover Rent payable under both this Lease and the Sveti Stefan Lease so that the maximum Guaranteed Rent and Turnover Rent payable by the Tenant shall be the greater of (a) the Aggregated Guaranteed Rent and (b) the Aggregated Percentage Turnover. If in any Accounting Period occurring after both the Rent Commencement Date and the SS Rent Commencement Date, and as certified in the Aggregation

Certificate calculated in accordance with Schedule 6, Part 2, the Tenant has paid an Excess Rent the amount of the Excess Rent shall be set off against the Turnover Rent.

PART THREE : TENANT'S COVENANTS

3 INTRODUCTION

The Tenant covenants with the Landlord as set out in this part of the Lease.

4 THE WORKS

The Tenant must commence and carry out the Works and must comply in all respects with the terms of Schedule 4, the provisions of which are to have effect accordingly. The Tenant shall expend a minimum of Euros 15 million in carrying out the Works Provided that notwithstanding the expenditure incurred by the Tenant in carrying out the Works under this Lease the aggregate minimum expenditure in respect of the Works and the SS Works shall be Euros 40 million. For the avoidance of doubt, the cost of the Works for the purposes of this clause shall include all costs in connection with the carrying out of the Works and preparing the Property for opening to the public.

5 RENT

The Tenant shall pay the Rents as provided in Part Two of the Lease without, subject to clause 2.4 deduction or set-off.

6 COSTS OF OUTGOINGS, MANAGEMENT, OPERATION, MAINTENANCE AND UTILITIES

- 6.1 The Tenant shall pay and indemnify the Landlord against all rates, taxes, assessments, impositions, duties, charges and outgoings now or at any time during the Term payable by the owner or occupier of or otherwise due in respect of the Property including but not limited to taxes or rates on buildings, land or turnover and VAT payable on

invoices to guests or relating to other services, sales or supplies (except any tax assessed on the Landlord in respect of its ownership of, rental income from or any dealing with its freehold interest in the Property).

6.2 The rental hereunder is net to the Landlord throughout the Term. The Landlord is not obligated to pay any costs of operation, maintenance or capital improvements. The Tenant is to pay all Operating Expenses. The term "Operating Expenses" means all costs of management, operation, and maintenance of the Property including without limitation, the following: employment taxes, unemployment insurance, wages, salaries, fringe benefits, and other direct and indirect costs of employees; cleaning, landscaping, guard, security and other services; gas; electrical, water, waste disposal, telephone and other utilities; heating, ventilation and air conditioning; window washing; materials and supplies; painting, repairs, and other maintenance; parking lot resurfacing and re-striping, as well as cleaning, sweeping, maintenance, repair, replacement, and service of equipment, including without limitation, alarm systems, and other equipment; reserves; costs of independent contractors; management fees and expenses; insurance and insurance deductibles of any kind; real and personal property taxes or assessments; utility charges of any kind; the cost of any repair, renovation, alteration, and improvement required to be made under any governmental law, rule or regulation; supplying directional signs, other markers and car stops; and any other expense or charge which is a cost of management, operation, and maintenance of the Property.

6.3 The Tenant shall not use the Property otherwise than for the Permitted Use and for no other purpose without the prior consent of the Landlord. The Tenant shall not allow use of the Property in a manner which would increase insurance premiums, or for any illegal purpose. The Tenant shall not allow the presence, use, storage discharge or disposal of any hazardous or toxic waste or materials on the Property at any time other than in full compliance with all applicable laws, rules, and regulations.

6.4 The Property shall be known by such name as shall be proposed by the Tenant prior to the Rent Commencement Date and approved by the Landlord (such approval not to be unreasonably withheld) and such name and no other name for the Property shall be used in all sales and marketing campaigns, programmes and promotions throughout the

Term provided that the Landlord shall have no objection if the Tenant wishes to continue to use the name Queens Beach Hotel. Notwithstanding the above the Landlord shall have no right to use the name "GHM" or "General Hotel Management Limited".

7. REPAIR AND DECORATION

7.1 The Tenant shall

7.1.1 keep the Property in good and substantial repair and condition and to a standard of repair which is at all times consistent with the Permitted Use and GHM Standards;

7.1.2 Repair the and/or replace and/or add to the FF&E to a standard consistent with the GHM Standards and the Permitted Use;

7.1.3 keep any Plant forming part of, or installed in and exclusively serving, the Property in good working order and condition;

7.1.4 clean the Property regularly and maintain it at all times in a clean and tidy condition;

7.1.5 clean the exterior and interior of all windows regularly;

7.1.6 decorate and keep the exterior of the Property decorated to a standard consistent and in accordance with GHM Standards and the Permitted Use

7.1.7 decorate and keep the interior of the Property decorated to a standard consistent and in accordance with GHM Standards and the Permitted Use

7.2 If the Tenant has committed a breach of the obligations contained in clause 7.1 which adversely affects the value of the Landlord's freehold interest or the amount of the Turnover Rent payable under this Lease then the Landlord may serve notice expressed to be under this Clause on the Tenant specifying:

7.2.1 the breach complained of;

- 7.2.2 the steps reasonably required to remedy the Tenant's breach (the Remedial Works);
- 7.2.3 the damage that will be caused to the Landlord's freehold interest or the amount of Turnover Rent payable under this Lease if the Remedial Works are not carried out; and
- 7.2.4 the reasonable time in which the Remedial Works should reasonably be completed.
- 7.3 In the event the Tenant disputes that a breach of this Lease has occurred requiring Remedial Works the Tenant may within two weeks of receipt of such notice serve a Notice of Dispute on the Landlord in accordance with Clause 38 and thereafter the provisions of PART ELEVEN of this Lease shall apply but if no Notice of Dispute is served on the Landlord within the said two week period then the provisions of sub-clauses 7.4-7.7 shall apply.
- 7.4 Subject to Clause 7.3, within two months of receipt of such notice (or as soon as possible if the circumstances require urgent action) the Tenant must commence and thereafter diligently carry out the Remedial Works.
- 7.5 If the Tenant fails to comply with that notice the Landlord may (but is under no obligation to) enter the Property and carry out and complete all or any of the Remedial Works (the Relevant Works).
- 7.6 If the Landlord enters the Property under this Clause the Tenant must on written demand pay to the Landlord all reasonable costs reasonably and properly incurred by the Landlord in carrying out the Relevant Works, such costs to be recoverable as a debt.
- 7.7 If the Landlord enters the Property then he must:
- 7.7.1 carry out the Relevant Works in a good and workmanlike manner to a reasonable standard and within a reasonable time;

- 7.7.2 keep the Tenant advised of, and allow the Tenant to inspect the progress of, the Relevant Works;
- 7.7.3 cause as little inconvenience as practicable to the Tenant's use and occupation of the Property and any business carried on at the Property; and
- 7.7.4 make good all damage caused as soon as reasonably practicable to the reasonable satisfaction of the Tenant.

8 ALTERATIONS

8.1 After the Certificate Date the Tenant shall not:

8.1.1 alter or interfere with any part of the Property;

8.1.2 make any addition or alteration to the Property unless permitted by this Clause.

8.2 The Landlord's consent shall not be required for the carrying out of an Internal Alteration (as defined in the next sub-clause) provided that it:

8.2.1 is carried out in a manner consistent with the other relevant provisions of this Lease;

8.2.2 complies with the Legal Obligations;

8.2.3 complies with the requirements of the fire authorities and the Landlord's insurers and provided that within 3 months after the completion of the Internal Alteration the Tenant supplies the Landlord with 3 sets of plans showing such alterations.

8.3 Internal Alteration means:

8.3.1 an alteration to the interior of the Property which does not affect any load bearing part of the Property (it being agreed that alterations shall not be treated as affecting any loadbearing part of the Property merely because they are affixed thereto provided they do not otherwise alter or adversely affect any loadbearing part of the Property); or

8.3.2 the installation of or an alteration to a Conduit or Plant forming part of the Property

8.4 The Tenant may with the prior consent of the Landlord which shall not be unreasonably withheld install plant, equipment and telecommunications apparatus (serving the Tenant and its operation of an hotel from the Property but not otherwise) on the roof of the Property with all necessary connections thereto but subject to compliance with all other relevant provisions of this Lease.

8.5 The Tenant may without the consent of the Landlord repair or replace any item of FF&E PROVIDED THAT any such replacement is of similar or better quality than the item being replaced, complies with the GHM Standards and is consistent with the Permitted Use.

9 USER

9.1 The Tenant shall not use the Property otherwise than for the Permitted Use nor in a manner which may be or cause a nuisance, injury or damage to the Landlord or any other person.

10 RESTRICTIONS ON ASSIGNMENT, SUB-LEASING AND MANAGEMENT CONTRACTS

10.1 The Tenant acknowledges and accepts that the Property is owned by the Landlord together with all capital investments relating to the Works and the Tenant shall have only the right to manage and possess the Property in accordance with the terms and conditions of this Lease.

10.2 Unless otherwise permitted under this Clause the Tenant shall not:

10.2.1 part with possession of the Property;

10.2.2 share possession of the Property with another person;

10.2.3 allow anyone other than the Tenant, any lawful subtenant or their respective officers and employees to occupy the Property

PROVIDED THAT, for the avoidance of doubt, the occupation of guest rooms by hotel guests in accordance with the Permitted Use shall not be a breach of this Clause 10.

10.3 Assignment

The Tenant shall not assign his leasehold rights in the whole or any part of the Property

10.4 Underlettings

10.4.1 The Tenant shall not underlet the Property as a whole or any part of the Property other than a Permitted Underletting

10.4.2 The Tenant shall not underlet a Permitted Underletting of the Property unless:

- (a) the intended undertenant enters into a covenant by deed with the Landlord in such form as the Landlord reasonably requires to observe and perform the tenant's covenants contained in the underlease and not to do permit or suffer to be done any act or thing in relation to the property underlet inconsistent with or in breach of the provisions of this Lease;
- (b) (where the proposed undertenant is a corporate body and the Landlord reasonably so requires) without first procuring a covenant by deed with the Landlord from two individuals who are, or a company which is, acceptable to the Landlord as surety for the undertenant; nor
- (c) except by way of a permitted underlease; nor
- (d) without the prior written consent of the Landlord (which will not be unreasonably withheld).

10.4.3 A permitted underlease is an underlease which:

- (a) is for a term not exceeding the residue of the term of this Lease
- (b) reserves a rent which is not less than the best rent which the Tenant ought reasonably to obtain in the open market upon the grant of such underlease taking into account the specific use which has been designated for that part of the Property proposed to be underlet;
- (c) contains a covenant by the sub-tenant with the Tenant not to assign, charge, underlet, part with or share possession or occupation of the part of the Property underlet or any part thereof.

- (d) is in a form approved by the Landlord such approval not to be unreasonably withheld.

10.4.4 The Tenant must incorporate the rents receivable under any such permitted underlease within each Half Yearly Turnover Statement and the Turnover Certificate for the relevant Half Yearly Period or the relevant Accounting Period (as the case may be) in which such rents become due.

10.4.5 Notwithstanding the foregoing the following provisions shall apply to a Permitted Underletting of a Unit (but not any other Permitted Underletting):

- (a) With regard to sub-clause 10.4.2 (d) the Landlord's consent will not be withheld provided the price payable by an underlessee for a Unit ("Premium") is a Premium which the Tenant ought reasonably to obtain in the open market and provided further that all the other conditions in clause 10.4 and clause 24 are complied with;
- (b) With regard to sub-clause 10.4.3 (b) the Landlord acknowledges that only a ground or nominal rent will be payable by the underlessee having regard to the Premium payable by the underlessee;
- (c) With regard to sub-clause 10.4.3 (d) the Tenant shall submit to the Landlord prior to the marketing of the Units a standard form of underlease applicable to the Units for approval (such approval not to be unreasonably withheld) and, once granted, the Tenant shall not be required to submit the form of each individual underlease of a Unit to the Landlord for approval save for any such proposed underlease which deviates in any material way from the form of underlease approved by the Landlord or does not otherwise comply with the other conditions contained in Clause 10.4 or Clause 24.

10.5 Management Agreement

10.5.1 The Tenant acknowledges that, in accordance with Clause 45, this Lease will not become effective and in force until the Management Agreement (i) has been executed by the Tenant and GHM (ii) has itself become effective and (iii) a legally certified copy of it has been delivered to the Landlord.

10.5.2 The Tenant will not alter or amend the Management Agreement without the prior written approval of the Landlord which approval shall not be unreasonably withheld.

10.5.3 The Tenant will not terminate, transfer or assign the Management Agreement without the prior written approval of the Landlord which approval shall, for the avoidance of doubt, be given or not given entirely at the discretion of the Landlord save that the Management Agreement may be transferred or assigned to a Group Company of GHM without the approval of the Landlord.

10.6 Concession Agreements

10.6.1 The Tenant or GHM may enter into Concession Agreements in respect of any of the Facilities Provided that and the Tenant covenants with the Landlord that:

- (a) no Concession Agreement may authorise a use other than as permitted by the terms of this Lease;
- (b) a Concession Agreement relating to a Turnover Facility contains an obligation on the part of the concessionaire to the Tenant and the Landlord to supply details of Turnover and Permitted Deductions together with Account Records in accordance with Schedule 6, or, in the event that the Concession Agreement expires before the end of the relevant Accounting Period, within 30 days of expiry of the Concession Agreement;
- (c) the Tenant shall provide the Landlord with a certified copy of any Concession Agreement within 28 days of its grant;
- (d) no relationship of landlord and tenant is created between the Tenant and the concessionaire;
- (e) before entering into a Concession Agreement relating to a Turnover Facility the Tenant first obtains the Landlord's written consent which is not to be unreasonably withheld or delayed; and
- (f) the Tenant shall enforce the covenants and obligations of the concessionaire under the Concession Agreement relating to a Turnover Facility

and will incorporate the concessionaire's figures for Turnover and Permitted Deductions within its Half Yearly Turnover Statement for the relevant Half Yearly Period and within its Turnover Certificate for the relevant Accounting Period.

(g) within 28 days of the date each Concession Agreement not relating to a Turnover Facility is entered into the Tenant shall give to the Landlord details of such Concession Agreement entered into including details of the concession fee and all other payments payable to the Tenant under the Concession Agreement and also details of the concessionaire. The Tenant shall also include in every Half Yearly Turnover Statement and every Turnover Certificate details of the concession fee and/or other amounts paid the concessionaire in respect of each Concession Agreement not relating to a Turnover Facility.

10.7 Notification

The Tenant shall within 28 days of any underlease give notice to the Landlord and produce for registration a certified copy of the document effecting or evidencing such devolution.

11. LEGAL OBLIGATIONS

11.1 The Tenant shall observe and comply with all Legal Obligations.

11.2 Without prejudice to the generality of this Clause, the Tenant shall in particular observe and comply with all Legal Obligations of any appropriate local or governmental authority relating to health, safety, means of escape in case of fire, and the protection and preservation of life and property, carrying out such works of modification and improvement to the Property as may from time to time be required by such Legal Obligations

11.3 The Tenant shall not knowingly do or omit to do in relation to the Property or the FF&E or Plant or their use or occupation anything in breach of a Legal Obligation relating to the Property by reason of which the Landlord may incur any liability whether for costs, a penalty, damages, compensation or otherwise.

11.4 If the Tenant does not comply with a Legal Obligation, or does not abate a nuisance as aforesaid, the Landlord may do what it reasonably considers necessary to comply with the Legal Obligation or to abate the nuisance, subject to compliance with clause 14.

12 HOTEL COVENANTS

The Tenant shall;

12.1 keep the Property open for business 11 calendar months per year provided that the Tenant shall be entitled to close any Facility if it is reasonably necessary to carry out repairs, replacement or major capital improvements to such Facility in order to maintain it to the GHM Standards and the standards required by this Lease.

12.2 Not reduce the number of operating guest rooms available for letting to the public below 75% of the number of guest rooms in the Property as described in Schedule 4 or, if the number of guest rooms increases or decreases throughout the Term in accordance with the terms of this Lease, 75% of the number such increased or decreased guest rooms (as the case may be).

12.3 provide such services for guests and maintain the Property to the standards required under the Permitted Use.

12.4 to maintain and operate the Property including the Facilities and the FF&E to the standards required under the GHM Standards.

12.5 apply for all necessary licenses and/or permits required under the laws of Montenegro to operate the Property as a hotel and its related facilities to the standards envisaged by the Permitted Use in such a form required by the laws of Montenegro and the relevant competent authorities in Montenegro.

12.6 not to change the name of the Property without the prior written approval of the Landlord.

12.7 ensure that GHM manages the Property in accordance with the terms of the Management Agreement and to the GHM Standards.

12.8 Save where closure is required for repair or maintenance or for replacement of FF&E or to carry out any obligation under this Lease, to keep open for business all the operating guest rooms and those Facilities comprising the spa (if any at the Property), fitness centres and such food and beverage Facilities as are consistent with maintaining GHM Standards at all times that the Property is open for business pursuant to Clause 12.1.

13. OBLIGATIONS TO THE EMPLOYEES

13.1 The Tenant undertakes that labour contracts of the Employees shall be transferred to the Tenant on the Effective Date in accordance with relevant Montenegrin legislation and it undertakes to employ the 35 Employees transferred details of whom (including name, job description, salary and benefits and length of service) have been supplied to the Tenant on or before the date of this Lease and thereby provide continuity of employment and service years.

13.2 Failure by the Tenant to takeover and employ the Employees pursuant to clause 13.1 shall be deemed to be a breach of a covenant under this Lease entitling the Landlord to terminate this Lease in accordance with and subject to the terms of clause 29.2 save that the Tenant shall be entitled to terminate an Employee's contract of employment if the labour law of the Republic of Montenegro and/or other relevant regulations allow or otherwise by mutual agreement between the Tenant and the Employee.

13.3 The labour law of the Republic of Montenegro and statutory requirements in the field of employment relations, employee, rights and responsibilities shall apply with respect to the rights of the Employees, their wages, salaries, rewards and other incomes, the responsibility of the Employees and protection of the rights of the Employees and unless otherwise agreed by the Tenant and the Employee the general collective agreement, branch collective agreement for tourism and hospitality, the collective agreement of HTP Milocer AD and other regulations shall also apply with respect to the rights of the Employees, their wages, salaries, rewards and other incomes, the responsibility of the Employees and protection of the rights of the Employees.

- 13.4 Failure by the Tenant to pay the then-payable wages, salaries and other receivables of the Hotel Employees for two consecutive months and thus interrupt the monthly continuity of salaries and service years of the Hotel Employees shall be deemed to be a breach of covenant under this Lease entitling the Landlord to terminate this Lease in accordance with and subject to the terms of clause 29.2.
- 13.5 The amount of wages, salaries and other benefits of the Employees with regard to any specific job description may not be lower than, for the month for which the payment is performed, the average amount either (i) of the wages, salaries and other benefits of employees engaged in the tourism and hospitality sector in the Republic of Montenegro in the same specific job descriptions or (ii) of the wages, salaries and other benefits of the employees working for HTP Milocer AD in the same specific job descriptions.
- 13.6 For the period of five years the Tenant may not make any of the Employees redundant nor terminate the contracts of employment of any of the Employees on the grounds of redundancy save that the Tenant shall be entitled to terminate an Employee's contract of employment if the labour law of the Republic of Montenegro and/or other laws or regulations allow or otherwise by mutual agreement between the Tenant and the Employee.
- 13.7 The Tenant undertakes, at its own expense, to train the Hotel Employees to ensure the level of service required by GHM Standards.
- 13.8 The Tenant shall indemnify the Landlord against each and every cost, claim, liability, expense or demand arising from;
- 13.8.1 Any claim or allegation by an Employee that as from the date of this Lease there has been or will be a substantial change in such Employee's working conditions to his detriment; and
- 13.8.2 Any act or omission of the Tenant in relation to an Employee occurring after the date of this Lease and against any claim for redundancy payments or protective awards and

any liability for wrongful dismissal or otherwise in connection with the transfer of the employment of the Employees to the Tenant.

14 LANDLORD'S RIGHTS

The Tenant shall permit the Landlord and its representatives to exercise the right to enter the Property at all reasonable times after not less than seven days' notice (except in emergency when as much notice as reasonably possible shall be given) with tools and equipment (if appropriate):

- 14.1 to inspect the Property to ascertain whether the Tenant is complying with the Lease, or to view its state and condition, or to make surveys;
- 14.2 to execute works following the Tenant's failure to comply with a notice served under Clause 7 (without prejudice to any other remedy available to the Landlord);
- 14.3 to abate a nuisance if the Tenant does not do so;
- 14.4 to comply with a Legal Obligation if the Tenant does not do so;

15 COSTS

The Tenant shall pay the Landlord all reasonable and proper fees, charges and expenses connected with:

- 15.1 an application by the Tenant for the Landlord's consent (whether or not the consent is given or the application is withdrawn) where the Landlord is under an obligation not to unreasonably withhold such consent;
- 15.2 a schedule of dilapidations during the Term or within three months after the End of the Term;
- 15.3 the recovery of arrears of Rents or other sums payable under the Lease;
- 15.4 the enforcement of any covenant or obligation of the Tenant under the Lease;
- 15.5 abating a nuisance which the Tenant fails to abate; and
- 15.6 complying with a Legal Obligation if the Tenant does not do so.

16 INTEREST

Without prejudice to any other right or remedy of the Landlord, the Tenant shall pay to the Landlord Interest on the Preliminary Rent, Guaranteed Rent or Turnover Rent which is not paid to the Landlord on the date it is due (whether payment is formally demanded or not) and Interest on any other sum which is not paid to the Landlord by the later of the date it is due and the date twenty one days after a demand for payment is made.

17 YIELDING UP

At the End of the Term the Tenant shall if so reasonably required and where the Lease is not being renewed:

- 17.1 remove all signs belonging to the Tenant making good any damage to the Property so caused;
- 17.2 remove any alterations or additions to the Property (other than alterations or additions relating to the Works) or subsequent alterations or additions approved by the Landlord and in respect of which the Landlord has confirmed in writing that reinstatement would not be required) if and to the extent requested by the Landlord making good any damage to the Property so caused; and
- 17.3 yield up the Property in a state and condition consistent with due compliance by the Tenant with its covenants and obligations under the Lease.
- 17.4 transfer the business being carried on at the Property to the Landlord or (at the option of the Landlord) to its nominee and in this connection the parties shall enter in to an agreement substantially in the form of the draft agreement set out in Schedule 8 such agreement to be executed on or before the End of the Term.

PART FOUR: INSURANCE

18 DEFINITIONS

Where in this part the following words in bold type commence with capital letters they have the following meanings unless the context otherwise requires:

18.1 **Insurance** means insurance effected in such insurance office of repute, or with such underwriters, and through such agency as the Landlord may decide, and subject to such excesses reasonably negotiated with or imposed by an insurer and such exclusions, limitations and conditions as the insurer may properly require or the Landlord may properly negotiate on normal commercial terms for the luxury hotel market and covering:

18.1.1 the Property (excluding the FF&E) including all means of access against the Insured Risks for a sum sufficient to cover the cost of reinstatement assuming total loss, including ancillary costs (such as site clearance and professional fees) and an appropriate allowance for inflation;

18.1.2 Business Interruption Insurance;

18.1.3 third party and public liability at the Property for such sum as the Landlord may from time to time reasonably consider prudent;

18.2 **Insured Risks** means risks of loss or damage by fire, storm, tempest, flood, lightning, explosion, aircraft, articles dropped from aircraft, riot, civil commotion, malicious damage, impact, bursting and overflowing of water tanks, apparatus and pipes, earthquake, subsidence, landslip, heave and terrorism (but excluding such risks as cannot be insured against in the luxury hotel market at a reasonable rate) and risks of loss or damage by such other perils against which the Landlord may reasonably insure or the Tenant may reasonably request;

18.3 **Business Interruption Insurance** means the loss of all Rents to the Landlord and the loss of business and profits to the Tenant for a period of not less than three years as the Landlord may from time to time reasonably consider sufficient to complete reinstatement of the Property following a total loss.

19 LANDLORD'S INSURANCE COVENANTS

The Landlord covenants with the Tenant that the Landlord will from and including the Certificate Date:

19.1 promptly and diligently pursue any claim available to it in respect of any policies of insurance;

- 19.2 effect and maintain Insurance (but in respect of the Property only so far as it is not avoided by any act, neglect or default of the Tenant, anyone deriving title through the Tenant or anyone at the Property with the express or implied authority of either of them);
- 19.3 within 14 days of reasonable request from time to time (but not more than once a year) produce to the Tenant a copy or full details of the policies of Insurance and evidence that they are in force;
- 19.4 in the event of any loss or damage against which it has covenanted to effect Insurance the Landlord will:
- 19.4.1 place all monies received from the insurer (other than in relation to the Business Interruption Insurance and from the Tenant pursuant to Clause 22.9 in an account in the joint names of the Landlord and the Tenant at a bank designated by the Landlord and which monies must subsequently be released to the Tenant from that account by instalments, against architects' certificates or other evidence acceptable to the Landlord, whose acceptance may not be unreasonably withheld, of expenditure actually incurred by the Tenant in making good such loss or damage in accordance with Clause 22.11.
- 19.4.2 to the extent that such monies are insufficient as a result of the Landlord's act, neglect or default make up such insufficiency out of its own resources;
- 19.4.3 to pay to the Tenant that part of the monies received from the insurer in connection with the Business Interruption Insurance which relates to the Tenant's loss of business and/or loss of profit but not that part which relates to loss of Rents.
- 19.5 use its reasonable endeavours to procure Insurance in the joint names of the Landlord and Tenant but not Insurance that would include any conditions so as to impose any obligation on the Landlord to incur any additional premium or which would prejudice any charging of its freehold interest and if for any reason Insurance is not effected in joint names to procure that the interest of the Tenant is noted on any policy of Insurance;

20 ABATEMENT OF RENTS

If the Property is destroyed or damaged by an Insured Risk so that the Property is wholly or partially unfit for occupation and use and Insurance has not been avoided nor any payment refused by reason of some act, neglect or default of the Tenant, someone deriving title through the Tenant, or some person with the express or implied authority of either of them, then the Rents, or a fair proportion of them according to the nature and extent of the damage sustained, shall cease to be payable until the Property is again fit for occupation and use or, if earlier, until the expiry of the period against which the Landlord has maintained Business Interruption Insurance.

21 BREAKS ON FAILURE TO REINSTATE

21.1 If the Property is destroyed or so damaged by an Insured Risk that the Property is wholly or partially unfit for occupational use and Insurance has not been avoided nor any payment refused by reason of some act, neglect or default of the Tenant, someone deriving title through the Tenant, or some person with the express or implied authority of either of them and either:

21.1.1 re-construction of the Property has not been commenced within three years of the date of destruction or damage, or

21.1.2 the Property has not been substantially reinstated within thirty calendar months from the date of commencement of reconstruction pursuant to sub-clause 21.1.1.

then either party may at any time until the Property has been reinstated so that it is again fit for occupation and use terminate this Lease by giving to the other party not less than 3 months prior written notice..

21.2 For the purposes of clause:

reconstruction means having obtained all necessary consents and also the material and substantial commencement of the works of reinstatement, and

reinstatement means the rebuilding and refitting of the Property to the standard and design at the Certificate Date subject only to such matters as would normally be contained in a builder's snagging list.

- 21.3 Termination of the Lease pursuant to clause 21,1 shall be without prejudice to any claim in respect of prior obligation under this Lease.
- 21.4 Any monies payable under any policy of Insurance shall belong to the Landlord save for such element of Business Interruption Insurance which relates to the Tenant's loss of business or loss of profit.

22 TENANT'S INSURANCE COVENANTS

The Tenant covenants with the Landlord that the Tenant will:

- 22.1 reimburse the Landlord for all costs of the Insurance premiums (Insurance Rent) concluded with the relevant insurer.
- 22.2 promptly and diligently pursue any claim available to it in respect of any policies of insurance;
- 22.3 effect and maintain insurance for the FF&E for a sum, covering such risks and with such insurer as the Landlord shall approve (not to be unreasonably withheld)
- 22.4 in the event of any loss or damage to the FF&E caused by a risk against which the Tenant has insured, or should have insured pursuant to clause 22.3, to apply the proceeds of any policy of insurance to reinstate the FF&E as soon as reasonably practicable following such damage or destruction and to make good any shortfall;
- 22.5 pay to the Landlord upon demand the Insurance Rent
- 22.6 comply with the insurers' requirements and recommendations in relation to the Property and not do or omit to do anything which may make any policy of Insurance void or voidable in whole or in part or increase the premium for any policy, but if as a result of a breach of this covenant a premium is increased then the Tenant will forthwith upon demand pay to the Landlord the whole of such increase;
- 22.7 provide and maintain such fire fighting equipment on the Property as the insurer may require;

- 22.8 as soon as practicable notify the Landlord of any loss, damage or destruction of or relating to the Property and of any other event which comes to the attention of the Tenant and which may affect, or give rise to a claim under, a policy of Insurance;
- 22.9 forthwith upon demand pay to the Landlord an amount equal to all monies which the Landlord is unable to recover under a policy of Insurance by reason of an act, default or omission of the Tenant;
- 22.10 not effect any insurance equivalent to the Insurance, but if in breach of this covenant it does so, it shall pay to the Landlord all monies received under such insurance
- 22.11 if and whenever during the Term the Property is damaged or destroyed by one or more of the Insured Risks the Tenant must with all convenient speed obtain all necessary consents, permissions and approvals as are required under the municipal and national laws of Montenegro and, as soon as they have been obtained, rebuild and reinstate the Property or that part of the Property so damaged or destroyed in accordance with such consents, permissions and/or approvals, making up out of his own money any difference between the cost of rebuilding and reinstatement and the money received from the insurance policy save to the extent that the Landlord is required to make up such insufficiency pursuant to sub-clause 19.4.2. The Landlord shall give to the Tenants all reasonable assistance in obtaining any such consents, permissions and approvals required under this sub-clause.
- 22.12 for the period between the Effective Date and the commencement of the Works the Tenant shall maintain at its own expense adequate insurance covering the Property for such sums as may be approved by the Landlord (such approval not to be unreasonably withheld or delayed).

PART FIVE : LANDLORD'S COVENANTS

23. LANDLORD'S COVENANTS

The Landlord covenants with the Tenant:

23.1 Quiet Enjoyment

that it will, as from the Effective Date, permit the Tenant peaceably and quietly to hold and enjoy the Property without any interruption or disturbance from or by the

Landlord or any person claiming under or in trust for the Landlord or by any third party claiming a legal interest in any part of the Property.

23.2 Development of Adjoining Land

Not to build, alter, extend or develop any adjoining site or any building on any adjoining site owned by the Landlord and where such building, alteration, extension or development would involve construction or building works within [10] metres of the Property without the prior written approval of the Tenant which approval shall not be unreasonably withheld.

23.3 No Subjections

Save as specified in Schedule 3 the Property is not subject to any other agreements, charges or incumbrances that would adversely interfere with the operation of the Property in accordance with the Permitted Use.

23.4 Utility Lines

That it will procure at its own expense, that all utility lines including but not limited to electricity, water and sewer lines are brought to a point on the boundary of the Property and, if requested by the Tenant during the Term, will assist the Tenant in procuring that the utilities are supplied by the relevant utility supplier throughout the Term (but subject to an event of Force Majeure).

23.5 Employees

- (a) that the salaries, wages and other benefits (including pensions) of the Employees have been paid up to the Effective Date and the Landlord shall indemnify the Tenant against each and every cost, claim, liability, expense or demand arising from any act or omission of the Landlord in relation to an Employee occurring before the Effective Date; and
- (b) that the details of the Employees given to the Tenant on or before the date of this Lease and referred to in Clause 13.1 are accurate.

23.6 The Beach

That it will procure that Morsko Dobro either transfers to the Tenant or enters an agreement direct with the Tenant (the Beach Licence Agreement) allowing the Tenant use and enjoyment of the beach coloured yellow on the Plan (and also the beaches to be used by the Tenant under the Sveti Stefan Lease) for a period of 30 years (or thereabouts) from the Effective Date at a rental or licence fee initially of no more than Euros 65,000 per year plus VAT (which rental or licence fee is consistent with the rental or licence fee paid by third parties to Morsko Dobro for beaches of this quality and scale) subject to a percentage increase every three years equivalent to the percentage increase in the Harmonised Index of Consumer Prices referred to in Schedule 5.

PART SIX : MISCELLANEOUS PROVISIONS

24 RENTAL OF THE UNITS

The Landlord acknowledges that the Tenant may underlet the Units to third parties provided that:

- 24.1 The term of such underletting shall be no longer than the Term less one day;
- 24.2 Such underletting shall comply with the terms of clause 10.4; and
- 24.3 Such third parties enter into unit management agreements with the Tenant and/or GHM and provided further that the terms and conditions of the standard form of unit management agreement must be submitted by the Tenant to the Landlord for written approval (such approval not to be unreasonably withheld) prior to the marketing of the Units and which shall include terms and conditions giving the underlessee the option to require GHM to operate the Unit as one of the guest rooms of the hotel forming part of the Property when such Unit is not required by the underlessee of such Unit for his own private use and also entitling GHM to receive a commission of no less than 10% of the cost and expenses incurred in maintaining the Units to GHM standards and in accordance with the terms of this Lease and for the Tenant to receive no less than 50% of the net income arising from the operation of the Unit, the term "net income" meaning the gross rental proceeds from the rental of the Unit after deduction of (where

applicable) travel agent and credit card commissions and any other direct or allocated expenses incurred in connection with the rental of the Units.

25 EXERCISE OF RIGHTS OF ENTRY

A person exercising any right of entry granted or reserved under the Lease in order to carry out works must:

- 25.1 give reasonable prior notice to the relevant party (except in emergency);
- 25.2 exercise the right in a manner which causes as little damage and inconvenience as is practicable in the circumstances; and
- 25.3 use reasonable endeavours to cause as little disruption to the operation of the Property in accordance with its Permitted Use as is reasonably practicable; and
- 25.4 make good any physical damage caused as soon as is reasonably practicable

26 LIABILITY

- 26.1 The Landlord is not responsible to the Tenant or to anyone in the Property with the Tenant's express or implied authority for any accident, injury, damage or loss.
- 26.2 The Tenant shall not be liable to pay any VAT on Preliminary Rent, Guaranteed Rent or Turnover Rent which shall be the responsibility of the Landlord.

27 NOTICES

- 27.1 Any notice by one party (the **sender**) to another (the **recipient**) must be in writing.
- 27.2 A notice is duly served if given by any means from time to time authorised by law including:
 - 27.2.1 if delivered to the recipient by hand or by an internationally recognised and reputable courier company;
 - 27.2.2 if sent by first class registered or recorded delivery post addressed to the recipient;
 - 27.2.3 if sent by fax to the recipient in each case at an authorised address.

27.3 Any notice so served shall be deemed to have been received as follows:

27.3.1 if delivered by hand or by courier company - on the day of delivery if delivered at least two hours before the close of business hours on a business day and in any other case on the next business day;

27.3.2 if sent by national post (otherwise than at a time when the sender is or ought reasonably to be aware of a disruption of the relevant postal service) three business days after posting, exclusive of the day of posting;

27.3.3 if sent by airmail or international post (otherwise at a time when the sender is or ought reasonably to be aware of a disruption of the relevant postal service) – 6 business days after posting, exclusive of the day of posting,

27.3.4 if sent by fax(unless the sender knows or ought reasonably to know that the transmission has failed or is incomplete) - at the time of transmission, if received at least two hours before the close of business hours on a business day, and in any other case on the next business day.

27.4 For the purposes of this clause:

27.4.1 an authorised address means any of the following:

- (a) in the case of a company its registered office or its address as stated in this deed;
- (b) in the case of an individual his address as stated in this deed or other address last known to the sender; or
- (c) to such other address as may be notified in writing by one party to the other at any time throughout the Term.

27.4.2 a business day means any day except Saturday, Sunday or a Bank or Public holiday in the Republic of Montenegro;

27.4.3 business hours means the hours of 9.30am to 5.30pm on a business day.

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28. FORCE MAJEURE

28.1 If the Tenant's failure to comply with or perform any covenant, undertaking, stipulation or other obligation under this Lease is caused by an event of Force Majeure such failure shall not constitute, for the purposes of Clause 29.2, a breach of covenant or stipulation under this Lease and such failure shall be excused for as long as the failure is caused by an event of Force Majeure provided however an event of Force Majeure shall not excuse failure to pay any of the Rents or other payments due to the Landlord in accordance with the terms of this Lease. In order to claim the benefit of this clause the Tenant must notify the Landlord within 10 days after the event of Force Majeure first affects its performance.

PART SEVEN : RIGHTS OF TERMINATION

29 LANDLORD'S RIGHT TO TERMINATE

The Landlord may terminate this Lease to take effect immediately upon notice in writing to the Tenant if;

- 29.1 any Rents remain unpaid 15 days after service of a notice in writing by the Landlord to the Tenant stating that a required payment of Rent is overdue; or
- 29.2 the Tenant is in breach of any covenant or stipulation in the Lease which is to be performed or observed by the Tenant and fails to remedy such breach within 30 days after service of a notice in writing by the Landlord stating the breach complained of and requiring it to be corrected; or
- 29.3 the circumstances entitling the Landlord to re-enter the Property pursuant to paragraph 8 of Schedule 4 arise;
- 29.4 the Tenant or the Guarantor becomes Insolvent (as defined in the next Clause);
- 29.5 the Sveti Stefan Lease is terminated

- 29.6 the Tenant fails to satisfy any of the conditions referred to in Clause 45 by the Effective Date.
- 29.7 The Tenant fails to submit applications for the necessary approvals by the Approval Submission Date in accordance with paragraph 2.1.1 of Schedule 4.
- 29.8 The Management Agreement is terminated, transferred, assigned or expires without the prior written approval of the Landlord save that the Landlord's right of termination shall not apply under this sub-clause if:
- 29.8.1 the Management Agreement is renewed on or before the expiry of the original (and, if applicable, the renewal) term of the Management Agreement; or
- 29.8.2 within three months of the date of termination of the Management Agreement the Tenant finds another reputable international hotel operator which (i) is experienced in the operation of luxury hotels and resorts; and (ii) is considered to be of a similar or higher standard than GHM and; (iii) has been approved by the Landlord (such approval not to be unreasonably withheld or delayed); and (iv) is willing to enter into a management agreement for the operation of the Property in accordance with the Permitted Use on terms to be approved by the Landlord (such approval not to be unreasonably withheld or delayed).

The parties acknowledge that if the Landlord terminates this Lease pursuant to this Clause 29 then the FF&E shall belong to the Landlord save for GHM Proprietary Assets.

30 INSOLVENCY

Insolvent means for the purposes of this part of the Lease in the case of a company:

- 30.1 the appointment of a receiver, administrative receiver, liquidator or administrator save where such receiver, administrative receiver, liquidator or administrator is dismissed within 30 days of appointment;

30.2 the making of a voluntary arrangement with its creditors with regard to the satisfaction or part satisfaction of its debts;

30.3 any other analogous event from time to time under the laws of Montenegro or any other applicable jurisdiction;

but excluding a voluntary liquidation for the purpose of amalgamation

31 TENANT'S RIGHT OF TERMINATION

The Tenant may terminate this Lease to take effect immediately upon notice in writing to the Landlord if the circumstances entitling the Tenant to terminate pursuant to paragraph 3.2 of Schedule 4 arise.

32 BOTH PARTIES RIGHT OF TERMINATION

Either party may terminate this Lease to take effect immediately upon notice in writing to the other party if the circumstances entitling either party to terminate pursuant to paragraph 3.3 of Schedule 4 arise. Either party may also terminate this lease pursuant to the provisions of Clause 21.1.

PART EIGHT : GUARANTEES

33. GUARANTOR'S OBLIGATIONS

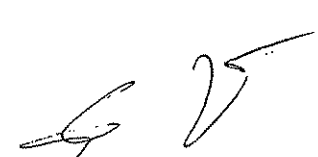
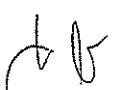
33.1 The Guarantor covenants with the Landlord that during the Term the Tenant (here meaning Aidway Investments Limited) shall punctually pay the Rents and observe and perform the covenants and other provisions of the Lease, and in case of default the Guarantor will pay the Rents and observe and perform the covenants and provisions in respect of which the Tenant is in default and make good to the Landlord on demand, and indemnify the Landlord against, all losses, damages, costs and expenses thereby arising or incurred by the Landlord.

33.2 The liability of the Guarantor shall not be affected in any way by:

- 33.2.1 any neglect or forbearance of the Landlord in enforcing payment of Rents or observance or performance of the covenants and provisions of the Lease;
- 33.2.2 any time or indulgence given to the Tenant by the Landlord;
- 33.2.3 any refusal by the Landlord to accept Rents from the Tenant following a breach of covenant by the Tenant;
- 33.2.4 any agreement with the Tenant, any license or consent granted to the Tenant, or any variation in the terms of the Lease;
- 33.2.5 a surrender of part of the Property, except that the Guarantor will have no liability in relation to the surrendered part in respect of any period following the date of surrender;
- 33.2.6 any other act, matter or thing, or the release of any person, apart from the express release in writing of the Guarantor.
- 33.3 If the Tenant is dissolved, or if the liquidator of the Tenant disclaims the Lease, the Guarantor shall upon written notice from the Landlord given within six months after the date of dissolution or disclaimer accept a new lease of the Property:
- 33.3.1 for a term commencing on the date of dissolution or disclaimer and continuing for the residue then remaining unexpired of the Term at the Rents then payable under the Lease;
- 33.3.2 subject to and with the benefit of the Lease if still subsisting;
- 33.3.3 subject to the same covenants and provisions as in the Lease (without however requiring any other person to act as guarantor);
- such new lease to take effect from the date of dissolution or disclaimer and to be granted at the cost of the Guarantor who shall execute and deliver to the Landlord a counterpart of it.

34. LANDLORD GUARANTOR OBLIGATIONS

The Landlord Guarantor guarantees with the Tenant:



34.1 to enter into an agreement with or to procure that another government agency or department enters into an agreement with the Tenant's principal lender ("the Principal Lender") whereby in consideration of the loan from the Principal Lender to the Tenant for the purpose of carrying out the Works certain rights and/or security is given to the Principal Lender by the Landlord Guarantor in terms reasonably satisfactory to the Principal Lender.

34.2 the performance by the Landlord of its covenants contained in clauses 23.1 and 23.4.

PART NINE: MANAGEMENT AGREEMENT

35. MANAGEMENT AGREEMENT

35.1 On or before the Effective Date GHM and the Tenant agree to execute a Management Agreement in the form set out in Schedule 9 and shall deliver a copy of the executed Management Agreement and any other related agreement to the Landlord within ten days of its execution.

PART TEN: PERFORMANCE BOND

36. PERFORMANCE BOND

36.1 On or before the commencement of the Works the Tenant shall procure that a performance bond is entered into with an international reputable bank ("the Bank") in the form or substantially in the form set out in Schedule 10 which performance bond includes provisions requiring the Bank to pay to the Landlord on the Landlord's first demand the sum stated by the Landlord up to the amount of the bond being a sum of Euros 20 million (but subject to the aggregate minimum amount of the Performance Bond and the Performance Bond under the SS Lease being Euros 40 million) if the Landlord re-enters or re-possesses the Property in accordance with paragraph 8 of Schedule 4.

PART ELEVEN: ARBITRATION AND JURISDICTION

37 DISPUTES

Any dispute ('Dispute') between any of the parties arising out of or in connection with this Lease must be resolved in accordance with the terms of PART ELEVEN of this Lease.

38 NOTICE OF DISPUTE

A dispute will be deemed to have arisen upon service by one party on the other parties of a notice (a 'Notice of Dispute') stating that a Dispute has arisen and giving a brief description and a summary of the relief claimed.

39 NEGOTIATIONS

The parties must, in the first instance, attempt to resolve amicably by agreement any Dispute within 30 (thirty days) of service of a Notice of Dispute.

40. ARBITRATION

40.1 Any Dispute that has not been resolved by agreement within 30 (thirty) days of service of a Notice of Dispute must be resolved by arbitration in accordance with the London Court of International Arbitration Rules of Arbitration ('the LCIA Rules') as amended by this clause.

40.2 The 'Arbitration Tribunal' will consist of three arbitrators to be appointed in accordance with the LCIA Rules as amended by this clause.

40.3 The seat of arbitration will be London.

40.4 The language of the arbitration will be English. Any party that serves a document in a language other than English, on which it wishes to rely, must also serve with that document an English translation of the material parts.

40.5 The Arbitration Tribunal will conduct the proceedings in accordance with the LCIA Rules of Arbitration as amended by this clause and will have the power, subject to the terms of this clause to make whatever provisions its deems

appropriate taking into account that the proceedings may relate to more than one Dispute.

40.6 In accordance with the LCIA Rules, the arbitral proceedings will be commenced when one party ('the Claimant') sends its "Request for Arbitration" to the Registrar of the LCIA Court. When submitting its Request for Arbitration to the LCIA the Claimant must send simultaneously a copy of the Request for Arbitration to the other parties.

41. APPOINTMENT OF THE ARBITRATION TRIBUNAL

41.1 Within 28 days after the date of the Request for Arbitration, all the parties must attempt to agree on the nomination of the two arbitrators.

41.2 If the parties agree on the nomination of the two arbitrators, such arbitrators will within 14 days of their appointment by the LCIA nominate the third arbitrator who shall act as chairman.

41.3 If the parties are unable to agree on the nomination of two arbitrators within the 28 day period referred to in clause 41.1 above, the appointment of all three arbitrators must be made by the LCIA.

41.4 If the two arbitrators nominated by the parties cannot agree upon the nomination of the third arbitrator within 14 (fourteen) days of their appointment, the third arbitrator, acting as a chairman, shall be appointed by the LCIA.

41.5 The parties agree that if a Dispute arises after an Arbitration Tribunal has been appointed pursuant to this clause ('a Subsequent Dispute') then, subject to the agreement of the Arbitration Tribunal, the same Arbitration Tribunal will be appointed in respect of the Subsequent Dispute or Disputes. If the Arbitration Tribunal does not agree to be appointed in respect of a subsequent Dispute, new arbitrators will be appointed in respect of the subsequent Dispute in the manner set out in sub clauses 41.1-41.4 of this Lease.

42. THE AWARD

- 42.1 Each party agrees to be bound by all and any awards or decisions of any Arbitration Tribunal appointed pursuant to this clause whether or not it took part in the arbitral proceedings provided that it was given notice of such proceedings in accordance with the provisions of this clause.
- 42.2 The parties waive any rights of application or appeal to any court or tribunal of competent jurisdiction to the fullest extent permitted by law in connection with any question of law arising in the course of an arbitration or with respect to any award rendered in accordance with this clause except for actions relating to enforcement of the provisions of this clause or an arbitral award made by any Arbitration Tribunal and except for any action seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.


43 JURISDICTION

This Lease will in all respects be governed by and construed in accordance with the laws of the Republic of Montenegro.

PART TWELVE: BID BOND AND BANK GUARANTEE


44 BID BOND AND GUARANTEE

- 44.1 The bid bond for Euros 250,000 in favour of the Landlord currently in force shall continue in effect until the bank guarantee referred to in Clause 44.2 below is issued and in effect.
- 44.2 On or before the Effective Date the Tenant shall procure that an irrevocable and unconditional bank guarantee shall be given by an international reputable bank in favour of the Landlord and in a form reasonably approved by the Landlord for a sum of Euros 500,000 and which will include an undertaking by the bank to pay to the Landlord on demand an amount up to a sum of Euros 500,000 provided that the demand contains a statement that the Tenant is in material default for non-payment of the Preliminary Rent and/or the performance of the covenants and conditions contained in this Lease and shall contain a provision permitting the Landlord to claim the whole of the guaranteed amount if the Landlord has terminated this Lease pursuant

 to Clause 29 or the Tenant surrenders or otherwise abandons this Lease. Such bank guarantee shall expire (i) when the performance bond referred to in Clause 36 is issued and in effect or (ii) if the Lease is terminated under Clauses 31 or 32 save where such termination under such clauses is due to the default of the Tenant.

PART THIRTEEN: CONDITIONS PRECEDENT

 **45. EFFECTIVENESS OF LEASE**

 45.1 This Lease shall become effective on January ³¹ 18, 2007 (the Effective Date) by which date all the following conditions must have been fulfilled:

45.1.1 the Management Agreement and related agreements (i) have been executed by the Tenant and GHM and (ii) have themselves become effective and in force and (iii) legally certified copies have been delivered to the Landlord all in accordance with Clause 35.1; and

45.1.2 the bank guarantee referred to in Clause 44.2 has been delivered to the Landlord in a form satisfactory to the Landlord and is in effect; and

45.1.3 The Sveti Stefan Lease has been executed.

45.2 On the Effective Date the Tenant shall, subject to the conditions of this Lease, enter and possess the Property and shall take over the labour contracts of the Employees in accordance with clause 13.

45.3 If all the conditions referred to in sub-clauses 45.1.1, 45.1.2 and 45.1.3 have not been fulfilled by the Effective Date then the Landlord may terminate this Lease with immediate effect by giving written notice to the Tenant.

PART FOURTEEN: EXISTING FF&E AT DATE OF LEASE

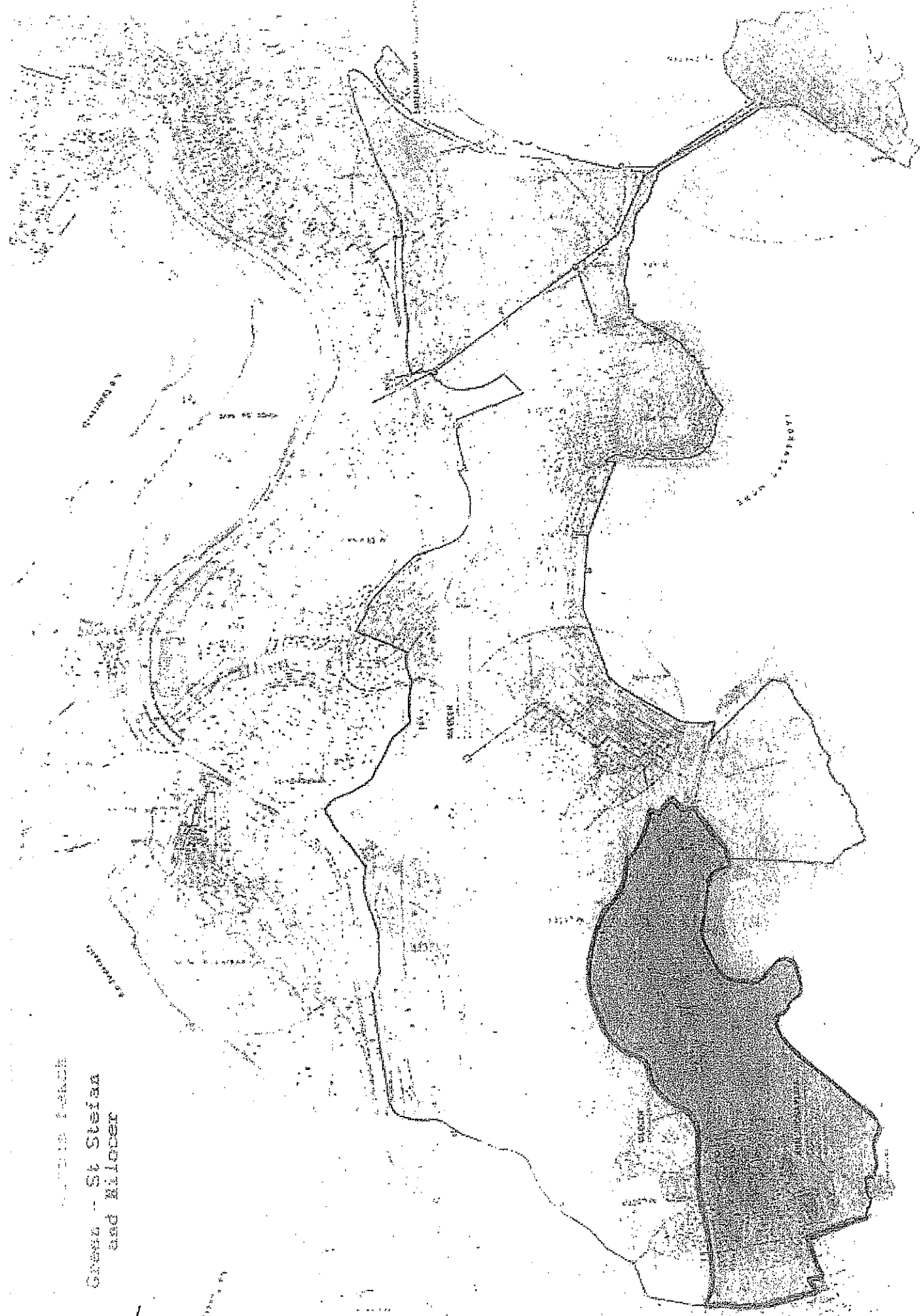
46. EXISTING FF&E

46.1 The Tenant acknowledges that the Plant and the FF&E installed at the Property at the date of this Lease ("Existing FF&E") belongs to the Landlord and that the Landlord shall be entitled to remove the Existing FF&E within 20 days of the Effective Date. The Landlord shall consult with the Tenant prior to the removal of any items of Existing FF&E which occurs after the Effective Date.

THIS LEASE HAS BEEN EXECUTED IN TRIPLICATE ON THE DATE INDICATED AT THE BEGINNING OF THIS LEASE.

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G. J. W.



Grand St Stefan
vafets 45 - 1980
and Klorer

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SCHEDULE 1

Description of the Property

All that land shown edged purple on the Plan and comprising cadastral plot numbers 965, 966, 967, 968, 969, 970, 1009, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021 and 1023 in the Land Registry of the Republic of Montenegro.

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SCHEDULE 2

Exceptions and Reservations

1. The right at reasonable times on reasonable prior notice (except in an emergency) to enter the Property as often as may be permitted or as maybe necessary under this Lease for all the purposes for which the Tenant covenants in this Lease to permit entry
2. The right to construct and inspect, maintain, repair and renew and to make connections to and use the Conduits in, on or under the Property at any time during the term for the benefit of any adjoining property provided that such right shall be exercised by the Landlord in a manner that does not interfere with the operation of the Property as a hotel in accordance with the Permitted Use and provided further that the Landlord will make good any damage caused

SCHEDULE 3

The Subjections

- The right of the public to use the public footpath traversing the Property and for the relevant government or municipal authority to enter the Property for the purposes of maintaining the said footpath;
- The right of the public (with or without vehicles) to use the public road running through the Property to Sveti Stefan village and for the relevant government or municipal authority to enter the Property for the purposes of maintaining the said public road;
- The right of any utility service provider to enter the Property for the purpose of maintaining any utility installation or equipment owned by such utility service provider and which is installed on over or under the Property as at the date of this Lease.
- Any other rights in favour of third parties, easements, exceptions, reservations or other incumbrances registered against the Property at the Land Registry in the Republic of Montenegro.

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SCHEDULE 4

Provisions Relating to the Works

1 Definitions and interpretations

For all purposes of this Schedule, the terms defined in this paragraph 1.1 have the meanings specified.

1.1 'Approvals'

References to 'approvals' are references to the approvals, consents, permissions and licences of any local or other competent authority that are from time to time necessary to enable the Tenant to begin the Works and to carry them, and each and every stage or phase of them, out lawfully and if they are destroyed or damaged to reinstate them. References to approvals are to be construed as referring to them as varied, relaxed or waived in accordance with paragraph 3.2 of this Schedule.

1.2 'Approval Submission Date'

'Approval Submission Date' means, for the purposes of paragraph 2.1.1 of this Schedule, 30 June 2007.

1.3 'The Architect'

'The Architect' means the firm of Denniston International Architects, Planners and Interior Designers or subject to paragraph 4.3.1 of this Schedule such other person or firm, being a qualified architect or firm of architects, as the Tenant may from time to time appoint to perform the functions of the Architect under this Schedule.

1.4 'The Building Contract'

'The Building Contract' means a contract between the Tenant and an internationally recognised and reputable contractor for the carrying out of the Works

1.5 'A delaying factor'

Reference to a 'delaying factor' are references to any circumstances beyond the control of the Tenant that causes a delay in the carrying out of the Works and that was not reasonably foreseeable at the date of this Lease.

1.6 'A permitted variation'

References to 'a permitted variation' are references to:

- 1.6.1 any variation, not being an unacceptable variation, that is required by any local or other competent authority either as a condition of the grant or continuance in force of any approvals by that local or other competent authority or in consequence of any variation, relaxation or waiver of any approvals, or
- 1.6.2 any other variation, not being an unacceptable variation, that is proposed by the Architect and approved in writing by the Landlord, whose approval may not be unreasonably withheld

1.7 'An unacceptable variation'

Reference to 'an unacceptable variation' or references to any variation that would substantially alter the design, layout, nature, capacity or standard of construction of the Property as provided for in the Building Documents or prejudice the use of the Property or any part of the Property for the Permitted Use.

1.8 'A variation'

References to 'a variation' are references to an amendment to or departure from the details of the Works contained in the Building Documents, whether by way of alterations, addition or omission.

1.9 'Building Documents'

'Building Documents' means the plans, drawings, specifications, other documents relating to the Works.

2 Carrying out of the Works

2.1 Grant of approvals

The Tenant must:

- 2.1.1 submit applications for all necessary approvals required to carry out the Works by the Approval Submission Date; and
- 2.1.2 diligently pursue the grant of any necessary approvals in accordance with paragraph 3 of this Schedule and the Landlord shall give to the Tenant all reasonable assistance in this connection.

2.2 Manner of Work

The Tenant must as soon as all necessary approvals have been obtained begin and diligently carry out and complete the Works:

- 2.2.1 in a good and workmanlike manner and with good quality materials
- 2.2.2 in accordance with the terms of all approvals and in compliance with the requirements of all governmental and local authority laws and regulations including the requirements of the Historical Monuments Commission.
- 2.2.3 in accordance with the terms of all consents
- 2.2.4 in accordance with GHM Standards
- 2.2.5 in accordance with the Building Documents
- 2.2.6 in accordance with the provisions of this Schedule

2.3 Timing

Subject to the provisions of paragraph 2.4 of this Schedule the Tenant must use all reasonable endeavours to carry out and substantially complete the Works not later than the Estimated Completion Date.

2.4 Delays and extensions

On any occasion that the carrying out of the Works is delayed and the delay is, in the Architect's reasonable opinion attributable to a delaying factor, the Tenant is to be allowed an extension of time for carrying out the Works determined in accordance with paragraph 2.5 of this Schedule and the date by which the Tenant is required to have carried out and completed the Works as provided in paragraph 2.3 of this Schedule and the Termination Date referred to in paragraph 8.1 of this Schedule is to be postponed accordingly.

2.5 Calculation of extension period

The period of each extension under paragraph 2.4 of this Schedule is to be the period of any that is certified as being reasonable by the Architect

2.6 Completion Certificate

As soon as the Works have been carried out and substantially completed in accordance with the provisions of this Schedule, the Architect shall issue a certificate to that effect and supply a copy of it to the Landlord. The date of this Completion Certificate shall be known as the Certificate Date.

2.7 Outstanding Matters

The issue by the Architect of a certificate in accordance with paragraph 2.6 of this Schedule is not in any way to lessen or affect the obligations of the Tenant under this Schedule, and the Tenant must;

- 2.7.1 as soon as practicable after the Certificate Date carry out and complete in accordance with the provisions of this Schedule any of the Works that have not been so completed on the Certificate Date, and
- 2.7.2 on completion of the Works ensure that all rubbish, building and other materials, and equipment are removed from the Property.

2.8 'As built' plans

Within 25 days after the Certificate Date the Tenant supply to the Landlord a complete set of 'as built' plans and drawings in relation to the Works.

3 Approvals

3.1 Obtaining approvals

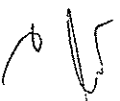
the Tenant must:

- 3.1.1 use all reasonable endeavours to obtain any necessary approvals as soon as reasonably practicable after the date of this Lease.
- 3.1.2 supply to the Landlord a copy of every application for an approval, with a copy of all accompanying drawings and other documents, and a copy of each approval obtained.
- 3.1.3 use all reasonable endeavours to ensure that no approval is revoked and that all approvals continue in full force and effect.

The Tenant must pay, and indemnify the Landlord against, all fees, costs and expenses of and incidental to the above matters.

3.2 Rejection of Approvals

If any approval is rejected or not granted by the relevant authority or is granted subject to a condition or conditions and such rejection or failure to grant such approval or such conditions imposed on such approval does, in the Tenant's reasonable opinion, materially and adversely alter or modify the specification in relation to the Works or is likely to materially and adversely affect the operation of the Property in accordance with the Permitted Use then the Tenant shall give notice to the Landlord (the Approval Notice) which notice shall give details of the rejected approval or the conditions imposed on such approval as the case may be and its anticipated affect on the Works and/or on the operation of the Property (the Approval Problem) and the Landlord and the Tenant shall thereafter use all their reasonable endeavours to resolve the Approval Problem to enable the Works to proceed and for the Property to be used and operated in the manner envisaged by this Lease. If, however, the Approval Problem is not resolved within 45 days of the date the Approval Notice was served on the Landlord,



the Tenant may terminate this Lease in accordance with Clause 31 provided, however, if there is a disagreement between the Landlord and the Tenant as to whether the Approval Problem materially and adversely alters or modifies the specification in relation to the Works and/is likely to materially and adversely affect the operation of the Property in accordance with the Permitted Use either party may, prior to the expiry of the 45 day notice, refer the dispute to arbitration in accordance with PART ELEVEN of this Lease in which case the Tenant may not terminate this Lease pursuant to this paragraph unless or until the Arbitration Tribunal has determined that the Approval Problem does materially and adversely alter or modify the specification in relation to the Works and/or is likely to materially and adversely affect the operation of the Property in accordance with the Permitted Use. In the event the Arbitration Tribunal determines that the Approval Problem does not materially and adversely alter or modify the specification in relation to the Works and/or is unlikely to materially and adversely affect the operation of the Property in accordance with the Permitted Use then some or all of the delay caused by the hearing of the Arbitration Tribunal may be considered a delaying factor as determined by the Architect in accordance with paragraph 2.4.

3.3 Failure to Obtain Approvals

If the Tenant fails to obtain such necessary approvals as are required to commence the Works by the Deadline Date then either party may terminate this Lease in accordance with the provisions of Clause 32.

3.4 Variation of approvals

The Tenant must not apply for or agree to any variation, relaxation or waiver of any approval or of any condition attached to any approval without the consent of the Landlord which shall not be unreasonably withheld.

3.5 Notifying a variation

3.6 The Tenant must promptly notify the Landlord of any variation required by a local or other competent authority either as a condition of the grant or continuance in force of any of the approvals or in consequence of any variation, relaxation or waiver of any of the approvals.

4. The Building Contract and Related Matters

4.1 The Building Contract

4.1.1 Entry into the Building Contract

the Tenant must enter into the Building Contract and appoint the Architect to perform the functions of the architect under it as soon as reasonably practicable after the date of this Lease. The Tenant agrees to consult with the Landlord regarding the appointment of a building contractor and the terms of the Building Contract prior to the execution of the Building Contract.

4.1.2 Modification of the Building Contract

the Tenant must not vary or modify the terms and conditions of the Building Contract without first consulting the Landlord and attending any meetings the Landlord may reasonably request to discuss such variation or modification.

4.1.3 Compliance with Obligations

the Tenant must comply with his obligations under the building contract at all times and use all reasonable endeavours to ensure that the contractor appointed complies with his obligations under the Building Contract at all times.

4.1.4 Notifying non-compliance by the building contractor

the Tenant must promptly notify the Landlord of any failure by the contractor to comply with his obligations under the Building Contract and of any circumstances likely to give rise to such failure.

4.1.5 Termination of the Building Contract

the Tenant must not exercise or seek to exercise any right that may be or become available to him to determine the Building Contract or to treat it as determined without first consulting the Landlord and attending any meetings the Landlord may reasonably request to discuss such termination of the Building Contract.

4.2 Replacement of the Building Contract

4.2.1 Approval of New Building Contract

if the Building Contract is terminated, the Tenant must not enter into another Building Contract with any person for the carrying out of the Works without first consulting the Landlord and attending any meetings that the Landlord may reasonably request to discuss the new Building Contract.

4.3 The Architect

4.3.1 Replacement of the Architect

the Tenant must not appoint any person other than the Architect to perform the functions of the architect under the Building Contract or appoint any person to perform any equivalent functions under any new Building Contract unless that person had first been approved by the Landlord whose approval may not be unreasonably withheld.

5 Review of the Works

5.1 Landlord's right to inspect

The Landlord may at any reasonable time enter the Property to view the state and progress of the Works and suitable representatives of the Tenant shall attend any meetings reasonably requested by the Landlord to discuss the state and progress of the Works.

5.2 Defects

5.2.1 Notice of Defects

If the Architect considers that any of the Works have not been or are not being carried out in accordance with this Schedule he may serve on the Tenant at any time before the Certificate Date a notice ('a defects notice') specifying the relevant defects in the Works.

5.2.2 Unless the Architect notifies the Tenant that he has withdrawn a defects notice within 7 days after service of it then, at the end of that period, the Tenant must immediately

take all the measures necessary to remedy the defects specified in that notice ('the Remedial Measures')

5.2.3 Landlord's power of default

If the Remedial Measures are not started within 10 days after service of the defects notice concerned, or if the Tenant otherwise fails diligently to carry out and complete them, then, without prejudice to any other right or remedy of his in respect of such failure, the Landlord may himself carry out and complete the Remedial Measures, or cause them to be carried out and completed. All costs and expenses incurred by the Landlord in doing so must be repaid to the Landlord by the Tenant on demand, with interest from the date of payment by the Landlord, or of demand if later, until the date of repayment by the Tenant.

5.3 Tenant's obligations unaffected by failure to serve Defects Notice etc.

The obligations of the Tenant under this Schedule are not to be affected or lessened in any way by:

5.3.1 the failure or omission by the Architect to serve a defects notice if any of the Works have not been or are not being carried out in accordance with this Schedule, or

5.3.2 approval by the Landlord of the Building Documents or any variation, or any other matter or thing referred to in this Schedule.

5.4 The Tenant's compliance with Clause 4

5.4.1 The Landlord shall be entitled, at its own expense, at any time between the Effective Date and the Certificate Date upon reasonable notice to the Tenant, to review and inspect the books and records of the Tenant which relate to the cost of the Works and the Tenant shall promptly respond to any reasonable enquiry the Landlord may raise as a result of its inspection of such books and records.

5.4.2 Prior to the issue of the Completion Certificate pursuant to paragraph 2.6 of this Schedule the Tenant shall submit a statement certified by an independent chartered accountant certifying the total cost of the Works such statement to itemize the cost of each principal component of the Works.

6. General

6.1 Maintenance of the Works

During the progress of the Works the Tenant must maintain the Property and the Works in good order and condition and take all necessary measures and precautions to protect them from damage by fire, and must keep the Property secure against trespassers.

6.2 Indemnity

The Tenant must pay, and indemnify the Landlord against, all fees, charges and other payments whatever that may at any time be payable to a local or other competent authority in respect of the Works, and be answerable for, and indemnify the Landlord against, all actions, costs, claims, demands and liability whatever relating to any failure by the Tenant to comply with his obligations to complete the Works in accordance with the necessary approvals and the requirement of all statutes.

6.3 Notices Received

The Tenant must promptly notify the Landlord of any notices received by him relating in any way to the Works, whether from a local or other competent authority and must supply a copy of every such notice to the Landlord within 10 days after receipt of it.

6.4 Unpaid Suppliers

The Tenant must indemnify the Landlord against all claims by unpaid suppliers in respect of any goods or materials from time to time on the Property

7 Insurance of the Works

7.1 Covenant to insure the Works

Until the Certificate Date, the Tenant must insure the Works and the Property in the joint names of the Landlord and the Tenant, against loss or damage by any of the Insured Risks, in an amount equal to the full cost of reinstating the Works, or such part of them as has from time to time been carried out, in the event of their total destruction

together with the cost of demolition, site clearance, architects' and other professional fees.

7.2 Third Party Liability

The Tenant must immediately effect and subsequently maintain such insurances and in such amounts as the Landlord from time to time reasonably requires in respect of the liability of the Tenant under, and any liability of the Landlord in relation to third party liability.

7.3 Approved insurers

All insurances referred to in this paragraph must be effected with insurers previously approved in writing by the Landlord, whose approval may not be unreasonably withheld.

7.4 Premiums and Policy

The Tenant must pay all premiums and other money necessary to effect and maintain the insurance referred to in this paragraph, and must produce the policy of insurance and the receipt for the then current year's premium to the Landlord on demand.

7.5 Landlord's rights in default

If the Tenant fails to insure in accordance with this paragraph 7, then the Landlord may himself effect and maintain the insurance – without prejudice to any other right or remedy of the Landlord in respect of such failure. All premiums and other money paid by the Landlord for that purpose must be repaid to him by the Tenant on demand, with Interest from the date of payment by the Landlord until the date of repayment by the Tenant.

7.6 Insurers requirements

The Tenant must comply with all requirements of the insurers, and must ensure that the contractor under the Building Contract, the Architect and all persons acting for or

under the control of the Tenant comply with them. Neither the Landlord or the Tenant may do, or permit to be done, on the Property or in relation to the Works anything that might render any insurance policy effected in accordance with the provisions of this paragraph void or void able or as a result of which payment of the policy money might be wholly or partly withheld

7.7 Damage and reinstatement

The Tenant must notify the Landlord immediately of any damage to or destruction of the Works, whether or not caused by any of the insured risks, and in any such case must, subject to all consents and the approvals that are necessary being obtained, promptly reinstate the Works, in accordance with the provisions of this Schedule.

7.8 Treatment of insurance money

All money received under any insurance policy effected in accordance with this paragraph 7 must be placed in a bank account in the joint names of the Landlord and the Tenant, and must subsequently be released to the Tenant from the account by installments against certificates issued by the Architect of expenditure actually incurred by the Tenant in reinstating the Works. If the Landlord re-enters the Property of any part of it in accordance with paragraph 8 of this Schedule then all money then standing to the credit of the account must immediately be released to the Landlord and is to belong to the Landlord absolutely.

8 Re – entry before Certificate Date

If –

8.1 for any reason the Works have not being carried out and substantially completed to the reasonable satisfaction of the Architect in accordance with paragraph 2.3 - as to which a written statement to that effect by the Architect is to be conclusive and binding on the parties – by the Termination Date, time being of the essence, or

8.2 at any time before the Certificate Date and for any reason either the carrying out of the Works is wholly or substantially suspended or the Works are otherwise not proceeded with regularly and diligently, and in such case the default continues for or is not remedied within 30 days after service on the Tenant by the Landlord of a notice

specifying the default and invoking the provisions of this paragraph, time being of the essence provided that a notice may not be served in circumstances where an extension of time has been granted in accordance with paragraph 2.4.

8.3 the Remedial Measures required under a defects notice served in accordance with paragraph 5.2.2 have not been started within 30 days after service of that defects notice, time being of the essence, or

8.4 at any time before the Certificate Date there is for any reason any other material non-compliance with any of the Tenant's obligations under this Schedule and that default continues for or is not remedied to the reasonable satisfaction of the Landlord within 25 days after service on the Tenant by the Landlord of a notice specifying the default and invoking the provisions of this paragraph, time being of the essence, or

8.5 at any time before the Certificate Date the Landlord terminates this Lease pursuant to Clause 29.

then the Landlord may immediately or at any time subsequently – and even if any previous right or re-entry under this paragraph has been waived – re-enter the Property, or any part of it in the name of the whole, and take and retain possession of it, with all the completed or partly-completed Works on it and any building and other materials and plant and equipment on it belonging to the Tenant, which are to be forfeited and become the property of the Landlord without the Landlord being liable to make any compensation or allowance to the Tenant in respect of them. On such re-entry the Term is to cease absolutely, but without prejudice to any rights or remedies that may have accrued to the Landlord against the Tenant or the Guarantor or to the Tenant against the Landlord in respect of any breach of covenant or other term of this Lease, including the breach in respect of which the re-entry is made.

SCHEDULE 5

Guaranteed Rent

I Definitions

Where words in this Schedule start with capital letters they have the following meaning:

Current Index means the figure for the Index last published before the Relevant Review Date;

Index means the Harmonised Index of Consumer Prices published by Eurostat (the Statistical Office of the European Union) or any substitute index agreed or determined in accordance with this Schedule;

Indexed Rent means the sum calculated in accordance with the following formula

$$I = R \times P$$

Where:

I means the Indexed Rent,

R means the initial Guaranteed Rent of Euros 500,000

P means the product of the Current Index divided by the base figure for the Index last published before the date of the Lease, such base figure being 102.6

Review Dates means the third, sixth, ninth, twelfth, fifteenth, eighteenth, twenty first, twenty fourth and if it occurs prior to the expiry of the Term, the twenty seventh anniversary of the Rent Commencement Date

Relevant Review Date means the Review Date by reference to which the Guaranteed Rent is being reviewed;

Statement means the statement to be prepared by the Landlord as soon as practicable after each Review Date showing;

(a) the then Current Index

(b) the Landlord's calculation of the Indexed Rent; and

(c) the further rent (if any) due from the Tenant from the Relevant Review Date up to the next payment date

2 Review of Rent

As from each Review Date the Guaranteed Rent shall be increased to whichever is the higher of the Guaranteed Rent payable immediately before such Review Date or the Indexed Rent.

3 Procedure

- 3.1 As soon as practicable after the Current Index is published the Landlord must submit to the Tenant the Statement.
- 3.2 The Statement shall be final and binding on the parties unless it contains a manifest error.
- 3.3 On the next day when the Guaranteed Rent is payable, the Tenant must pay to the Landlord the amount, if any, by which the Indexed Rent exceeds the Guaranteed Rent paid for the period from the Relevant Review Date to that date.

4. Arbitration of problems

If it becomes impossible to calculate the Indexed Rent for any Review Period by reference to the Index because of any change in the methods used to compile the Index after the date of this Lease or for any other reason whatever, or if any dispute or question whatever arises between the parties as to the amount of the Indexed Rent for any Review Period or the construction or effect of this Schedule then the Indexed Rent for that Review Period or the disputed matter is to be determined by arbitration in accordance with PART ELEVEN.

**SCHEDULE 6
PART 1**

Turnover Rent

1 **DEFINITIONS**

Where in this Schedule the following words in bold type commence with capital letters they have the following meanings:

- 1.1 **Account Records** means full records of all sums received and paid in respect of the Tenant's trade and business at and from the Property including all books and other documents or records (including computer tapes, discs and other storage systems, cash registers, tapes, bank statements) which are or ought in the reasonable opinion of the Landlord to be kept by the Tenant for the purpose of ascertaining and verifying the Turnover and the Turnover Rent or which are or may in the reasonable opinion of the Landlord be relevant for such purpose;
- 1.2 **Affiliate** means any individual, company or other legal entity which owns or controls at least 15% of the issued share capital of the Tenant or GHM or a Group Company of the Tenant or GHM and shall include (i) Amanresorts Management BV (which company will be entering into a management agreement) with the Tenant under the Sveti Stefan Lease) or a Group Company of Amanresorts Management BV and (ii) a Group Company of the Tenant or GHM.
- 1.3 **GAAP** means generally accepted accounting principles in effect in the European Community.
- 1.4 **Permitted Deductions** means in respect of each Accounting Period the following deductions from Turnover:
- (a) allowances reasonably and properly made to customers in respect of defective or unsatisfactory goods or services;
 - (b) debts declared as being bad debts in the accounts of the Tenant in accordance with GAAP;
 - (c) sales or other similar taxes actually paid

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- (d) any gratuities or service charges added to customers' bills to the extent that they are passed on to the Tenant's employees in addition to their contractual remuneration;
- (e) reasonable discounts properly allowed in the normal course of business (to the extent that the full price paid by the customer for the discounted goods or services has been included in the calculation of Turnover);
- (f) any sum repaid or deducted from guests bills as a result of a billing error;
- (g) any sum properly paid to an underlessee of a Unit as a result of such Unit forming part of the hotel operation carried on at the Property for any part of an Accounting Period and in accordance with a unit management agreement entered into between the Tenant or GHM and the underlessee of such Unit.
- (h) receipts from the financing, sale or other disposition of capital assets and income derived from securities and other property acquired and held for investment;
- (i) the proceeds of any financing;
- (j) the initial operating funds and working capital loans and any other funds provided by the Tenant or a Group Company of the Tenant;
- (k) the value of any complimentary rooms, goods or services; and
- (l) any consideration received at the Hotel for hotel accommodation, goods and services to be provided at other hotels and not retained by the Tenant.

1.5 **Shortfall** means the amount (if any), in any Accounting Period by which the SS Guaranteed Rent exceeds the SS Turnover Percentage.

1.6 **Turnover** means in respect of each Accounting Period all sums of money and monetary value of all other consideration received or receivable by the Tenant or received or receivable by any Group Company of the Tenant or an Affiliate (whether

actually paid or payable to the Tenant or to a third party) in respect of the business carried on by the Tenant at the Property for that period, determined in accordance with GAAP and the Uniform System including but without limitation all gross sums generated from:

- (a) the operation of all banqueting, catering and room service functions at the Property;
- (b) the operation of any Facility;
- (c) rentals or other payments from Permitted Underlettings;
- (d) gains on foreign exchange conversion for guests;
- (e) loss of rent insurance;
- (f) damages received as a result of any claims for loss of rent;
- (g) any sum received in respect of a debt previously declared as bad;
- (h) all sums from the use and operation at the Property of any machinery and equipment placed in the Property;
- (i) all sums for services provided by the Tenant from facilities at the Property but which are performed at venues outside the Property (e.g. off-site catering);
- (j) all revenues relating to the Units including but not limited to rental payments and all commissions and net income received by GHM and/or the Tenant pursuant to clause 24.3, Premiums and/or any other consideration paid by underlessees of the Units but excluding the actual cost of maintaining the Units.

irrespective of the place where any contract is made by the Tenant but for the avoidance of doubt, Turnover cannot include any receipts relating to the sale of the Tenant's business of any part thereof;

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1.7 **Turnover Certificate** means a certificate signed by an independent chartered or certified accountant appointed by the Tenant certifying for the relevant Accounting Period:

- (a) the Turnover Income;
- (b) the amount of Turnover;
- (c) (where appropriate) Permitted Deductions;

1.8 **Turnover Income** means in any Accounting Period the Turnover less the Permitted Deductions;

1.9 **'Turnover Percentage'** means for each Accounting Period shall be 10% of the Turnover Income for the relevant Accounting Period inclusive of VAT.

1.10 **'Turnover Rent'** means the amount (if any) by which the Turnover Percentage exceeds the Guaranteed Rent as shown either in the Half Yearly Turnover Statement or in the Turnover Certificate (where applicable).

1.11 **'Uniform System'** means the latest addition of the Uniform System of accounts for the hotel industry (published by and revised from time to time by the Hotel Association of New York City Inc. or any of its successors);

2. **THE HALF YEARLY TURNOVER STATEMENT**

2.1 On each Half Yearly Day the Tenant shall submit to the Landlord a statement ("the Half Yearly Turnover Statement") showing:

- (a) The amount of Turnover Income for the Half Yearly Period just ended (the Previous Half Year); and
- (b) The Guaranteed Rent for the Previous Half Year; and
- (c) The Turnover Rent (if any) being the amount by which the Turnover Rent exceeds the Guaranteed Rent for the Previous Half Year.

2.2 The Half Yearly Turnover Statement shall be calculated on the basis of the monthly reports prepared by GHM in accordance with the terms of the Management Agreement and will include the amount of Turnover, Permitted Deductions and the Turnover Income for the Previous Half Year and will itemise all categories of Turnover and Permitted Deductions and shall be in a form reasonably satisfactory to the Landlord.

3. CALCULATION OF TURNOVER AND TURNOVER INCOME

3.1 In calculating the amount of Turnover:

(a) where any sum is payable in respect of more than one Accounting Period it shall be apportioned between the two periods in accordance with GAAP;

(b) an item of Turnover counted under one head is not to be counted to that extent under another head.

3.2 In calculating Turnover Income the only deductions to be made shall be the Permitted Deductions

3.3 For the purpose of the calculation of Turnover:

(a) Turnover shall include the turnover of any Facility irrespective of whether it is operated by the Tenant or GHM or a third party save that (i) if any Permitted Underletting has been entered into by the Tenant (other than a Permitted Underletting of a Unit or a Permitted Underletting entered into by an Affiliate) then only the rent and other payments due under the underlease from the underlessee shall form part of Turnover; and (ii) if any Concession Agreement has been entered into by the Tenant which does not relate to a Turnover Facility (other than any such Concession Agreement entered into by an Affiliate) then only the concession fee and other payments due under such Concession Agreement from the concessionaire shall form part of Turnover.

(b) A Premium paid by an underlessee of a Unit shall be amortised over the term of the underlease and shall form part of Turnover in equal instalments in each

Accounting Period throughout the term of the underlease. For example if the Premium paid by an underlessee for a Unit was Euros 500,000 and the term of the underlease was 25 years then, with regard to that Premium, the sum of Euros 20,000 will be allocated to Turnover in each Accounting Period for each of the 25 years of the term of the underlease. Provided that if the Premium (or any part of it) was paid by an underlessee of a Unit prior to the Rent Commencement Date then such Premium (or such part Premium) shall be deemed to form part of Turnover notwithstanding its payment prior to the Rent Commencement Date and shall be amortised over the term of the underlease as described in this sub-clause save that any amortised instalment of the Premium occurring prior to the Rent Commencement Date shall be accumulated and shall form part of Turnover in the first Accounting Period. If, therefore, in the example above, the Premium was paid in 2007 and the Rent Commencement Date occurred in 2009 then for each of the years 2007 and 2008 the sum of Euros 2,000 (10% of the amortised yearly instalment of Euros 20,000) will be accumulated and will form part of Turnover in the year 2009 being the First Accounting Period.

- 3.4 If during the Term the Tenant intends (subject to the Landlord's approval if required by the terms of this Lease) to install a new Facility or operate a new activity from the Property or from the beach coloured yellow on the Plan the Landlord and the Tenant shall, on or before such Facility or activity becomes open to the public agree whether or not such Facility or activity shall be deemed to be a Turnover Facility for the purposes of the calculation of Turnover and Turnover Income, failing which, either the Landlord or the Tenant may apply to the London Office of the firm Pannell Kerr Forster Associates ("the Expert") to decide the matter. In making his decision, the Expert shall be guided by the principles of GAAP and the Uniform System. The costs of the Expert and the proceedings shall be paid for as directed by the Expert. In the event the firm of Pannell Kerr Forster Associates cease to exist during the Term, then the Expert shall become the firm of BDO Stoy Hayward unless the Landlord and Tenant decide upon another firm.

4. ~~TURNOVER CERTIFICATE~~

- 4.1 Within 60 days after the end of each Accounting Period the Tenant shall deliver to the Landlord:
- (a) the Turnover Certificate;
 - (b) the Tenant's calculation of the Turnover Rent for that Accounting Period in accordance with this Schedule;
- 4.2 The Tenant covenants with the Landlord that the Tenant will procure that each Turnover Certificate will state accurately the Turnover Income, the amount of the Turnover and (where appropriate) Permitted Deductions.
- 4.3 In the absence of manifest error (but subject to the Landlord's right to challenge following an audit or inspection in accordance with paragraph 6) the Turnover Certificate shall be final.

5. ACCOUNTS

- 5.1 The Tenant must keep the Account Records
- 5.2 The Tenant shall keep safely at the Property or in such other place reasonably accessible for inspection as the Landlord shall approve (such approval not to be unreasonably withheld) the Account Records from time to time relating to the then current Accounting Period and the three immediately preceding Accounting Periods and shall permit the Landlord and its accountants and employees to inspect them and take copies no more than twice a year.
- 5.3 The Landlord may at its discretion require the Account Records to be audited by a chartered accountant or certified accountant appointed by the Landlord and if it is established by such audit that the Turnover for any year of the Term has been understated by more than 3% or the Permitted Deductions overstated by more than 3% then the cost of the audit shall be borne by the Tenant and paid by the Tenant to the Landlord within 21 days of demand

5.4 If it appears from any such inspection or audit or from any other circumstance that any further Turnover Rent is payable or that any Turnover Rent should be refunded to the Tenant then such Turnover Rent shall be paid by the Tenant to the Landlord or such Turnover Rent shall be refunded by the Landlord to the Tenant (as the case may be) within 21 days of demand together with Interest.

6. DETERMINATION OF DISPUTES

6.1 If any dispute shall arise between the Landlord and the Tenant as to the amount of Turnover Income such dispute shall be determined on the application of either party by a chartered accountant acting as an arbitrator to be nominated in default of agreement by the President or other chief officer or acting chief officer for the time being of the Institute of Chartered Accountants in England and the following provisions shall apply:

6.2 The arbitrator shall within three months of his appointment or within such extended period as the Landlord may agree give to the Landlord and the Tenant written notice of the amount of his award as determined by him but if he does not or if for any reason it becomes apparent that he will not be able to complete his duties in accordance with his appointment the Landlord and the Tenant may agree upon or either of them may apply for the appointment of another arbitrator (which procedure may be repeated as often as necessary) pursuant to the provisions of this paragraph.

7. LATE ASCERTAINMENT OF TURNOVER RENT

7.1 If the Turnover Rent is not calculated and tendered within 90 days after the end of each Accounting Period in accordance with paragraph 5 of this Schedule then the Tenant must pay to the Landlord a sum equal to the Turnover Rent for the previous Accounting Period on account.

7.2 Within 21 days of the Tenant complying with its obligations in paragraph 4 of this Schedule and ascertaining the Turnover Rent actually due for the Accounting Period:

- (a) the Tenant shall pay to the Landlord any underpayment, or
- (b) the Landlord shall pay to the Tenant any overpayment

PART 2

'Aggregation Certificate'

8. EXCESS RENT

8.1 On each Half Yearly Period the Tenant shall submit to the Landlord a statement ("the Aggregation Statement") showing, in respect of such Half Yearly Period, the following:

- (a) The Aggregated Guaranteed Rent;
- (b) The Aggregated Percentage Turnover;
- (c) The maximum aggregated rent payable under both leases in accordance with Clause 2.4;
- (d) The total of the Guaranteed Rent, the Turnover Rent and the SS Guaranteed Rent actually paid for such Half Yearly Period;

8.2 The amount (if any) by which the total of the rents actually paid and described in (d) above exceed the maximum aggregate rents payable under (c) above, shall be the Excess Rent. The Landlord and the Tenant acknowledge that Excess Rent can only arise when, for any Half Yearly Period, a Turnover Rent is paid under this Lease and there is a Shortfall under the Sveti Stefan Lease. An example of the calculation of Excess Rent pursuant to this paragraph is attached as an Exhibit to this Schedule.

8.3 The Aggregation Statement for the second of the Half Yearly Periods ending 31 December shall also reflect the rents and the Aggregate Percentage Turnover referred to in sub-clauses 8.1 (a)-(d) above for the whole of the Accounting Period in which the second Half Yearly Period occurs and shall also take into account any Excess Rent paid in the earlier Half Yearly Period of such Accounting Period.

8.4.1 Within 60 days after the end of each Accounting Period an independent chartered or certified accountant appointed by the Tenant shall prepare a certificate ("the

Aggregation Certificate”) showing, in respect of such Accounting Period, the following:

- (a) The Aggregated Guaranteed Rent;
- (b) The Aggregated Percentage Turnover;
- (c) The maximum aggregated rent payable under both Leases in accordance with Clause 2.4;
- (d) The total of the Guaranteed Rent, Turnover Rent and SS Guaranteed Rent actually paid for such Accounting Period.

8.4.2 The Tenant covenants with the Landlord that the Tenant will procure that each Aggregation Certificate will state accurately the Aggregated Guaranteed Rent and the Aggregated Percentage Turnover for such Accounting Period.

8.4.3 In the absence of manifest error (but subject of the Landlord’s right to challenge following an audit or inspection in accordance with paragraph 6 of this Schedule) the Aggregation Certificate shall be final.

9. END OF TENANCY

The provisions of this Schedule will survive the End of the Term in respect of the period up to the End of the Term.

EXHIBIT TO SCHEDULE 6

EXAMPLE OF CALCULATION OF EXCESS RENT

	Sveti Stefan	Queens Beach	Aggregated / Total
Revenue	13,000,000	7,000,000	20,000,000
Guaranteed Rent	1,600,000	500,000	2,100,000
Percentage Turnover Rent	1,300,000	700,000	2,000,000
Initially Paid Rent	1,600,000	700,000	2,300,000
Maximum Aggregated Rent (to be paid in toto)			2,100,000
Excess to be Offset			200,000

(a) Aggregated Guaranteed Rent 2,100,000

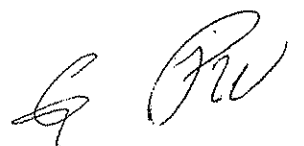
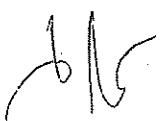
(b) Aggregated Percentage
Turnover 2,000,000

(c) Maximum Aggregated Rent
(greater of (a) and (b)) 2,100,000

(d) Total of (1) Queens Guaranteed
Rent or Turnover Rent (which-
ever paid) and (2) Sveti Stefan
Guaranteed Rent 2,300,000

(e) EXCESS RENT – Excess of
Total Guaranteed Rent (d) over
Maximum Aggregated Rent (c) 200,000

(payable by HTP Milocer to the
Tenant under the QB Lease)



SCHEDULE 7

Description of the Works

The Tenant shall, prior to the Effective Date, provide a description of the Works which shall include the following information to the Landlord regarding the resort that is to be built on the Property. The information to be provided shall be considered preliminary in nature, subject to revision and change. For the avoidance of doubt, this information need not be sufficient in scope for the application for, or granting of, permits and licences but rather shall be solely for the purpose of providing the Landlord with a better understanding of the scale, scope, physical characteristics, facilities, operating style and standards, guest experience and market positioning to be offered by the proposed resort, through the provision of the following information:

Facilities - A concept statement for the Property, offering a sense of the intended ambiance and style of design and decoration of the public and residential areas of the Property, including the style of materials and textures to be utilized. A description of specific facilities, such as the number, size and general configuration of rooms; the style, purpose and general concept of dining and entertainment outlets; the type and scale of sporting and recreational facilities; the concept, facilities and services of the spa and wellness center; meeting and conference space and facilities; parking; and approximate staffing levels and staff accommodations and services.

Operating Style and Guest Experience - A description of the distinguishing characteristics of the guest experience, including key service features and style; service levels and amenities (i.e. 24 hour room service, concierge services, valet parking, etc.), and a description of the manner and extent to which the Property will draw from the history, culture and style of Montenegro in its concept, design and operation.

Market Positioning - A description of the market positioning of the Property, particularly vis-a-vis the other resorts in the area (including the property to be known as the The Aman at Sveti Stefan). A summary of primary and secondary geographic, demographic and psychographic target markets, a broad estimate of the magnitude of each of these markets, and

the sales and marketing tools, resources and techniques to be utilized in maximising the proposed resort's revenue.

SCHEDULE 8

Business Sale Agreement

Dated

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[.....]

and

Agreement

relating to the sale of the business carried on at
[*Insert relevant hotel*]

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Contents

- 1 Definitions and Interpretations
- 2 Sale and Purchase
- 3 Purchase Price
- 4 Stock
- 5 Completion
- 6 Debtors and Creditors
- 7 Contracts
- 8 Employees
- 9 Apportionments
- 10 Transfer of Licences / Permits
- 11 Conduct of Claims
- 12 Interest
- 13 Warranties
- 14 Miscellaneous

Schedule 1 – The Employees

Schedule 2 – The Contracts and Hire Agreements

Schedule 3 - The Accounts

Schedule 4 – Rates and Other Outgoings

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Agreement

Dated 20[]

Between

- (1) [.....] (company number []) whose registered office is at [...](‘the Vendor’); and
- (2) [.....] (company number [..]) whose registered office is at [...] (‘the Purchaser’);

Recitals

- (A) The Vendor operates the Business at the Property (all as hereinafter defined).
- (B) The Vendor has agreed to sell and transfer to the Purchaser and the Purchaser has agreed to purchase the Assets (all as hereinafter defined and described) on the terms and conditions hereinafter appearing.

It is agreed:

Definitions and Interpretations

In this Agreement and the Schedules hereto (unless the context otherwise requires) :-

Advance Bookings	means advance bookings and reservations in effect at Completion by guests and other third parties in respect of accommodation, conference, banqueting and other facilities available at the Property and which are either listed in Schedule 2 or have otherwise been made known to the Purchaser prior to Completion;
Apportionments	means the total of all the adjustments to be made as between the Vendor and the Purchaser pursuant to clause 9 thereof;
Assets	means the Goodwill, the benefit of the Contracts, the Stock and the Cash Floats;

the Business	means the business of an hotelier carried on under the Business Name in the Property at Completion.
the Business Name	means the [<i>Queens Beach Hotel</i>];
Business Records	means all books and records including, without limitation, documents and other material (including all forms of computer or machine readable material), containing or relating to the Business save for GHM Proprietary Assets;
Cash Floats	means the cash floats at the Property on Completion which are to be paid for by the Purchaser in accordance with clause 5.2,
Completion	means actual completion of the sale and purchase of the Assets whether or not the same occurs on the date specified in the definition of the Completion Date which appears below;
Completion Date	means 12 noon on the ● day of ● 20[];
Contracts	Means (i) those contracts listed or described in Schedule 2 and (ii) contracts relating to bookings and reservations by guests and other third parties in respect of accommodation, conference, banqueting and other facilities available at the Property (including Advance Bookings) current at Completion and which are either listed in Schedule 2 or have otherwise been made known to the Purchaser prior to Completion (iii) all contracts for the supply of Stock ordered in the ordinary and normal course of business prior to Completion but not delivered until after Completion and which are either listed in Schedule 2 or have otherwise been made known to the Purchaser prior to Completion but excluding obligations in respect of the amount owed to the Vendor by debtors as at Completion;

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Debts	means in relation to the Vendor the aggregate amount owed to it in connection with the Business;
Employees	means the employees of the Vendor engaged in the Business set out in Schedule 1;
Excluded Assets	means any assets referred to in clause 2.2 all of which are excluded from the sale and purchase of the Assets;
FF&E	means in relation to the Business all moveable plant, machinery, equipment, loose tools, fittings, furniture, partitioning, decorations and other contents and effects (except Stock) included in the Inventory attached to this Agreement
GHM	means a group of companies whose shares are held or beneficially owned in whole or in part, and whether directly or indirectly, by [] or any subsidiary (whether or not wholly owned) thereof;
GHM Proprietary Assets	means any item (including uniforms, cutlery, china, glasswear, brochures and directories) at the Property that carries the "GHM" name and logo or other proprietary software, operating and other manuals, personal guest history, records and the like that are associated with hotel operations by GHM;
Goodwill	means the goodwill (if any) of the Vendor in relation to the Business excluding the right to use the name "GHM" in respect of the Business

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Guest Ledger Balances	means all accrued amounts receivable as at the Completion Date from the guests of the Business in occupation of the Property on Completion (other than amounts for which accounts have been rendered in respect of services provided in the course of the Business up to that date which shall be treated as debtors whether or not they are also by then due) in respect of accommodation goods consumable services or other facilities provided in the course of the Business up to Completion;
Guest and Third Party Property	means all property and assets (including cash) at the Property at Completion which belong to third parties and are given into the custody of the Purchaser in consequence of the implementation of this Agreement (including without limitation the contents of the safes and safe deposits and the personal effects of the employees or guests of the Business);
Hire Agreements	means leasing hire and maintenance hiring hire purchase credit sale conditional sale equipment loan arrangements maintenance service and all similar agreements relating to items used in the Business and current at Completion as are listed and/or described in Schedule 2 or which have been made known to the Purchaser prior to completion;
Independent Valuer	means an independent valuer nominated at the request of either of the parties hereto by []. Such valuer to be skilled in licensed stock valuation and sale of hotels and licensed premises and to act as an expert and the fees of such expert to be borne by the Purchaser;
Liability to Creditors	means in relation to the Vendor the aggregate amount owed by it in connection with the Business;

Prepayments and Accruals	means the amount of any payments (excluding rates) made by the Vendor in respect of the Property the Business and the Assets to the extent that such payments relate to the period following Completion where the Purchaser will receive the benefit of such prepayments;
Property	means <i>The land and Property known as The Queens Beach Hotel</i>
Purchaser's Lawyers	[];
Stock	means all useable stocks of unconsumed, unopened, consumable items and consumable stores supplied for the Business (which are unused and owned beneficially by the Vendor and held at the Property in connection with the Business at Completion;
Vendor's Lawyers	means [];

- 1.2 Reference to any statute or statutory provision includes a reference to:-
- 1.2.1 that statute or statutory provision as amended extended or re-enacted or consolidated; and
- 1.2.2 all statutory instruments or orders made pursuant to it prior to the date of this Agreement.
- 1.3 Words denoting the singular number only shall include the plural and vice versa words denoting any gender include all genders and words denoting persons shall include firms and corporations and vice versa words denoting any gender include all genders and words denoting persons shall include firms and corporations and vice versa.
- 1.4 Unless the context otherwise requires reference to any clause sub-clause or Schedule is to a clause sub-clause or Schedule (as the case may be) of or to this Agreement.
- 1.5 The headings in this Agreement are inserted for convenience only and shall not affect the construction or interpretation thereof.

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2 Sale and Purchase

- 2.1 Subject to the provisions of this Agreement the Vendor with full title guarantee shall sell and transfer to the Purchaser and the Purchaser shall purchase the Cash Floats, Stock, the benefit and burden of the Contracts, the Business Records and the Goodwill and will take over the Business as a going concern in every case free from all liens charges and encumbrances as at and with effect from Completion.
- 2.2 For the avoidance of doubt it is hereby agreed and acknowledged by the parties that there shall be specifically excluded and excepted from the sale and purchase hereby agreed:-
- 2.2.1 all cash in hand (other than the Cash Floats) at the bank or in transit thereto in connection with the Business;
- 2.2.2 all Debts (including the Guest Ledger Balances) up to and including the actual day of Completion;
- 2.2.3 all Liabilities to Creditors in relation to the Business up to and including the actual day of Completion;
- 2.2.4 any amounts recoverable by the Vendor in respect of any taxation paid or payable by it in connection with matters or events occurring on or before Completion;
- 2.2.5 the benefit of any insurance claims against the insurers of the Vendor in respect of all matters occurring or arising prior to Completion except where and so far as such claim's relate to damage to the Property or damage to or loss of any item of FF&E to be purchased by the Purchaser in accordance with Clause 4.5 which has not been rectified prior to Completion;
- 2.2.6 all Guest and Third Party Property and the property of suppliers of gas water electricity and telephone;
- 2.2.7 the FF&E save for such items of FF&E purchased in accordance with Clause 4.5;
[Note: The FF&E save for the GHM Proprietary Assets will be transferred to the Purchaser at no cost if the Lease is terminated in accordance with Clause 28.]

3 Purchase Price

- 3.1 The total consideration payable by the Purchaser hereunder (other than in respect of the Cash Floats, Stock and the Apportionments) shall be the sum of 2€ and which is apportioned as to:-

The benefit and burden of the Contracts	€1.00
The Goodwill:	<u>€1.00</u>
Total	€2.00

4 Stock

- 4.1 On Completion the Vendor will sell and the Purchaser will purchase the Stock on the basis of the lower of (i) its net realisable value and (ii) its cost to the Vendor such value to be agreed between the parties or in default of agreement as set out in clause 9 below.
- 4.2 For the avoidance of doubt Stock shall not include any stock that has perished or is out of date or is otherwise unusable.
- 4.3 Completion shall not be delayed on the ground that the valuation of the Stock has not been agreed or determined.
- 4.4 Payment for the Stock shall be made in accordance with clause 5.2 below.
- 4.5 On Completion the Purchaser will have the option to purchase all or any part of the FF&E (save for those items of FF&E which form part of GHM's Proprietary Assets) at a price equivalent to the lower of (i) the book value of such items of FF&E and (ii) the price paid for such items of FF&E by the Vendor such option to be exercisable on or before the Completion Date and if not exercised by the Completion Date such option shall be deemed to have lapsed. *Note: The FF&E save for the GHM Proprietary Assets will be transferred to the Purchaser at no cost if the Lease is terminated in accordance with Clause 28.]*

5 Completion

- 5.1 The sale and purchase of the Assets shall be completed at the office of the Vendor's Lawyers at 12 noon on the Completion Date when all the following matters of this clause shall be effected.
- 5.2 The Purchaser shall pay to the Vendor's Lawyers by way in cash or other means previously approved in writing by the Vendor's Lawyers the Purchase Price plus the Cash Floats and the value of the Stock as determined pursuant to clause 4.1 and, if applicable, the value of those items of FF&E purchased or to be purchased by the Purchaser in accordance with clause 4.5 and the other Apportionments unless agreement has not been reached as to the value thereof when the Purchaser shall pay the sum of [€] on account of the purchase price of the Stock, the items of FF&E to be purchased and other Apportionments such sum to be held by the Vendor's Lawyers pending settlement of the price for the Stock, the items of

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FF&E to be purchased and the other Apportionments and (if applicable) the balance of the purchase price of the Stock, the items of FF&E to be purchased and other Apportionments shall be paid to the Vendor's Lawyers within 7 days of agreement being reached or the Independent Valuer's decision being notified to the parties or (if appropriate) a refund shall be made by the Vendor's Lawyers to the Purchaser within such period. *Note: The FF&E save for the GHM Proprietary Assets will be transferred to the Purchaser at no cost if the Lease is terminated in accordance with Clause 28.]*

5.3 At completion the Vendor shall deliver or cause to be delivered to the Purchaser or the Purchaser's Lawyers

5.3.1 [the FF&E]

5.3.2 all social security, contracts of employment and other employment records relating to all Employees duly completed and up to date;

5.3.3 such executed documents as shall be necessary or appropriate to complete the sale and purchase of the Business and vest title in the Purchaser including, if required by the Purchaser, a transfer of the Goodwill;

5.3.4 the Business Records; and

5.3.5 a list of Advanced Bookings

5.4 Save as expressly set out in this Agreement nothing in this Agreement shall make the Purchaser liable in respect of anything done or omitted to be done before Completion in the course of or in connection with the Business, and the Vendor shall indemnify the Purchaser in respect of anything so done or omitted to be done.

5.5 Save as expressly set out in this Agreement nothing in this Agreement shall make the Vendor liable in respect of anything done or omitted to be done after Completion in the course of or in connection with the Business, and the Purchaser shall indemnify the Vendor in respect of anything so done or omitted to be done.

6 Debtors and Creditors

6.1 The Vendor or its duly authorised agent shall be entitled to collect for its own account the Debts and discharge the Liability to Creditors and all other liabilities and obligations owed by the Vendor as at Completion and without limitation to the foregoing shall pay, satisfy and discharge all (if any) debts payable by and claims outstanding against it in respect of wages (including accrued holiday pay) and to indemnify the Purchaser at all times from and against any and all claims, actions, proceedings, demands, liabilities, costs and expenses reasonably incurred

by the Purchaser in connection with any Liability to Creditors and/or such other liabilities and obligations owed by the Vendor.

- 6.2 The Purchaser shall promptly upon receipt account to the Vendor for any sums received at the Property in payment for any Debt and shall permit the Vendor or its authorised agent or its accountant to inspect the sales ledgers of the Business at any reasonable time for up to 12 months after Completion for the purpose of checking the receipt of any such payments where there is a dispute relating to a Debt. If the Purchaser shall receive any Debts such monies shall be paid promptly to the Vendor or its authorised nominee and until such monies are so paid they shall be kept separate from the Purchaser's own monies and held in trust for the Vendor.
- 6.3 The Vendor shall account to the Purchaser for all advance payments made in respect of any orders bookings or other matters which shall occur or relate to the period after Completion and supply details of the same to the Purchaser on or prior to Completion and the Purchaser shall use its reasonable endeavours to honour such orders bookings or other matters.

7 Contracts

- 7.1 The Vendor warrants and confirms to the Purchaser that there are no material Contracts or Hire Agreements entered by the Vendor relating to the supply of services or goods or the rental or maintenance of the FF&E or plant and machinery or relating to any other matter in connection with the operation of the Business which are for the benefit of the Business which have not been made known to the Purchaser prior to Completion or which are not listed in Schedule 2.
- 7.2 Subject to clause 7.4.1, after Completion the Purchaser shall perform the obligations and discharge the liabilities of the Vendor under the Contracts and Hire Agreements except to the extent that such liability or obligation is attributable to a default or breach by the Vendor prior to Completion.
- 7.3 The Vendor shall indemnify and keep indemnified the Purchaser against any liability arising out of, or as a consequence of the performance of the Vendor's obligations under each Contract or Hire Agreement to the extent that such liability is attributable to any event, act, default or omission of the Vendor prior to Completion.
- 7.4 If any of the Contracts or Hire Agreements cannot be transferred to the Purchaser except by an assignment made with the consent of another party, then the following provisions shall apply:-
- 7.4.1 this agreement shall not constitute an assignment or an attempted assignment of the Contract or Hire Agreement if the assignment or attempted assignment would constitute a breach of the Contract or Hire Agreement;

- 7.4.2 both before and after Completion the parties shall use their respective reasonable endeavours to obtain the consent of the other party to the assignment, of the Contract or Hire Agreement;
- 7.4.3 until the consent is obtained, the Vendor shall at the sole cost and risk of the Purchaser do all such acts and things as the Purchaser may reasonably require to enable due performance of the Contract or Hire Agreement and to provide for the Purchaser the benefits of the Contract or Hire Agreement (including enforcement at the cost and for the account of the Purchaser of any right of the Vendor against the other party to the Contract or Hire Agreement arising out of its termination by the other party or otherwise).
- 7.5 The Vendor will, if reasonably requested by the Purchaser, take all such steps as the Purchaser shall reasonably require to enforce any claim and cost against any third party concerned in respect of a breach or default by such third party in relation to any aspect of the Business or to any of the Contracts or Hire Agreements.
- 7.6 The Purchaser shall fulfill all outstanding requirements under the Contracts (including the Advance Bookings) as at the date of Completion and shall keep the Vendor fully and effectually indemnified against all liability directly or indirectly with or arising in connection therewith.

8 Employees

- 8.1 The Vendor shall use reasonable endeavours to retain the services of each of the Employees to the intent that their respective contracts of employment shall be continued until Completion and then be transferred to the Purchaser in accordance with the regulations and laws of Montenegro.
- 8.2 All wages salaries and other emoluments and benefits relating to the Employees shall be borne by the Vendor up to the Completion Date and all necessary apportionments shall be made in accordance with clause 9.2.2.
- 8.3 The Purchaser shall indemnify the Vendor against each and every cost claim liability expense or demand arising from:-
- 8.3.1 any claim or allegation by an Employee that following the sale of the Business to the Purchaser there has been or will be a substantial change in such Employee's working conditions to his detriment; and
- 8.3.2 any act of omission of the Purchaser in relation to an Employee occurring after Completion and against any claim for redundancy payments or protective awards and any liability for wrongful dismissal or otherwise in connection with the transfer of the employment of the Employees to the Purchaser.

- 8.4 The Vendor shall indemnify the Purchaser against each and every cost claim liability expense or demand which relates to or arises out of any act or omission by the Vendor or any other event or occurrence prior to the date of Completion and which the Purchaser may incur in relation to any contract of employment concerning the Employees pursuant to the regulations and laws of Montenegro including without limitation any such matter relating to or arising out of:
- 8.4.1 the Vendor's rights powers duties and/or liabilities under or in connection with any such contract of employment (which rights powers duties and/or liabilities are or will be transferred to the Purchaser);
 - 8.4.2 anything done or omitted before the date of Completion by or in relation to the Vendor in respect of any contract of employment or any person employed in the Business which is deemed to have been done or omitted by or in relation to the Purchaser;
 - 8.4.3 the Vendor's failure to pay any Employee any sums due in respect of the period prior to Completion to the extent that the sum has not been accounted for in the Apportionments.
- 8.5 The Vendor shall discharge and indemnify the Purchaser against all costs claims liabilities expenses and demands arising from all dismissals by the Vendor of any person previously employed by the Vendor in the business whose contracts of employment are terminated prior to the date of Completion whether for redundancy or otherwise.

9 Apportionments

- 9.1 The Vendor shall use reasonable endeavours to procure that on or immediately prior to Completion readings are taken of the gas electricity and where relevant water meters at the Property and that the Cash Floats are counted in the presence of a representative of the Purchaser who attends at the Property for this purpose and that the relevant gas water electricity and telephone companies and local authorities are informed of the change of ownership of the Property and are requested to produce bills in respect of the period ending on the Completion Date or as appropriate in accordance with the meter readings taken;
- 9.2 On Completion the Vendor and the Purchaser shall endeavour to agree the following and shall make financial adjustment accordingly for:-
- 9.2.1 The Prepayments and Accruals;
 - 9.2.2 any apportionments in respect of wages and salaries and other emoluments and benefits of the Employees;
 - 9.2.3 the Cash Floats (to be bought at par by the Purchaser);

- 9.2.4 the value of the Stock in accordance with clause 4.1;
- 9.2.5 the cost (to be borne by the Vendor) of laundering linen used prior to Completion;
and
- 9.2.6 any deposits paid in relation to Advanced Bookings.
- 9.2.7 the value of the items of FF&E to be purchased by the Purchaser;
- 9.3 In relation to unpaid Guest Ledger Balances:-
- 9.3.1 the Purchaser shall deliver an account to the guest in the ordinary course of business and shall within 30 days of the Completion Date pay to the Vendor an amount equal to the aggregate of those Guest Ledger Balances in respect of which an account has been rendered and has been paid the remaining Guest Ledger Balances (if any) will be paid by the Purchaser to the Vendor within seven days of receipt by the Purchaser of payment from the relevant guest.
- 9.4 In relation to the valuation of Apportionments:-
- 9.4.1 if the parties hereto cannot agree upon the valuation of the Apportionments on Completion then the provisions of clause 9.4.2 shall apply; and
- 9.4.2 a valuation of such of the Apportionments as cannot be agreed between the parties shall be made by the Independent Valuer within 7 days of his appointment or within such further reasonable time as may be required to complete the said valuation and shall be made at the joint expense of the parties (unless the Independent Valuer shall otherwise direct).

10 Transfer of Licence/Permits

[include provisions relating to the transfer of any licences/permits(e.g. hotel or restaurant licences, licences to serve alcohol etc) required under the laws of Montenegro]

11 Conduct of Claims

If any claim is received by or comes to the notice of the Purchaser or the Vendor (the **Indemnified Party**) (including notice of circumstances likely to give rise to a claim) for which the other party to this Agreement (the **Indemnifier**) may be liable hereunder the Indemnified Party shall:

- (a) as soon as reasonably practicable give written notice of each such matter to the Indemnifier;

- (b) not make any admission of liability or compromise with any person body or authority in relation thereto without prior agreement of the Indemnifier (such agreement not to be unreasonably withheld, conditioned or delayed);
- (c) give the Indemnifier and their professional advisers reasonable access to the premises and personnel of the Indemnified Party and to any relevant accounts documents and records within its power, possession or control to enable the Indemnifier and its professional advisers to examine such claim accounts documents and records and to take copies thereof at their own expense;
- (d) take such action as the Indemnifier may reasonably request to assist or pursue or defend such claim or to compromise the same and permit the Indemnifier either in its own name or in the name of the other Indemnified Party or in both names to conduct or defend any proceedings brought against the Indemnified Party PROVIDED THAT the Indemnifier shall indemnify and secure the Indemnified Party to its reasonable satisfaction against any liability, costs, damage or expenses which may be incurred thereby.

12 Interest

In the event that any sum due by any one party to this agreement (the Payer) to another party (the Payee) shall not be received in cleared funds within 30 days after the date such sum became due interest shall be payable by the Payer to the Payee at the rate of the Eurolibor for the time being in force calculated for the period commencing on the due date for payment and ending on the date the sum (and the interest) is received in cleared funds.

13 Warranties

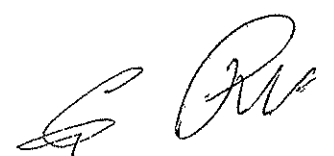
The Vendor represents warrants and undertakes to and with the Purchaser and its successors in title that:

- 13.1 information contained in the accounts set out in or referred to in Schedule 3 fairly represents the state of the affairs of the Business as at the relevant dates;
- 13.2 that there are no rates or taxes, charges or other outgoings assessed, charged or imposed upon the Property at the date of this Agreement other than those set out in Schedule 4 and utility services.

14 Miscellaneous

- 14.1 Each of the parties hereto hereby appoints its respective solicitors as its agents to accept service of any documents required to be served upon it for the purpose of this Agreement as well as during any proceedings.
- 14.2 Any notice pursuant to this Agreement shall be in writing signed by some person duly authorised by the party giving it and may be served by delivering it to a responsible person (who gives a receipt for the same) at or sending it by prepaid recorded delivery or registered post to the respective solicitors of the parties hereto or to their respective registered offices. Any notice so served by post shall be deemed to have been served 72 hours from the date of posting (unless the contrary is proved) and in proving such service it shall be sufficient to prove that the notice was properly addressed and posted as aforesaid.
- 14.3 The terms of this Agreement shall remain in full force and effect notwithstanding Completion.
- 14.4 The transaction contained in this Agreement shall be completed as a whole and not in part only.
- 14.5 It is not intended that any third party shall in any way benefit from or acquire any rights under this Agreement.
- 14.6 The Vendor shall not be required to transfer the Assets to any party other than the Purchaser.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first before written.



Schedule 1- The Employees

Name of Employee							
Sex							
Salary							
Number of Average Weekly Hours							
Position							
Date of Commencement of Employment							
Benefits (such as life assurance, healthcare, accident protection, bonus arrangements etc.)							

Name of Employee							
Sex							
Salary							
Number of Average Weekly Hours							
Position							
Date of Commencement of Employment							
Benefits (such as life assurance, healthcare, accident protection, bonus arrangements etc.)							

Name of Employee							
Sex							
Salary							
Number of Average Weekly Hours							

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Position							
Date of Commencement of Employment							
Benefits (such as life assurance, healthcare, accident protection, bonus arrangements etc.)							

Name of Employee							
Sex							
Salary							
Number of Average Weekly Hours							
Position							
Date of Commencement of Employment							
Benefits (such as life assurance, healthcare, accident protection, bonus arrangements etc.)							

Name of Employee							
Sex							
Salary							
Number of Average Weekly Hours							
Position							
Date of Commencement of Employment							
Benefits (such as life assurance, healthcare, accident protection, bonus arrangements etc.)							

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SCHEDULE 2 – The Contracts and Hire Agreements

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SCHEDULE 3 - The Accounts

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SCHEDULE 4 – RATES AND OTHER OUTGOINGS

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Signed on behalf of)
The Vendor)
by a duly authorised signatory)

Signed on behalf of)
The Purchaser)
by a duly authorised signatory)

SCHEDULE 9

The Form of Management Agreement

GENERAL HOTEL MANAGEMENT LIMITED

MANAGEMENT AGREEMENT



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MANAGEMENT AGREEMENT

THIS AGREEMENT dated this [] day of [], 200[], by and between [], a [] company (hereinafter called "Owner"), and GENERAL HOTEL MANAGEMENT LTD, a company incorporated with limited liability in the British Virgin Islands (hereinafter called "Operator"),

WITNESSETH

WHEREAS, Owner leases certain property containing approximately [] hectares of land in [] ("Site"), a description of which is attached as Exhibit "A" under the terms and conditions of a lease granted by HTP Milocer AD and dated [] ("the Lease"); and

WHEREAS, Owner plans to [renovate], develop, own and operate a [] room, world class luxury/deluxe/superior hotel reflective of GHM's standards, and guest expectations, of high quality facilities, operations and services comparable to small scale GHM hotels and resorts and which, so far as feasible, will bear the distinctive character and traditions of [country] ("GHM standards"), together with restaurant, bar, spa and ancillary amenities and facilities to be known as [] ("Hotel"); and

WHEREAS, Owner plans to develop, construct and manage residences, lots, fractionalized interests and/or membership interests therein (the "Units") on the Site. The Hotel and the Units are jointly referred to as the "Project" herein; and

WHEREAS, Operator and its affiliates have established an international group of hotels and resorts and have developed a recognized standard of high quality by which hotels of GHM Group are distinguished; maintain this image as well as the substantial goodwill they have created through an annual worldwide program of marketing and promotion; have developed a worldwide network of commercial resources; and have at their disposal an international system of reservations, permitting Operator to direct to its hotels an important segment of the tourist market; and

WHEREAS, Operator, as a result of the foregoing, has developed expertise in the development and operation of hotels and resorts, including, but not limited to, designing, constructing, decorating, promoting, advertising and providing quality lodging, services and programs, purchasing supplies and equipment, selecting and training

personnel, making repairs and performing other functions required to maintain and manage world class hotels; and

WHEREAS, Owner, in reliance upon the expertise and experience of Operator, desires to retain Operator as an independent contractor to operate the Hotel (as hereinafter defined) on the Site and to assist in the design, [renovation,] construction and development thereof; and

WHEREAS, Owner desires to use Operator's trade name, service mark and trademark and to benefit from its marketing, reservation and management resources thereof; and

WHEREAS, Owner desires and Operator agrees to provide Owner during the period of the design, planning, construction, furnishing, equipping and decorating of the Hotel, with Operator's standards and all necessary technical assistance and to perform on behalf and for the account of Owner the preliminary duties to be performed prior to the opening of the Hotel, as well as the marketing and the management of the Hotel after the opening thereof; and

WHEREAS, Owner agrees to have the Hotel [constructed/renovated], furnished, equipped and decorated in agreement with Operator's standards, and in substantial compliance with the preliminary plans and specifications which have been heretofore approved by Owner and Operator.

NOW, THEREFORE, the parties hereby covenant and agree as follows:

DEFINITIONS AND INTERPRETATION

The terms hereinafter set forth shall for the purposes of this Agreement or any other related supplementary or amending documents have the following meanings which are hereby accepted by both parties to this Agreement:

(1) Hotel shall mean the Site and the Structures, as well as the Furniture, Fixtures and Equipment and the Operating Equipment which may be used therein or become a part thereof, all such terms being hereinafter defined. The term "Hotel" shall also mean the business operations conducted pursuant to this Agreement.

(2) Site shall mean the land described in Exhibit A attached hereto, as well as all attendant active or passive easements.

(3) Structures shall mean the aggregate of the hotel building and facilities, including the items set forth in Article 1.2 hereof, which are items of real estate property by nature or by designation, as well as all the appurtenances and equipment to be made

a part thereof, such as, among other things: heating system, air conditioning system, all plumbing and electrical equipment, outdoor and indoor signs, elevators and the like.

(4) Project shall mean the planning, development, [renovation,] construction, furnishing and decorating of the Hotel, spa, and the residential real estate development on the Site.

(5) Furniture, Fixtures and Equipment (or F.F.E.) shall mean all the furniture, office equipment, decoration (whether fixed or removal), kitchen and laundry equipment, and all the equipment and materials located in the Structures other than those defined hereinafter as Operating Equipment.

(6) Operating Equipment (or O.E.) shall mean all the small items utilized in the operation of the Hotel, such as: silver, linen, china, glassware, engineering tools, small kitchen utensils and uniforms, without such list being limiting.

(7) Uniform System shall mean the latest edition (as amended from time to time) of the "Uniform System of Accounts for the Lodging Industry", as published by the Educational Institute of the American Hotel & Motel Association and the Hotel Association of New York City, Inc.

(8) Fiscal Year shall mean the period of twelve (12) months, starting on the first day of January and ending on the 31st day of December. As an exception, the first such Fiscal Year shall commence on the Opening Date (as defined herein) and shall end on the succeeding 31st day of December.

(9) The Independent Public Accountant or "Expert" shall mean the firm of certified public accountants chosen jointly by both parties to this Agreement from among the specialized firms of international standing in the field of Hotel accounting and auditing.

(10) Gross Revenues shall mean all receipts, revenues and income of any kind resulting or derived directly or indirectly from the operation of the Hotel and from all its ancillary departments, including without limitation, rents and other compensations and all the income from concessions paid to the Hotel by third parties. Notwithstanding the foregoing, the term "Gross Revenues" shall exclude (i) all taxes of any kind whatsoever collected or received by Operator in connection with the operation of the Hotel, (ii) gratuities to employees if separately itemized on the customer's bills or checks, (iii) security deposits or other amounts received from tenants or guests to compensate for damage to or loss of all or portions of the Hotel, and (iv) insurance proceeds (excluding business interruption insurance), proceeds from mortgage financing or refinancing,

proceeds from the sale, exchange, condemnation or other disposition of all or any part of the Hotel, or any other similar items which in accordance with applicable federal income tax regulations are attributable to capital. With respect to revenues resulting from the operation of any vending machines, Gross Revenues shall include only revenues received or collected by or payable to Operator on behalf of Owner in respect of such period rather than the gross receipts of such vending machines.

(11) Operating Expenses shall mean the aggregate of all costs and expenses (expressly excluding, however, costs and expenses incurred for insurance pursuant to Article 4.3 (a) hereof, real estate and personal property taxes on the Hotel, Annual Debt Service (defined below)) paid or incurred in connection with the operation of the Hotel computed in accordance with the accrual method and the Uniform System. Operating Expenses shall include, without limitation, the following items:

- (a) Salaries, fees and wages, as well as bonuses or other Sums regularly or occasionally attributed to the personnel employed for the operation of the Hotel including the general manager, as well as any employee benefits and payroll charges, employees' meals and miscellaneous dues or taxes paid as a result of the imposition of any law or regulation in connection with said salaries; and if necessary, and requested by the general manager of the Hotel, the costs and expenses of experts from the principal office of Operator, including travel and living expenses incurred in the performance of activities specifically dispensed for the Hotel, but only to the extent permitted in Article 3.6.2 hereof; it being further understood that no salaries or other payments made to employees of the Owner who are not under the control of Operator or are not employed in connection with the operation of the Hotel shall be so deducted;
- (b) The cost of food and beverages, cigars, cigarettes, candy and all other goods, wares, merchandise and property sold in or from the Hotel in such a manner that the receipts, revenues, income and other amounts received therefore are included in "Gross Revenues" as defined herein;
- (c) A reasonable allowance for bad debts and doubtful accounts, initially limited to an amount equal to 1% of Gross Revenues;

however, in the event that, as a result of local operating conditions, this amount shall exceed or be less than 1% of Gross Revenues, then the allowance for doubtful accounts shall be increased or decreased accordingly;

- (d) The fees due to the Expert for its services in connection with the operation of the Hotel or to any other accountants or legal consultants engaged for the requirements of the Hotel;
- (e) The premiums of all insurance and bonds provided for under Article 4.3 (b) hereof;
- (f) All expenses for the acquisition or the replacement of the Operating Equipment necessary for the proper management of the Hotel in accordance with the Annual Budget (defined in Article 5.4 below) submitted to the Owner for its approval pursuant to Article 5.4 hereof;
- (g) The costs of advertising, promotion, publicity and public relations expenses, including, without limitation, guest entertainment and complimentary rooms, food, beverages and services as provided for under Article 3.3 hereof;
- (h) The Hotel's contribution to the global marketing, advertising and promotional activities incurred by Operator as provided for under Article 3.3 hereof;
- (i) Expenses incurred for heating, water, electricity, gas and any other utilities or fuels consumed by the Hotel; and expenses incurred for laundry, linen and uniform services;
- (j) Commissions, fees and expenses paid to all sales agents and to credit card companies and organizations in connection with the operation of the Hotel;
- (k) Reservations expenses; it being understood that the Hotel shall benefit from the reservation systems utilized for the other hotels of Operator, the supplemental expenses corresponding thereto to be invoiced to the Hotel, with all supporting vouchers;
- (l) Repair, maintenance and replacement expenses with respect to the Hotel where such costs or expenses are properly treated as expenses rather than as capital improvements in accordance with

the Uniform System and generally accepted accounting principles; it being understood that all costs and expenses treated as capital improvements in accordance with the Uniform System and generally accepted accounting principles will be paid or are payable directly by Owner;

- (m) Fees, rentals and other costs and expenses of providing parking for Hotel guests, tenants or visitors, whether on or off the Site;
- (n) Any direct or indirect taxes, duties and license fees payable on account of the operation of the Hotel excluding however (i) any tax on capital or real estate, (ii) any tax on income or profits and (iii) all other taxes and duties, whether in force at the present time or to come into force in the future, which are not related to the operation of the Hotel;
- (o) All out-of-pocket expenses and disbursements reasonably and specifically incurred by any member of the Operator's group of companies pursuant to, in the course of or directly related to, the management and operation of the Hotel including but not limited to travel, hotel expenses, communication expenses, etc.; and
- (p) The basic management fee paid to Operator pursuant to Article 6.1. hereof.

(12) Annual Debt Service shall mean the annual debt service (i.e. the aggregate monthly installments of principal and interest) on any long-term financing secured by a mortgage or deed of trust against all or part of the Hotel and obtained by Owner to finance the construction and renovation costs of the Hotel.

(13) Gross Operating Profit (or G.O.P.) shall mean, for each Fiscal Year (or any part thereof) the excess of Gross Revenues over the aggregate Operating Expenses for such Fiscal Year (or part thereof).

(14) Net Operating Profit (or N.O.P.) shall mean for each Fiscal Year (or any part thereof) the excess of Gross Revenues over the sum of (i) Operating Expenses, (ii) costs and expenses for insurance pursuant to Article 4.3 (a) hereof, (iii) real estate and personal property taxes on the Hotel and (iv) Annual Debt Service, for such Fiscal Year (or part thereof) (v) depreciation and amortization (vi) payments for renewal of F.F.E as

per Article 4.1 (vii) license fees and (viii) Owners expenses.

(15) Force Majeure shall include and be limited to the following events to the extent the same cannot be foreseen on the date hereof or overcome with due diligence and reasonable expense by the party claiming Force Majeure:

- i) War, invasion, rebellion, revolution, insurrection, acts of terrorism, riots or civil war; Acts of Government in its sovereign capacity;
- ii) Earthquakes or any operation of the forces of nature as reasonable foresight and ability on the part of the affected party could not reasonably provide against; and
- iii) strikes, lock-outs or other employee disturbances.

(16) The or This Agreement shall mean this Agreement as worded or as amended in writing by mutual agreement between both parties including any exhibits, schedules, appendices and additional articles.

(17) Operator Marks shall mean General Hotel Management Ltd, the GHM logo or any variation thereof, service marks, trademarks, trade names, slogans, designed insignia, emblems or other identifying characteristics associated with Operator.

(18) GHM or GHM Group shall mean the group of companies that are subsidiaries or associate companies of General Hotel Management Ltd.

I. PLANNING, CONSTRUCTION AND EQUIPPING OF THE HOTEL

Article 1.1 *The Site*

The legal description of the Site on which the Hotel is built and adjoining property is described in Exhibit "A" to this Agreement. In the event such description should be modified after the execution of this Agreement, the Owner shall secure Operator's approval in writing prior to commencing any work.

Article 1.2 *The Hotel*

The Hotel shall consist of approximately [] rooms, a restaurant, a bar, shop and a spa.

Article 1.3 *Procedures and Schedule with Respect to Construction and Opening*

(a) Upon the opening of the Hotel as a world class luxury, deluxe, superior resort conforming to Operator's standards, this Management Agreement shall become

effective for the term specified in Article 7 herein ("Term") plus any extensions pursuant to the terms and conditions of this Agreement.

(b) The Hotel shall be built, furnished, equipped and decorated as a world-class, luxury, deluxe, superior hotel in conformity with the standards of Operator prevailing on the date of this Agreement, and in substantial compliance with the preliminary plans and specifications therefore which have been heretofore approved and executed for identification by Owner and Operator. The final plans and specifications for the Hotel shall be in conformity with the standards of Operator prevailing on the date hereof and said preliminary plans and specifications. Said final plans and specifications shall be subject to the approval of Owner and Operator, subject, however, to the foregoing guidelines as to conformity. For the construction, furnishing, equipping and decorating of the Hotel, Owner agrees to engage and retain at its own cost and expense, and such contractor(s), decorator(s) and other specialists and consultants as may be necessary to build, furnish, equip and decorate the Hotel in accordance with said approved plans and specifications. Operator hereby recommends and Owner approves the hiring of [] as Project architects and [] as Project decorator. In order to define the Project Operator has and shall continue to supply Owner with any and all data relating to the general concept of the Hotel and, in particular, data relating to the facilities to be included in the Hotel, the space allocation, and the location of all areas.

(c) If the Hotel final plans and specifications are not in conformity with the approved preliminary plans and specifications or prevailing standards of the Operator on the date hereof and Owner unreasonably refuses to modify said final plans and specifications in accordance with Operator's reasonable requests, then Operator may terminate this Agreement and recover from Owner all out-of-pocket and direct expenses incurred by Operator hereunder through the date of such termination together with such other remedies available to it.

(d) The Hotel [renovation and] construction shall start (i.e., groundbreaking shall occur) no later than [], 200[], and the Hotel shall be completed in its entirety no later than [], 200[].

Article 1.4 Acceptance of the Hotel by Operator

Operator will assist Owner in the Hotel acceptance procedures at the time of the completion of the construction and equipping of the Hotel. Operator will have the right to

perform any tests which it might deem desirable in order to check conformity of the Structures, the F.F.E., the O.E, and the decoration with the standards of Operator, and with the plans and specifications as approved by Owner and Operator. In the event that it should appear that the final plans and specifications approved by Owner and Operator pursuant to Article 1.3 above have not been complied with, Owner shall take any and all necessary steps with the assistance of Operator to remedy within the shortest possible time any and all defects which Operator may bring to Owner's attention. Operator will observe and monitor construction of the Hotel as work progresses; provided, however, Operator shall not be obligated to supervise construction of the Hotel. During construction of foundations, building shell and window walls of the Structures such observation and monitoring shall be performed by an independent consultant or construction supervisor approved by Operator, but paid at Owner's exclusive expense. Thereafter, such observation and monitoring shall be performed by employees of Operator. Any items brought to Operator's attention during construction and which are not objected to by Operator will be waived by Operator for purposes of any dispute it may have with Owner.

Article 1.5 Financing

The Hotel shall be built at Owner's exclusive expense and Owner shall take all necessary steps to secure the financing required for the planning, construction, equipping and opening of the Hotel.

Article 1.6 Technical Assistance

To insure the conformity of the Hotel with the Operator standards during the period of planning, construction, furnishing, equipping and decorating of the Hotel, Operator will provide Owner with the required technical assistance. The conditions under which such assistance will be provided are defined in the Technical Assistance Agreement executed concurrently herewith by Operator and Owner.

II. PRE-OPENING OF THE HOTEL

Article 2.1 Services Furnished by Operator for the Pre-Opening

Prior to the opening of the Hotel, Operator, for the account of Owner, shall undertake and engage in the following activities and shall use all reasonable efforts to achieve the following results:

- (i) Establish a pre-opening budget, in conformity with Article 2.2

below, and present said budget to Owner for Owner's approval;

- (ii) Define the general organization of the Hotel, and the planning of pre-opening activities;
- (iii) Select and recruit the personnel of the Hotel at all levels and implement training programs, if required;
- (iv) Provide the assistance of experts from the principal or head office of Operator for the organization and start up of the various departments;
- (v) Undertake an insurable risks analysis and negotiate the insurance programs on behalf of Owner;
- (vi) Purchase the initial inventories;
- (vii) Negotiate leasing or concession agreements covering the commercial areas located in the Hotel for execution by Owner, after its prior approval thereof;
- (viii) Define the marketing policy of the Hotel, and implement plans for the various markets to be reached;
- (ix) Undertake advertising and public relations programs (definitions of the media, finalization of materials, forwarding of documentation to the travel agencies, inclusion in Operator advertising and publicity, etc.);
- (x) Undertake sales promotions and reservation operations; and
- (xi) Organize [re-]opening ceremonies (if required).

In addition, Operator shall, in cooperation with Owner, take all reasonable steps necessary to secure any licenses and permits required for the supplying, managing and operating of the Hotel.

Article 2.2 Pre-Opening Budget

(a) The pre-opening budget for the Hotel shall be submitted by Operator to Owner no later than six (6) months before the Opening Date (defined in Article 2.4 hereof) for Owner's approval. Any material modification to the pre-opening budget must have Owner's prior approval. The pre-opening budget shall cover the costs and expenses of pre-opening activities, including, without limitation, the following:

- (i) Travel and living expenses;
- (ii) Salary (including payroll taxes and employee benefits) of the executives on the staff of Operator, and its affiliated and subsidiary companies for the time actually spent for the performance of said

activities. Pre-opening payroll charges for the general manager of the Hotel and the personnel assigned to the Hotel prior to the opening in compliance with the staffing calendar;

(iii) The cost of recruiting and training personnel assigned to the Hotel, including training in other hotels of Operator, if necessary;

(iv) The cost of pre-opening advertising and promotion;

(v) The cost of inaugural ceremonies; and

(vi) All necessary pre-opening operational and administrative costs, including the costs of obtaining all necessary licenses and permits, and the fees of lawyers and consultants incidental thereto.

(vii) All pre-opening costs and expenses (other than the costs and expense of the initial inventory provided for in Article 2.3(b) below) shall not be Operating Expenses as defined herein but shall be amortized equally over a period of five years beginning in the first full fiscal year. The funds covering the pre-opening budget shall be deposited by Owner and made available to Operator as required in the pre-opening budget.

(c) In the event of postponement of the Opening Date for any reason, Owner shall make available to Operator an additional sum corresponding to the expenses which Operator would have to sustain on account of such delay.

(d) Within a period of ninety (90) days following the Opening Date, Operator will submit to Owner a statement of all the expenses incurred prior to the Opening Date and will refund any unused portions of the amounts advanced by Owner.

Article 2.3 Working Capital And Opening Inventories

(a) Owner shall initially and throughout the term of this Agreement provide working capital sufficient to assure the uninterrupted and efficient operation of the Hotel.

(b) Owner shall provide Operator three (3) months before the Opening Date (defined below) a reasonable amount for the purchase of initial inventories of food, beverages, Operating Equipment and other consumable or expendable items. Six (6) months prior to the Opening Date, Operator shall submit a detailed initial inventory budget of the proposed expenditures to Owner for its approval. The initial inventory budget shall be adjusted, if necessary, for inflation and other local requirements. No later than three (3) months after the Opening Date, Operator shall (i) present Owner with a detailed statement of the actual expenditures for initial inventories and (ii) refund all

unused funds to the Owner. All items contained in the initial inventory budget shall be considered an Operating Expense when consumed or used. Inventory used during the pre-opening period shall be considered a pre-opening training expense.

Article 2.4 Opening Date Of The Hotel

(a) The "Opening Date" of the Hotel shall be the date specified by Operator in a notice to Owner (given at least thirty (30) days prior to the Opening Date so specified), provided that the Opening Date shall not be sooner than the day by which all of the following conditions shall have been met:

(i) The Hotel shall have been substantially completed in accordance with the plans and specifications therefore approved by Owner and Operator;

(ii) The applicable governmental authorities shall have issued all certificates of occupancy and other required consents and approvals with respect to the Hotel; and

(iii) Furniture, Fixtures and Equipment conforming to the plans and specifications therefore approved by Owner and Operator shall (except for minor inconsequential items) have been properly installed or placed in the Hotel and the hotel shall be ready to receive paying guests. The parties hereto agree to execute an Addendum to this Agreement setting forth the Opening Date, and a counterpart of such Addendum shall be attached to and become a part of each counterpart of this Agreement. The Opening Date of the Hotel shall be, however, no later than [], 200[].

(b) Notwithstanding Operator's agreement on the Opening Date, the Owner shall be responsible to promptly correct any defects in the Hotel as to which notice has or shall be given by the Operator.

(c) Any receipts arising from the operation of the Hotel prior to the Opening Date shall not be included in Gross Revenues and shall be used to defray the pre-opening expenses of the Hotel.

(d) Until such time as an "Opening Date" is specified by Operator pursuant to (a) of this Article 2.4, the "Opening Date" for purposes of Article 2.2(a) and (i), (ii) and (iii), of Article 2.2(b) above shall be [], 200[], until further revised by Operator in its reasonable discretion.

III. SERVICES TO BE RENDERED BY OPERATOR

Article 3.1 General

For the full term of this Agreement Operator shall in accordance with the terms of this Agreement undertake on an exclusive basis, on behalf and for the account of Owner, all duties coming within the scope of the management and marketing of the Hotel. Operator shall use the Hotel solely for the operation of a world class 5-Star hotel under the standards of management currently prevailing in Operator's similar sized 5-Star hotels. Operator shall not set up in the Hotel any other activities, except for subsidiary and complementary activities as are normally connected with this type of operation or as may in the future become so connected as a result of changes in the standard practices of the international hotel trade. Subject to the terms of this Agreement, Operator shall have absolute control and discretion in the operation of the Hotel to the best interests of the Owner and the business of the Hotel.

Article 3.2 Trade Name

(a) During the term of this Agreement, the Hotel shall at all times be known and designated as:

THE []

It is however agreed between both parties that the name GHM, when used alone or in conjunction with some other word or words, is and shall remain the exclusive property of Operator.

(b) In consideration of this Agreement, Operator grants to Owner, the right to use the trade name GHM, and the service mark and trademark of GHM, as now or hereafter adopted, in publicity and advertising of the Hotel and in conjunction with the operation of the Hotel. Owner and Operator will execute a separate License Agreement covering the use of the GHM name and trade and service marks. Operator's service mark shall be displayed generally on all articles used in the operation of the Hotel and in any marketing and publicity materials in such a way as to permit the Hotel to be identified as a member of Operator's group of hotels.

Article 3.3 Advertising

3.3.1. Operator Advertising

Operator shall integrate the Hotel in all publicity and advertising with respect to hotels affiliated with Operator, which may be prepared or revised on or after the date hereof. Operator shall, in no way, distinguish between the Hotel and the other hotels managed by the Operator.

3.3.2. Advertising and Publicity of the Hotel in other Operator Hotels

(a) The hotels of Operator shall promote the Hotel with their own clientele in the same fashion as is done with respect to the other hotels affiliated with Operator.

(b) The Hotel shall pay either monthly or against invoices its share of the costs and expenses incurred with respect to the advertising, promotion and sales activities undertaken for the common benefit of the hotels of Operator as described in this Article 3.3.2. All sums paid pursuant to this Article 3.3.2 will be considered as Operating expenses for the determination of the Gross Operating Profit and Net Operating Profit.

Article 3.4 Reservation and Sales Systems

3.4.1 Reservation Systems

(a) Operator shall integrate the Hotel in all reservation systems established and used by Operator including:

- (i) The internet-based reservation system used by hotels of Operator;
- (ii) Toll free telephone central reservation systems used by Operator;
- and
- (iii) Other sales and reservation systems used by the other hotels of Operator, in existence or to be set up in the future.

(b) Operator represents to Owner that throughout the term of this Agreement, the Hotel shall benefit from the marketing network used by Operator.

(c) Owner agrees to abide by the reservation charges negotiated and established by Operator pursuant to which any of the above mentioned services may be offered.

3.4.2 Marketing Network

(a) The Hotel shall benefit from the sales and promotional activities planned for groups undertaken at the international level and intended for travel agents, tour operators, incentive groups, conventions, corporations, governmental agencies,

international associations and airline companies. These activities will be performed by:

- (i) the worldwide sales offices of Operator;
- (ii) The hotel representatives of Operator worldwide;
- (iii) Others through reciprocating arrangements between the hotels of Operator with respect to international sales.

(b) Operator shall distribute to all sales outlets listed in Article 3.4.2(a) above the following:

- (i) Information on services and facilities offered by the Hotel and advertising literature published by the Hotel; and
- (ii) The individual and group rates established annually by the Hotel, and if necessary, any special rates offered for specific markets.

(c) Owner agrees that the Hotel will abide by all rate and commission agreements negotiated and established with third parties by Operator pursuant to which the services described in this Article 3.4.2 are offered subject to those rates and commissions being in conformity with the Hotel's annual budget prepared by Operator and approved by Owner pursuant to Article 5.4 hereof.

Article 3.5 Assistance at the Hotel Level Marketing

(a) Operator shall assist the Hotel with its operational marketing activities and in the implementation of the Operator marketing policy as applied to the Hotel.

(b) Marketing at the Hotel level shall be established for the market where the Hotel is located and other markets which Operator and Owner believe relevant.

(c) Operator shall establish an annual marketing plan for the Hotel and in connection therewith shall offer all necessary assistance and guidance concerning the following:

- (i) Definition of the sales policy of the Hotel;
- (ii) Determination of yearly and long-term objectives regarding occupancy rates, revenues, clientele, etc.;
- (iii) Setting-up and issuing of all Hotel rates (rooms, restaurants, bars, etc.);
- (iv) Setting of any special sales terms;
- (v) Determination of credit practices;
- (vi) Setting-up of sales methods and procedures relating to the various clientele segments; and

(vii) Analysis of results and permanent control.

(d) Operator shall perform appropriate advertising and promotion services at the Hotel level including: (i) definition of the Hotel policy regarding advertising and promotion; (ii) preparation of advertising documents and brochures in accordance with Operator's standard models, and (iii) distribution of such documents in Operator hotels and the Operator sales Offices.

Article 3.6 Management

3. 6. 1 General Management

(a) Owner hereby grants to Operator the sole and exclusive right to manage the Hotel pursuant to the terms of this Agreement, subject to the Owner's approval of the Annual Budget hereinafter provided for. In connection therewith, Operator shall have the authority to select and hire a general manager for the Hotel. The general manager shall be under Operator's exclusive control and supervision, but shall be compensated and employed by Owner. Operator in its reasonable discretion, may decide as to the provision of food and lodging for Hotel employees, may allow them the use of Hotel facilities and may allow the general manager and other executive employees suitable living quarters within the Hotel and the use of all Hotel facilities, including food without charge to the said Hotel employees, general manager or Operator. Except as otherwise specifically limited under this Agreement, Operator shall (subject to compliance with the provisions hereof) have absolute control and discretion in the management of the Hotel, and shall perform all necessary services in connection therewith, including, without limitation, the following: (1) general organization of the Hotel; (2) management of the personnel, including the selection, hiring, compensation, training, assignment, transfer or dismissal, as the case may be, of the general manager for the Hotel and all Hotel personnel, as well as the responsibility for their working conditions; provided however, it is specifically agreed that such personnel will be employed only by Owner; (3) the authority to establish, subject to compliance with the Annual Budget (defined in Article 5.4), all prices, charges and rates in connection with the Hotel and to supervise and control the collection, receipt and giving of receipts for all services performed or income of any nature derived from the operations of the Hotel; (4) determination of the purchase policy which shall include (i) selection of the merchandise, supplies and materials, (ii) setting-up and maintenance of all inventories required for the proper operation of the Hotel, (iii) selection of the suppliers and (iv) negotiation of supply contracts in order to

assure purchases on the best available terms, including through the Operator, if by such procedure, terms can be obtained which are at least equal or better than those which can be obtained locally; (5) subject to compliance with the Annual budget, the negotiation and execution of contracts (with terms of one year or less) which are normally entered into within the scope of Hotel operations, excluding, however, any concessions or leases of commercial premises or shops, all of which shall first be approved by Owner, (6) determination of credit practices applicable to suppliers and to the Hotel's clientele and negotiation of arrangements with credit organizations, in particular those issuing credit cards; (7) authority to institute in Owner's name any law suits or other legal actions to collect charges, rents and other income for the Hotel or to oust or dispossess guests, tenants or other persons in possession of portions of the Hotel; provided however, all other types of lawsuits or legal actions shall be instituted only by Owner and at Owner's sole discretion; (8) supervision and control of the activities of guests, tenants, concessionaires and holders of privileges and their employees, including the dispossessing of guests and tenants for nonpayment of rent or other proper cause, or the termination of the rights of concessionaires, licensees and holders of privileges for similar proper cause; and (9) subject to Owner's obligation related to repair or replacement as set forth in Article 6, Operator shall maintain the Hotel in good condition, and pursuant thereto Operator shall be responsible for performing repairs, maintenance and decoration work which it deems necessary for maintaining the Hotel's status, with the expenses corresponding thereto being included in the Operating Expenses of the Hotel. Subsequent to the Opening Date, Operator will also have the right to proceed with any alteration work which is approved in the Annual Budget or which constitutes an emergency repair or replacement immediately necessary for the preservation or safety of the Hotel or the safety of Hotel guests, or other persons or required to avoid the suspension of any necessary services in the Hotel, if, under the circumstances Owner cannot be conveniently notified before the required emergency repairs, replacements or alterations must be made.

(b) It is understood and agreed that Operator is an independent contractor and that, therefore, in the performance of the duties herein to be performed, Operator shall have full power and authority to select the means, methods and manner of performing the obligations assumed by Operator under this Agreement. Owner shall have no right, power or authority to directly supervise or control Operator in the means, manner or methods of doing the work or performing the services to be rendered by

Operator under this Agreement. Operator shall be responsible to Owner only for the faithful and diligent performance of its obligations in a good and workmanlike manner. Owner shall have no right, power or authority in the selection, hiring, control, supervision or discharge of any of the Hotel's employees or representatives or other personnel, firms, subcontractors, etc., used by Operator in performing the duties and obligations assumed under this Agreement by Operator, the right thereof being solely vested in Operator. Nevertheless, it is understood that many of the undertakings of Operator contained in this Agreement will under ordinary circumstances be performed by the executive staff and other employees of the Hotel, all of whom will be employees of Owner, except in those instances where Operator has assigned its own employees to the staff of the Hotel pursuant to Article 3.6.2. It is therefore agreed that Operator shall not be liable to Owner or others for the failure to perform any duty hereunder to the extent that such failure is due to the act or omission of the employees of the Hotel provided that Operator has used reasonable diligence in the hiring, discharge and supervision of the executive staff.

(c) Operator shall operate the Hotel to the standards required under the Lease and shall comply with Owner's covenants and obligations as the Tenant under the Lease insofar as such covenants and obligations relate to or are associated with (i) the services to be supplied by Operator under this Agreement and (ii) Operator's obligations under this Agreement.

3.6.2 Centralized Services

(a) Hotel operations shall be controlled on a regular basis by Operator centralized services. Such services shall include: (a) review of yearly budgets; (b) analysis of financial and marketing reports and statistics sent monthly by the Hotel to the principal office of the Operator ; (c) expert assistance through specialists in all phases of operational management, room operations, purchasing, food and beverages operations, reception, room service, laundry, personnel, financing, accounting and credit; (d) distribution of new operating techniques and procedures, new models of equipment and supplies and all related new information. Except as provided in Article 3.6.2(b) below, costs involved in work performed locally by experts from the principal office of the Operator shall be charged against the Hotel operating account only to the extent of reasonable travel and living expenses. Such Operator experts shall be sent to assist in

Hotel operations only if requested by the Hotel general manager for a job or task which cannot reasonably and more efficiently be handled by the current staff of the Hotel.

(b) In the event of prolonged assistance (for more than 15 days) rendered at the request of the Hotel general manager by experts from the principal office of the Operator for a job or task normally carried out by the Hotel employees, and which cannot reasonably and more efficiently be handled by the current staff of the Hotel, the Hotel will bear the reasonable costs incurred in providing same, including, without limitation, salaries (including payroll taxes and employee benefits), reasonable travel and living expenses.

IV. OBLIGATIONS OF OWNER

Article 4.1 Renewal of Furniture, Fixtures and Equipment

(a) Within six (6) months after the Opening Date of the Hotel, the Owner shall prepare and deliver to the Operator itemized schedules showing in detail the cost and expense of constructing (excluding the Site cost), furnishing and equipping the Hotel commonly known as the "fixed assets register".

(b) Operator shall credit and/or debit monthly (in accordance with paragraph (b) next below) the Special Account defined in Article 5.1 with the amounts necessary for the replacement and addition of Furniture, Fixtures and Equipment. The Operator shall not require the consent of the Owner for expenditures from the Special Account up to the amount of such fund.

(c) If such expenditures in any Fiscal Year shall be less than the fund for such year, the excess shall be carried forward until fully used. Any expenditure in excess of the fund shall be subject to the Owner's approval.

(d) For the initial three (3) Fiscal Years an amount equal to [] percent [%] per year and thereafter, an amount equal to three percent (3%) per year of the Gross Revenues. The Annual Budget (defined below) submitted by Operator pursuant to Article 5.4 hereof shall itemize all projected expenditures from the Special Account for the ensuing Fiscal Year. Any property so acquired shall be the property of Owner.

Article 4.2 Capital Repairs - Alterations - Additions

(a) For the full term of this Agreement, Owner, at Owner's sole cost and expense, shall perform or make any repairs, alterations or additions (other than that provided for under Article 3.6.1(9) above) necessary to maintain the Hotel as a world-

class 5-star hotel conforming with GHM standards or required pursuant to any applicable laws or regulations in force. To this end, Operator shall submit every Fiscal Year to Owner a list of those repairs, alterations or additions it deems necessary for the Owner's consideration. Owner shall either perform such work within a reasonable period of time, or, if it deems such work to be unnecessary or excessive, shall so notify Operator within a reasonable period of time, in which case the parties shall consult so as to arrive at an agreed upon course of action. All repairs, alterations or additions to be performed hereunder shall be performed in such a way as to cause a minimum of disturbance in the operation of the Hotel. The plans for such work and the performance schedule thereof shall be submitted to Operator for its approval.

(b) If the Hotel, or any portion thereof, shall be damaged or destroyed at any time or times during the term hereof by fire or any other casualty, Owner, subject to the exceptions hereinafter provided in this Article, shall repair, rebuild or replace the same (such repairing, rebuilding or replacing being herein called "restoration") so that after such restoration, the Hotel shall be substantially the same as prior to such damage or destruction. Subject to the rights of mortgagees, lien holders or other security interest holders of all or part of the Hotel, all proceeds of insurance shall be made available to Owner for restoration of the Hotel. Notwithstanding the foregoing, if, in connection with any casualty, the costs and expenses of restoring the Hotel as hereinabove required shall equal or exceed: (i) twenty five percent (25%) of the replacement cost for the entire Hotel (including its contents) immediately prior to such casualty, if such casualty shall be covered by insurance, or (ii) ten percent (10%) of such replacement cost if such casualty shall not be covered by insurance, then, and in either event, Owner shall have an election exercisable by written notice to Operator, given within ninety (90) days from the occurrence of such casualty (or the later date provided below), not to restore the Hotel and to terminate this Agreement. Such casualty shall be deemed not to be covered by insurance if less than one hundred percent (100%) of the insurance proceeds resulting therefrom are made available to Owner for restoration by reason of the requirements of any mortgagee, lien holder or other security interest holder of all or any part of the Hotel. Owner shall in no event be required to make any election under this Article regarding restoration of the Hotel or termination of this Agreement at a date earlier than sixty (60) days after Owner has been apprised of the amount of insurance proceeds which such mortgagees, lien holders and/or other security interest holders will make available for restoration of the Hotel. If Owner elects to terminate this Agreement

as above provided, all insurance proceeds payable on account of such damage or destruction of the Hotel shall be payable to and be the sole property of Owner, subject to requirements of any mortgage. The plans for any such restoration and the performance schedule thereof shall be referred to Operator for its approval.

(c) If, at any time during the term of this Agreement, title to the whole or substantially all of the Hotel shall be taken or condemned for any public or quasi-public purpose by any lawful power or authority by the exercise of right of condemnation or eminent domain, or by agreement between the Owner and those authorized to exercise such right, this Agreement shall terminate and expire on the date of such taking. For purposes of this Agreement, "substantially all of the Hotel" shall be deemed to have been taken if the untaken portion cannot be practically and economically used or converted for use by Owner for the purposes for which the Hotel was being used immediately prior to such taking. In the event of any such condemnation or taking of less than the whole or substantially all of the Hotel except as hereinafter excepted and to the extent reasonably feasible, Owner shall repair, rebuild or replace the same so that after such restoration the Hotel shall be substantially the same as prior to such taking. Subject to the rights of mortgagees, lien holders or other security interest holders of all or part of the Hotel, all proceeds of such taking shall be made available to Owner for restoration of the Hotel. Notwithstanding the foregoing, Owner shall have the right in connection with any such taking to terminate this Agreement as hereinabove provided with respect to a fire or other casualty as if such taking were a fire or other casualty and the proceeds, awards or damages paid as a result of such taking were insurance proceeds. If Owner elects to terminate this Agreement as above provided, all proceeds, awards or damages resulting from such taking shall be payable to and be the sole property of Owner subject to the requirements of any mortgage. The plans for any such restoration and the performance schedule thereof shall be referred to Operator for its approval.

(d) To the extent economically feasible, all repairs or restoration work done by Owner pursuant to this Article 4.2 shall be in accordance with the final plans and specifications for the Hotel as approved by Operator and Owner pursuant to Article 1.3 hereof.

(e) In case of failure by Owner to perform or make any repairs, alterations, additions or restorations which it is obligated to perform by reason of any applicable laws, ordinance or regulation, Operator shall, subject to its own determination, have the right, in lieu of invoking the provisions of Article 8.3 hereof, to see to the performance of

such work for Owner's account upon giving thirty (30) days prior notice to Owner. It is stipulated that any amount paid in such case by Operator shall be deducted from amounts payable by Operator to Owner hereunder.

(f) If Owner during the term of this Agreement undertakes the construction of any additions to the Hotel, all such additions or improvements shall be deemed to be included in the Hotel and shall be operated and managed by Operator under the provisions of this Agreement insofar as they may be applicable.

Article 4.3 Insurance to be Maintained by Owner

(a) For the full duration of this Agreement Owner shall take out, renew and maintain for Owner's account at all times during the period of this Agreement on terms and conditions commensurate with the risk and in such amounts as is deemed necessary:

(i) Insurance in respect of the amount equal to the reinstatement value of the Hotel and its Contents against "All Risks" of loss or damage including but not necessarily restricted to fire, lightening, explosion, storm, tempest, flood, earthquake, windstorm, water damage, boiler and machinery breakdown and such other perils as may be reasonably considered to be necessary or practical (and subject to commercial availability) with respect to which is customarily carried by Hotels of similar character and nature;

(ii) Business interruption insurance covering loss or damage from the perils referred to in (i) above which prevent the normal operations of the Hotel from continuing;

(iii) Any other insurance which might be required by Owner's lenders.

(b) For the full duration of this Agreement the Operator on behalf of the Owner and for account of the Hotel shall take out, renew and maintain:

(i) Property Owner's Legal Liability Insurance covering claims arising out of the ownership possession and use of the Hotel and any of its facilities and for injury to or death of persons and damage to or loss of property

(ii) Fidelity Bonds for relevant Hotel employees providing protection in respect of pecuniary loss or damage arising from fraud or dishonesty of such employees;

(iii) Workmen's Compensation, Employers Liability Insurance and such other insurance as may be applicable by law or regulation; and

(iv) Any other insurance the Operator, acting reasonably, may deem necessary in the protection of other assets or liabilities, wherever asserted, determined or incurred arising from the operation of the Hotel.

(c) The foregoing insurance shall be obtained from responsible, reputable and properly licensed insurers in amounts and with coverage acceptable to Owner and Operator which shall in no event be less than the amounts and coverage required under any mortgage, deed of trust or other security agreement affecting all or any part of the Hotel.

(d) All insurance policies and bonds required to be carried hereunder shall, to the extent obtainable, have attached thereto an endorsement that the same:

(i) shall not be cancelled or changed without at least thirty (30) days prior written notice to all named insureds.

(ii) shall name the Owner jointly with the Operator and where applicable the holder of any mortgage or security instrument over the Hotel and such other parties in accordance with the respective interests as joint named insureds.

(iii) shall include severability and cross liability clauses

(iv) shall include a waiver of subrogation rights against the other

(e) Owner and Operator shall each give prompt notice to the other of any claims made against either or both of them and shall cooperate fully with the other and with any insurance carrier or surety to the end that all such claims will be properly investigated and defended

(f) The originals of all policies of insurance and certificates of insurance shall be kept and maintained by the Operator and provided to the Owner upon request.

(g) All insurance and bond costs and premium expenses concerning the policies or bonds obtained by the Hotel on account of this Article 4.3 (b) shall be considered as Operating Expenses.

Article 4.4 Taxes for the Owner's Account

(a) Owner shall pay when due all direct and indirect taxes and duties for which the Hotel might be liable during the term of this Agreement, with the exception that any such taxes and duties payable by virtue of the operation of the Hotel shall be paid by Operator for Owner's account, and shall be deemed Operating Expenses of the Hotel.

(b) Owner shall furnish to Operator within a period of thirty (30) days following its receipt a duplicate copy of all notices, assessments and statements of taxes and duties, as well as duplicates of all receipts.

(c) In the event that the taxes, the payment of which is the responsibility of Owner, should not be paid by Owner within the allowed period of time (or, if Owner desires to contest the payment of said taxes, in the event said payment is not adequately secured to the satisfaction of Operator), Operator reserves the right upon giving thirty (30) days prior notice thereof to Owner to pay them in Owner's name. Any amount so paid by Operator shall be deducted from any amounts payable by Operator to Owner hereunder.

V. BANKING AND ACCOUNTING PROVISIONS

Article 5.1 *Bank Accounts*

(a) Operator will open two main accounts for the account of and in trust for Owner with banks in [], [], approved by Owner as follows:

(i) An "Operating Account" into which shall be deposited all working capital contributions of Owner and all receipts derived from the operation of the Hotel and from which shall be withdrawn all expenses of the Hotel, all amounts (to the extent sufficient amounts are not available in the Special Account) necessary for the replacement of the Furniture, Fixtures and Equipment and all amounts due to Owner and to Operator hereunder. Operator may, should it deem necessary, subdivide the Operating Account into separate accounts for convenience of operation. The Operating Account shall at all times be under the absolute control of Operator. Checks or other documents of withdrawal shall be signed only by representatives of Operator, provided such representatives shall be bonded or otherwise insured.

(ii) A "Special Account" into which shall be deposited and from which shall be withdrawn all amounts necessary for the replacement of the Furniture, Fixtures and Equipment pursuant to the provisions of Article 4.1 hereof and into which shall be further deposited all proceeds from the sale of the Furniture, Fixtures and Equipment no longer needed for the operations of the Hotel. The Special Account shall bear interest or if

parties so mutually agree the balance of the Special Account shall be otherwise invested. The Operating Account shall at all times be under the absolute control of Operator.

(b) Said bank accounts shall be used exclusively in connection with the operation of the Hotel and the performance of the terms and conditions of this Agreement, and Operator agrees to segregate all monies, receipts, accounts and records pertaining to the operation of the Hotel and not to commingle the same with any other business conducted by Operator. In the event replacements of the Furniture, Fixtures and Equipment are required pursuant to the terms of this Agreement at a time when the withdrawal of funds from the Special Account for payment thereof would cause a loss or forfeiture of interest pursuant to the terms of the Special Account, then to the extent possible, Operator will pay said replacement costs out of the Operating Account and refund such amounts to the Operating Account when the same can be withdrawn from the Special Account without loss or forfeiture of interest.

Article 5.2 Accounting

Operator shall keep, during the term of this Agreement, separate records and books of account regarding all transactions at, through or in any way connected with the operation of the Hotel, on an accrual basis in accordance with the Uniform System and generally accepted accounting principles. Such books and records shall be sufficient for audit purposes, shall be kept at all times at the Hotel and shall, during ordinary business hours, along with any equipment used by Operator, be open to examination for the purposes of inspection, copying and/or audit by Owner or its representatives. Any such inspection, copying or audit, with the exception of the annual certified audit provided for herein, shall be at Owner's sole expense and shall not be deemed an Operating Expense of the Hotel. Operator shall cooperate with Owner or its representatives in any such inspection, copying and/or audit, but the same shall be done with as little disturbance to the operation of the Hotel as possible. Operator shall have access to said books and records for two (2) years after termination of this agreement.

Article 5.3 Presentation of the Accounts

Operator shall deliver to Owner, within twenty (20) days after the end of each calendar month, an unaudited financial statement prepared from the books of account maintained by Operator, certified by the general manager or the chief accounting officer

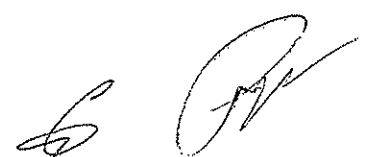
of the Hotel, and containing (i) a balance sheet of the Hotel as of the end of such calendar month, (ii) a profit and loss statement showing the results of operations of the Hotel for such calendar month and cumulative for the then Fiscal Year, and (iii) a cash flow statement for such calendar month and cumulative for the then Fiscal Year. On or before June 30 of each calendar year Operator shall furnish Owner with an externally audited financial statement for the preceding Fiscal Year containing (i) a balance sheet of the Hotel as of the end of such preceding Fiscal Year, (ii) a profit and loss statement showing the results of operation of the Hotel for such preceding Fiscal Year and (iii) a statement of the cash flow, Gross Revenues, Operating Expenses, Gross Operating Profit, Net Operating Profit and incentive fee (provided for in Article 6.2) for such preceding Fiscal Year. The foregoing annual financial statements shall be certified by the Expert and unless objection is submitted in writing within thirty (30) days from its receipt by Owner, the same shall be considered as having been approved by Owner and Operator. The cost of such audit in respect of such certified financial statement for a Fiscal Year shall be charged as an Operating Expense of the Hotel to be included in the computation of Gross Operating Profit and Net Operating Profit.

Article 5.4 Annual Budget

(a) Operator shall submit at least two (2) months before the beginning of each Fiscal Year a preliminary estimated profit and loss and cash flow statement for the ensuing Fiscal Year, including, without limitation, a schedule of Hotel room rentals and budget estimates in detail for salaries, advertisement and promotional expenses, taxes, utilities, repairs, maintenance, replacements and capital expenditures for such ensuing Fiscal Year, whether or not such items are included in the computation of Gross or Net Operating Profit (such statement and budget estimates are herein referred to collectively as "The Annual Budget").

(b) The Annual Budget shall be submitted to Owner for its approval and Owner shall have the right to make any changes thereto or to refuse to expend any money suggested by the Annual Budget, except with respect to room and conference facility rates, charges for entertainment, food and beverages and employee wages and other compensation which shall be in the reasonable discretion of Operator, Owner shall inform Operator of any such change or refusal before the commencement of the period covered by the Annual Budget, i.e. thirty (30) days. Owner shall not increase any budget estimate included in such Annual Budget in an amount exceeding ten percent (10%)

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thereof without Operator's approval. Operator shall comply with the Annual Budget as amended by Owner and shall not deviate substantially therefrom as to any item, incur additional expense, without the consent in writing of Owner, except in the case of an emergency as hereinabove provided for in Article 3.6.1 or where the failure to take a particular action would expose Owner to the imminent danger of criminal or financial liability, including the payment of fines.

(c) Any part of the Annual Budget which has not been approved or rejected in writing by Owner on or before the first day of the Fiscal Year covered by such Annual Budget shall be deemed to have been approved by Owner. With respect to any portions of the Annual Budget that are in dispute, until agreement is reached the corresponding portions of the preceding year's Annual Budget adjusted for any changes in the Consumer Price Index shall be deemed to be part of the approved Annual Budget.

(d) As and when necessary in any Fiscal Year, Operator may submit to Owner, for its further review, supplementary budgets to the Annual Budget.

VI. MANAGEMENT FEES AND PAYMENTS TO OWNER AND OPERATOR

Article 6.1 Basic Management Fee

(a) Operator shall be entitled to charge monthly as an Operating Expense of the Hotel and retain as its basic management fee an amount equal to four percent (4%) of Gross Revenues of the Hotel for such month, which shall be considered as an Operating Expense for the purpose of the determination of Gross Operating Profit and Net Operating Profit.

(b) The basic management fee shall be due and payable on the 20th day of each month.

Article 6.2 Incentive Fee

(a) In addition to the basic management fee provided in Article 6.1 hereof, subsequent to the Opening Date Operator shall receive for each Fiscal Year during the term of this Agreement, as an incentive fee, ten percent (10%) of the Gross Operating Profit for such Fiscal Year. Operator shall be entitled to retain monthly installments of said incentive fee based on the Gross Operating Profit of the Hotel through the date of each such monthly installment. It being expressly understood and agreed that the incentive fee for any Fiscal Year will be adjusted, if necessary, after annual certification of the Hotel's financial statements by the Expert pursuant to Article 5.3 above. In the

event the aggregate monthly installments of Operator's incentive fee for any Fiscal Year exceeds the incentive fee for such Fiscal Year as shown on said certified financial statements, Operator shall pay such amount to Owner within fourteen (14) days after receipt of said financial statements, and if said aggregate monthly installments are less than the certified incentive fee for said Fiscal Year, Operator shall be paid said additional amount prior to distribution of cash flow to Owner pursuant to Article 6.3 hereof.

(b) For purpose of determining Operator's incentive fee for any Fiscal Year, no adjustment shall be made for any loss in the Net Operating Profit for any prior Fiscal Year.

Article 6.3 **Reimbursements**

(a) In addition to the payment of the management fees set out in this Article, the Owner shall further reimburse all out-of-pocket expenses and disbursements reasonably and specifically incurred by any member of the Operator's group of companies pursuant to, in the course of or directly related to, the management and operation of the Hotel including but not limited to travel, hotel expenses, communication expenses, etc.

Article 6.4 **Payments To Owner**

(a) Subject to the provisions hereinafter set forth, Operator shall during the term of this Agreement pay by monthly installments to Owner at its principal office, or at such other place, as Owner may, from time to time, designate, the cash flow generated by Gross Revenues for the preceding month which is available after deducting all Operating Expenses, Operator's incentive fee for such Fiscal Year as provided in Article 6.2 above, the amounts placed in the Special Account pursuant to Article 4.1 above, and the necessary working capital as defined in Article 2.3 hereof:

(i) Within sixty (60) days after the end of each Fiscal Year, a final installment based upon the cash flow for the entire Fiscal Year then ended, after deducting therefrom the sum of the preliminary installments paid under (a) above.

(ii) In the event that the payment to Owner due under this Article for any Fiscal Year shall be less than the preliminary installments for said Fiscal Year paid in accordance with (a) above, then to the extent needed as working capital pursuant to Article 2.3 hereof, Owner shall repay the

difference to the Operating Account within thirty (30) days after receipt by Owner of the audited financial statements for said Fiscal Year.

Article 6.5 *Payments to Operator*

(a) All sums payable by the Owner under this Agreement shall be paid in full, free of any restriction or condition, without set-off or counterclaim and free and clear of any deductions of taxes (including but not limited to withholding taxes), levies, imposts, duties, charges, fees, deductions or withholdings of any kind.

VII. TERM OF AGREEMENT

Article 7.1 *Term*

(a) The initial term of this Agreement for the management and operation of the Hotel shall begin on the Opening Date of the Hotel and this Agreement shall continue in force thereafter until the expiration of ten (25?) years from December 31 of the calendar year in which the Opening Date of the Hotel occurs.

[(b) Operator and Owner acknowledge and agree that upon termination or expiration of the Lease this Agreement will automatically terminate without further action by either party and without payment of a termination fee or other liquidated damages.

Article 7.2 *Extensions*

(a) Operator shall have the right to extend the initial term for two (2) successive periods of five (5) years each upon compliance with all of the following terms and conditions:

- (i) Operator is not in default beyond any grace period pursuant to Article 8.3 of this Agreement;
- (ii) The term shall have been extended for all prior extension periods; and
- (iii) Operator shall have given notice to Owner of its election to extend the term on or before June 30 of the last full calendar year of the initial term, and on or before June 30 of the last year of any extended term.

VIII. GENERAL PROVISIONS

Article 8.1 *Suspension of Obligations – Force Majeure*

(a) Neither party hereto shall be liable or shall be considered as having failed

in meeting its respective obligations because of a failure to perform all or any part of them, such as they are stipulated in this Agreement in the event that such default is due to the occurrence of Force Majeure.

(b) Operator will endeavor to reduce the unfavorable effects for Owner resulting from Force Majeure.

Article 8.2 Termination and Liquidated Damages

(a) Owner has the right to terminate this Agreement at any time upon sixty (60) days notice after the fifth year hereof by paying compensation to Operator pursuant to the liquidated damages clause set forth below in 8.2 (b).

(b) **OWNER AND OPERATOR HAVE DISCUSSED THE POSSIBLE CONSEQUENCES IF OWNER TERMINATES THIS MANAGEMENT AGREEMENT PRIOR TO THE EXPIRY DATE SET FORTH HEREIN. THE PARTIES AGREE THAT FIXING ACTUAL DAMAGES IS IMPRACTICAL OR IMPOSSIBLE AND AFTER NEGOTIATIONS HAVE AGREED THAT PROPER DAMAGES TO BE PAID TO OPERATOR IN THE EVENT OF OWNER'S DEFAULT IN ITS OBLIGATIONS OR EXERCISE OF ITS OPTION TO TERMINATE (8.2 (A)) UNDER THIS AGREEMENT IS AN AMOUNT EQUAL TO THE AVERAGE ANNUAL MANAGEMENT FEE (BASIC AND INCENTIVE) EARNED UNTIL THE NOTICE OF TERMINATION MULTIPLIED BY THE REMAINING YEARS OF THIS AGREEMENT INCLUDING EXTENSION PERIODS. IN THE EVENT OF OWNER'S TERMINATING OPERATOR'S MANAGEMENT SERVICES THE PARTIES AGREE THAT OPERATOR IS ENTITLED TO THIS SUM AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.**

Owner hereby agrees (initial) _____ Operator hereby agrees (initial) _____

(c) In the event of a material default by one of the parties in the performance of its obligations under this Agreement, and in the event such default is not cured by the defaulting party within thirty (30) days after receipt of notice thereof from the non-defaulting party, the non-defaulting party will have the right without prejudice to any other right or remedy, to terminate this Agreement without further notice by giving written notice of such termination to the defaulting party.

(d) Failure by any party to enforce any such obligation in the case of such default by the other party shall not be deemed a waiver of the right to enforce any subsequent default with respect to any obligation whatsoever.

(e) Without limitation, the failure by Operator to pay Owner any amounts due to it under this Agreement for a period of thirty (30) days after such payment is due and payable shall constitute an event of default by Operator.

(f) Without limitation, each of the following shall constitute an event of default by Owner:

(i) Failure of the [renovation,] construction, furnishing, equipping and decorating of the Hotel to substantially conform with the final plans and specifications therefore as approved by Owner and Operator pursuant to Article 1.3 above;

(ii) Failure by Owner to make available to Operator any amount due to it for any reason whatsoever under this Agreement for a period of thirty (30) days after such payment is due and payable;

(iii) Failure by Owner to obtain the necessary permits for the construction of the Hotel within _____ () months after the signing of this Agreement;

(iv) Failure by Owner to secure financing for the construction and equipping of the Hotel within _____ () months after the signing of this Agreement;

(v) Failure by Owner to obtain the necessary permits for normal operation of the Hotel before the Opening Date or withdrawal of these permits at any time during the term of this Agreement, unless such failure or withdrawal was caused by any act or failure to act by Operator hereunder;

(vi) Notwithstanding the occurrence of Force Majeure, the failure by Owner to start construction by _____, 200__, for any reason whatsoever, other than default by Operator under any contract or agreement it may have with Owner or any principal of Owner; or

(vii) Notwithstanding the occurrence of Force Majeure, the failure by the Owner to finish the Hotel in its entirety by _____, 200__, for any reason whatsoever, other than default by Operator under any contract or agreement it may have with Owner or any principal of Owner.

(g) This Agreement may also be terminated by either party by notice given to the other party:

(i) In the event there shall be filed by the other party in any court pursuant to any statute of any state or any country, a petition in bankruptcy or insolvency, or for a reorganization, or for the appointment of a receiver or trustee of all or a substantial portion of such other party's property, or if the other party makes a general assignment for or petitions for or enters into a general arrangement for the benefit of creditors, or if a petition in bankruptcy is filed against the other party which is not discharged within ninety (90) days thereafter; or

(ii) Upon the major damage or severe destruction of the Hotel and the determination by Owner not to repair or reconstruct the Hotel, as provided in Article 4.2 hereof. The proceeds of any business interruption insurance and of any insurance with respect to Operator's property located in the Hotel are to be then fairly apportioned between Owner and Operator as their interests may appear, however, all other insurance proceeds shall be the sole property of Owner, subject to the rights of any mortgagee.

(h) Upon termination of this Agreement for any reason, all assets acquired hereunder, including cash, shall be the property of Owner provided, however these shall be paid from Hotel accounts all amounts and debts due to Operator, and, if the monies in said Hotel accounts are insufficient, then, by the Owner. Upon termination of this Agreement for any reason:

(i) Operator shall have thirty (30) days after termination in which Operator shall remove its own property from the Hotel;

(ii) Operator shall leave the Hotel in a clean and orderly condition;

(iii) Operator shall, in connection with the termination of this Agreement, surrender (and assign, if permitted) to Owner any and all licenses, permits and/or other authorizations or property required for the operation of the Hotel in accordance with the directions of Owner and with applicable governmental laws, regulations, orders or other provisions; and

(iv) Operator shall deliver to Owner any and all equipment, supplies, keys, lock and safe combinations, reservation lists, ledgers, bank statements on operating accounts, budgets, accounting books and records, insurance policies, bonds and other documents, memoranda, schedules, lists, contracts, agreements, correspondence, records and other properties required for the operation of the Hotel and/or required to

be developed, maintained or kept by Operator pursuant to the terms and provisions of this Agreement. Without limiting the foregoing, Operator shall deliver to Owner all utility contracts, service contracts, leases, licenses, and other contracts entered into in connection with the operation of the Hotel and all warranty contracts, warranty cards, operating instructions and other information and guarantees concerning all equipment installed in or used in connection with the operation of the Hotel. Any and all contracts, leases, licenses, warranties, guarantees, bank accounts and other Hotel assets which are held in Operator's name shall be assigned by Operator to Owner, and Operator agrees to execute and deliver such instruments of assignment in connection therewith in such form and in such descriptions as may be from time to time requested by Owner after termination of this Agreement.

Article 8.3 Successors and Assigns

(a) This Agreement and the rights and obligations hereunder may not be assigned by Operator or Owner without the prior written consent of the other party. Operator acknowledges that the Landlord under the Lease must also give its approval to any such assignment. Notwithstanding which GHM shall have the right to assign this contract to any company within the GHM Group without the written consent of any other party.

(b) Owner shall not have the right to sell, assign, lease, transfer, hypothecate and convey the Hotel or to assign its interest in this Agreement, or both, without the written approval and consent of Operator, provided, however, that any assignee as a condition to such permitted assignment shall expressly assume in writing the obligations of Owner hereunder. Owner, from time to time, upon written request of Operator shall furnish Operator with a list of the names and addresses of the owners of the capital stock, partnership interest, or other proprietary interest in Owner.

(c) This Agreement shall inure solely to the benefit of, and shall be binding upon, GHM and Owner and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under, or in respect of, or by virtue of, this Agreement or any provision of the Agreement.

Article 8.4 Indemnity.

Owner agrees to indemnify and hold harmless GHM and each of its respective affiliates, shareholders, directors, officers and employees, from any and all claims, liabilities, losses, damages, awards, costs and expenses (including, without limitation, reasonable attorneys fees) arising out of or relating to:

(a) Activities or omissions of Owner, its representatives, employees and agents in connection with the design, development, operations and sale of the Units;

(b) The negligent activities or omissions of GHM, its employees or its independent contractors, whether active or passively negligent in connection with the design, development, operations and sale of the Units; excepting that Owner shall not be obligated to defend, indemnify or hold GHM harmless under the terms of this Section 9 for claims, damages, injury, loss, liability or expenses caused by the sole negligence or willful misconduct of GHM;

(c) Any defect in Owner's ownership rights to the Site or any Unit;

(d) The subdivision of or infrastructure on the Site;

(e) The breach or claimed breach of any of Owner's representations, warranties, covenants and agreements made herein or pursuant to this Agreement or in any contract of sale or other agreement with a purchaser or prospective purchaser of a Unit; or

(f) Any incorrect or allegedly incorrect information supplied by Owner to GHM or directly to a purchaser or a prospective purchaser or any material facts which are not disclosed to a purchaser or a prospective purchaser;

(g) In connection with the design, development, operation, utilization or sale of the Units, any and all claims, losses, liabilities or other hazards arising out of or in any way connected with non-negligent activities or omissions of GHM or Owner's independent contractors in connection with the design, development, operation, or utilization of the Project.

Article 8.5 Settlement of Disputes and Applicable Law

(a) This Agreement shall be construed and interpreted in accordance with the laws of [Singapore / United Kingdom].

(b) All disputes and differences that may arise between the Parties hereto in regard to the carrying out of the terms and conditions hereunder and/or the interpretation thereof in any way whatsoever or as to the construction, meaning, validity or effects of this Agreement or any clause, matter or thing herein contained or the rights and liabilities of the Parties hereunder, or any breach hereof, which cannot be settled by friendly negotiations, whether during its subsistence or after its termination, shall be finally

settled under the Rules of Arbitration of the International Chamber of Commerce by one (1) arbitrator appointed in accordance with the said Rules. The decision of the Arbitrator shall be final and binding upon the Parties. The Arbitration shall be held in Singapore and shall be conducted in the English language. The enforcement of the award may be entered in any court of competent jurisdiction.

Article 8.6 Protection of Operator's Trade Name

(a) Owner confirms that Operator's trade name, service mark and trademark are valid and subsisting and that ownership of all right, title and interest in and to Operator's trade name, service mark and trademark, and the other unique characteristics of Operator's hotels is and shall remain vested solely in Operator. Owner will not in any manner represent that it has any ownership in Operator's trade name, service mark, trademark or other unique characteristics of Operator's hotels. All use of such trade name, service mark and trademark and the other unique characteristics of Operator's hotels by Owner shall inure to the benefit of Operator. Upon the expiration or earlier termination of this Agreement for any reason whatsoever, Owner shall, as soon as reasonably possible cease to use said trade name, service mark and trademark or any other trade name, service mark and trademark which is confusingly similar thereto, provided however, except as provided in the paragraph (b) of this Article, Owner shall not be required to alter or change the architecture, design, specifications, structure or operation of the Hotel.

(b) Owner agrees to withdraw as soon as reasonably possible from use all stamps, signs or emblems bearing Operator's trade name, service mark or trademark. With respect to items which are periodically replaced, such as dishware, silverware, uniforms, etc., Owner may use the same until they have been depleted, used up or otherwise expended.

Article 8.7 Relationship between the Parties

Nothing herein shall constitute or be construed to be or to create a partnership, joint venture or lease between Owner and Operator. Operator shall in no way be liable for the debts of any kind contracted for and/or assumed by Owner and Owner shall in no way be liable for the debts of any kind contracted for and/or assumed by Operator, except as expressly authorized herein.

IX. MISCELLANEOUS

Article 9.1. Notices

Any notice, consent or approval to be given by either party to the other pursuant to this Agreement shall be deemed to have been duly given, if, but only if, such notice, consent or approval is in writing and either delivered personally, or by registered or certified mail with return receipt requested, or by overnight courier addressed to:

Owner:

Operator:

General Hotel Management Ltd
c/o GHM (Singapore) Pte. Ltd
1 Orchard Spring Lane
#04-02 Tourism Court
Singapore 247729

Attn: Mr. Kendall Oei

Fax: +65 6221 1535

Email: ghmhk@singnet.com.sg

as the case may be, or to such other address and to the attention of such persons as the parties hereto may designate by like notice hereunder.

Article 9.2 Ratification

Both parties hereto represent and warrant to the other that the execution and delivery of this Agreement by such party have been duly and validly authorized and all requisite corporate or other action has been taken to make this Agreement valid and binding upon such party and enforceable in accordance with all terms and conditions hereof. In this regard, each party agrees to furnish the other party such written evidence as such other party may reasonably request to substantiate that all transactions covered hereby have been duly authorized by all requisite corporate or other action by such party.

Article 9.3 Miscellaneous

(a) Whenever any party hereto is required hereunder to give its approval to a

matter, other than an assignment or other transfer covered by Article 8.4 hereof, such approval shall not be unreasonably withheld. If a party shall desire the approval of the other party hereto to any matter, including an assignment covered by Article 8.4 hereof, such party may give notice to such other party that it requests such approval, specifying in such notice the matter as to which such approval is requested and reasonable detail respecting such matter. If such other party shall not respond negatively in writing to such notice within thirty (30) days after receipt thereof, such other party shall be deemed to have approved the matter referred to in such notice.

(b) Owner and/or its agents or representatives shall have the right to enter and inspect all parts of the Hotel at all reasonable times, but the same shall be done with as little disturbance to the operation of the Hotel as possible.

(c) Failure on the part of either party to complain of any action or non-action on the part of the other, no matter how long the same may continue, shall never be deemed to be a waiver by such party of any of its rights under this Agreement, except to the extent expressly provided hereunder. The consent or approval by either party to or of any action of the other requiring such consent or approval shall not be deemed to waive or render unnecessary such consent or approval to or of any subsequent similar act.

(d) Time is and shall be of the essence of this Agreement and each term and provision hereof. If any term or provision hereof or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(e) Words of any gender used in this Agreement shall be held and construed to include any other gender, and words singular shall be held to include the plural, unless the context otherwise requires. The captions or headings used in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing the provisions hereof whether with respect to questions of intent, or otherwise.

(f) No verbal or parol agreements pertaining to this Agreement shall be binding on Owner or Operator, the entire agreement between the parties hereto to be such as is written into this Agreement, and each party hereby agrees that it has carefully read this instrument and that the same terms and conditions herein set out are

satisfactory. This Agreement may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

WITNESS the duly authorized execution hereof in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the Same instrument, as of the [] day of [], 200[].

[Owner]

GENERAL HOTEL MANAGEMENT LTD.

By: _____

By: _____

Name/Title:

Name/Title:

SCHEDULE 10

Form of Performance Bond

[Letterhead of [*] Bank]

PERFORMANCE BOND

Beneficiary: HTP Milocer 85315 Sveti Stefan Montenegro

PERFORMANCE BOND No.:

(a) Whereas on [] the Lease Agreement (the "Lease") was concluded between HTP Milocer AD with its registered office at 85315 Sveti Stefan, Montenegro ("the Landlord"); Adriatic Properties D.O.O. with its registered office at Budva, Mediteranska 2, Montenegro ("the Tenant"); Aidway Investments Limited with its registered office at P O Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands ("the Guarantor"). Ministry of Tourism of Rinski Trg, 81000 Podgorica, Republic of Montenegro SCG ("the Landlord Guarantor") and General Hotel Management Limited whose principal place of business is at 1 Orchard Spring Lane #0402 Tourism Court Singapore 247729 ("GHM")

(b) In Clause 36 of the Lease, the Tenant has undertaken to provide the Landlord with a Performance Bond as a guarantee for fulfilment of the Tenant's commitments in respect of the works required to be carried out by the Tenant and described in Schedule 7 of the Lease ("the Works") should the Tenant fail to fulfil its obligations with regard to the execution and completion of the Works as described in the Lease;

THIS BEING STATED, we, [] (insert the name and other details of the bank), hereby irrevocably and unconditionally undertake to pay to HTP Milocer any amount up to:
EUR 20,000,000.00
(in words: Twenty million Euro)

Upon receipt of:

- (a) In the event of a breach of the Tenant's obligations in respect of the Works, the Landlord's first written request for payment and its written confirmation that the Tenant has failed to fulfil its obligations in respect of the Works pursuant to the terms of the Lease.;
- (b) Written confirmation from a bank established in the Republic of Montenegro that the signatories on the claim are authorised to sign on behalf of the Landlord. For the purpose of identification of the Landlord's request for payment and this confirmation, all documents referred to herein shall be presented to us by the Bank as intermediary, confirming that the signatures are legally binding upon the Landlord.
4. Except for the documents herein specified, no other documents or other action shall be required, notwithstanding any applicable law or regulation.
5. Our liability under this Performance Bond shall be to pay to the Landlord upon the receipt of the above documents whichever is the lesser of the sum so requested or the amount then guaranteed hereunder, without being entitled to enquire whether or not such payment is lawfully demanded.
6. No amendment of the Lease, or in the extent or nature of the Tenant's obligations and no allowance of time by the Landlord nor any forbearance or forgiveness in or in respect of any matter or thing concerning the Lease on the part of the

Landlord shall in any way release us from liability under the above written Performance Bond.

7. This Performance Bond shall remain in effect from the Effective Date in accordance with the Lease until the occurrence of any of the following:
 - (a) the Landlord provides written notification to the bank that the Tenant has completed the Works in full and does not have any outstanding claim under the Lease in connection with the Works; or
 - (b) a new Performance Bond has been issued by this Bank or another bank acceptable to the Landlord in an equal sum and on the same terms as this Performance Bond; or
 - (c) the Expiry Date.
8. This Performance Bond shall expire on a date falling six months after the expiry of the Termination Date (the 'Expiry Date'). Any claim under this Performance Bond must be made on or before the Expiry Date, after which date this Performance Bond shall automatically become null and void and of no effect whatsoever (save in respect of any claim made on or prior to such date) whether returned to us or not.
9. This Performance Bond is not assignable.
10. This Performance Bond shall be construed and interpreted in accordance with the laws and jurisdiction of the appropriate courts as defined in the Lease.
11. Any dispute arising in connection with this Performance Bond shall be settled by ad hoc arbitration in accordance with the UNCITRAL Arbitration Rules without recourse to the ordinary courts of law.

The place of the arbitration shall be [], the language of the arbitration shall be [], the tribunal shall consist of three arbitrators appointed in accordance with the said Arbitration Rules and the Arbitral Law shall be that of the Republic of Montenegro.

The Parties agree that a Party shall have the right to apply for injunctive or other conservatory relief in any court of competent jurisdiction without having waived any rights to resolve disputes by arbitration in accordance with this Clause 11.

Any award of the arbitral tribunal rendered in accordance with this Clause shall be final and binding on the Parties. Any procedural order of the tribunal shall also be binding on the Parties and each Party undertaking to comply without delay with all orders, directions and awards of the tribunal.

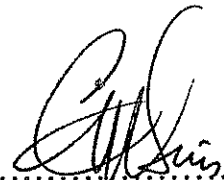
Judgment upon any such award made may be entered in any jurisdiction, or application may be made to any court of competent jurisdiction for confirmation of such award or a judicial acceptance of such award and for any order of enforcement or other legal remedy, as the case may be.


Signed by
HTP MILOCER AD
Acting by its authorised representative
MR DRAGAN MIKOVIC


.....
MR DRAGAN MIKOVIC



Signed by
ADRIATIC PROPERTIES D.O.O.
Acting by its authorised representative
MR GREGORY SIROIS


.....
MR GREGORY SIROIS



Signed by
AIDWAY INVESTMENTS LIMITED
Acting by its authorised representative

[*Q. Sinos*] [*Erreem*] []



Signed by
Mr PEDRAG NENEZIC
The Minister of Tourism
on behalf of **THE MINISTRY OF TOURISM**
of the **REPUBLIC OF MONTENEGRO**



MR PEDRAG NENEZIC

Signed by
GENERAL HOTEL MANAGEMENT LIMITED
Acting by its authorised representative
MR ADRIAN ZECHA


.....
MR ADRIAN ZECHA

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