



**LEASE AGREEMENT FOR REAL
PROPERTY**

BETWEEN

VIRGIN ISLANDS PORT AUTHORITY

AND

**GALLOWS BAY DEVELOPMENT
PARTNERS, LLC**

**Gallows Bay
St. Croix, U.S. Virgin Islands**

LEASE

THIS LEASE ("Lease") is entered into effective as set forth herein by and between **THE VIRGIN ISLANDS PORT AUTHORITY**, a public corporation and autonomous instrumentality of the Government of the Virgin Islands of the United States, operating and validly existing under the laws of the United States Virgin Islands ("Landlord") and **GALLOWS BAY DEVELOPMENT PARTNERS LLC**, a U.S. Virgin Islands limited liability company ("Tenant").

WITNESSETH:

A. Landlord is the owner of all the real property and the improvements located thereon described herein and desires to lease the property to the Tenant under the terms and conditions contained herein and the Tenant desires to lease the property from the Landlord under the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1. LEASED PROPERTY; TERM OF LEASE

1.1 Leased Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the following described leased premises (collectively "Leased Premises"):

Plot No. 2A (containing 0.2236 U.S. acres), **Plot No. 2B** (containing 2.1577 U.S. acres), and **Plot No. 2C** (containing 0.8129 U.S. acres), all on **Garden Street, Town of Christiansted, St. Croix, U.S. Virgin Islands**, as shown on OLG Drawing No. 5225, dated March 19, 2001.

Together with all tenements, hereditaments, improvements, rights of way, easements, and appurtenances thereunto belonging;

Together with the right to occupy the submerged lands, if any, and surface waters adjacent to the filled submerged lands as envisioned by the preliminary development plan attached hereto as **Exhibit "A"** and made a part hereof. Landlord grants to Tenant the right to construct piers and other portions of the marina and occupy the submerged lands and surface waters adjacent to the filled submerged lands as authorized by existing Coastal Zone Permit No. CZX-34-01-FC and Water Quality Certificate No. WQC-01-001W attached hereto as **Exhibit "B"** and made a part hereof. All of the rights of construction on and over and occupancy of submerged lands and filled submerged lands are granted by Landlord to Tenant as a sub-permittee under any Coastal Zone Permit and any other permits that the Landlord may now or hereafter possess pertaining to the Leased Premises, including the submerged lands and surface waters adjacent to the filled submerged lands.

1.2 Base Lease Term. The base term of this Lease shall be for a period of **fifty (50) years** commencing on the date the Governor of the Virgin Islands signs this Lease ("Effective Date of this Lease"). Possession of the Leased Premises shall be delivered by Landlord to Tenant on the Effective Date of this Lease, free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all or any portion of the Leased Premises. Landlord shall remove all of its personal property located on the Leased Premises prior to the Effective Date of this Lease.

The parties agree this Lease is conditioned upon the approval of the Governor of the Virgin Islands. After this lease has been signed by Landlord and Tenant, this Lease shall become effective automatically without further action of Landlord or Tenant upon the execution of this Lease by the Governor of the Virgin Islands.

The Parties agree that Landlord is required to deliver possession of the Leased Premises on the Effective Date of this Lease, free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all or any portion of the Leased Premises. If the Governor signs this Lease prior to the Landlord being able to deliver possession of the Leased Premises to Tenant free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all or any portion of the Leased Premises, then the Lease shall be effective but the Effective Date of this Lease for purposes of calculating rent, the beginning date of the initial 50 year term, the commencement date for the Tenant to obtain and pay for insurance, to pay property and utilities, and all other commencement dates which trigger Tenant's obligations hereunder shall be automatically delayed (at Tenant's option) until Landlord delivers possession of the Leased Premises to Tenant free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all or any portion of the Leased Premises.

1.3 Additional Term. Landlord grants to the Tenant an option to extend this Lease for an additional twenty (20) year period subject to the conditions set forth in Section 1.4 hereof.

1.4 Written Notice to Exercise Option. The Tenant shall have the right to extend the term of this Lease as set forth in Section 1.3 above if an Event of Default by the Tenant (as that term is defined in Article 10 hereof) does not then exist. Tenant must give written notice of its exercise of its option at least 120 days prior to the expiration of the 50 year initial base term.

ARTICLE 2. RENT

2.1 Base Rent. Tenant agrees to pay Landlord as guaranteed base rent for the use and possession of the Leased Premises the following annual amounts, which shall be paid in twelve (12) equal monthly installments in advance on the first day of each calendar month during the term hereof. For purposes of when the base rent commences, the first lease year shall begin on the first day of the calendar month following the earlier of: (i) two years after the Effective Date of this Lease and the delivery of the signed Lease to the Tenant; or (ii) the date Tenant

obtains all federal and local permits necessary for the development of the Leased Premises as provided for herein; provided, however the first lease year for base rent purposes shall not commence (and no base rent shall be due and payable) unless and until the Leased Premises is delivered to Tenant free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all or any portion of the Leased Premises. Each lease year shall continue for twelve (12) months.

BASE TERM – 50 YEARS

Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25
\$18,000.00	\$19,800.00	\$21,780.00	\$23,958.00	\$26,354.00
Years 26-30	Years 31-35	Years 36-40	Years 41-45	Years 46-50
\$28,990.00	\$31,889.00	\$35,078.00	\$38,586.00	\$42,445.00
RENEWAL TERM – 20 YEARS				
Years 51-55	Years 56-60	Years 61-65	Years 66-70	
\$80,000.00	\$84,000.00	\$88,200.00	\$92,610.00	

2.2 Additional Rent. In addition to the base rent provided in Section 2.1, Tenant shall pay as additional rent the amounts determined in accordance with the following paragraphs. All such rent shall be calculated on a calendar monthly basis and paid by Tenant to Landlord within thirty days after the last day of each calendar month.

a. Fuel. Tenant shall pay Landlord an amount based on each gallon of fuel sold at the Leased Premises calculated as follows:

Years 1-5	Years 6-10	Years 11-20	Years 21-30	Years 31-40	Years 41-50	Renewal
\$0.000 / gal	\$0.010 / gal	\$0.015 / gal	\$0.020 / gal	\$0.025 / gal	\$0.0275 / gal	\$0.0275/gal

b. Water. Tenant shall pay Landlord an amount based on each gallon of water sold at the Leased Premises calculated as follows:

Years 1-5	Years 6-10	Years 11-20	Years 21-30	Years 31-40	Years 41-50	Renewal
\$0.000 / gal	\$0.005 / gal	\$0.0075 / gal	\$0.010 / gal	\$0.0125 / gal	\$0.015 / gal	\$0.015 / gal

c. Cruise Ships. Tenant shall pay Landlord one hundred percent (100%) of all ship's dues and pilotage fees paid by all cruise ships which dock at the Leased Premises, less reasonable costs of collection (the costs of collection are estimated to be 5% of the ship's dues and pilotage fees paid by the cruise ships). Currently, the ship's dues charged by the Virgin Islands Port Authority is \$4.00 per passenger. All wharfage fees collected from cruise ships will be held in a reserve account for maintenance and repair of the marine facilities (including maintenance dredging) at the Leased Premises (excluding the commercial buildings located on the landside development). All dockage fees collected from cruise ships will be retained by Tenant.

d. **Ferry Boats.** Tenant shall pay Landlord one hundred percent (100%) of all ship's dues and pilotage fees paid by all ferry boats which dock at the Leased Premises, less reasonable costs of collection (the costs of collection are estimated to be 5% of the ship's dues and pilotage fees paid by the ferry boats). Currently, the ship's dues charged by the Virgin Islands Port Authority is \$0.85 per passenger. All wharfage fees collected from ferry boats will be held in a reserve account for maintenance and repair of the marine facilities (including maintenance dredging) at the Leased Premises (excluding the commercial buildings located on the landside development). All dockage fees collected from ferry boats will be retained by Tenant.

2.3 Percentage of Annual Earnings. In addition to the amounts set forth in Sections 2.1 and 2.2 above, Tenant shall pay Landlord additional rent equal to the applicable percentage set forth in the table below ("Applicable Percentage Rate") of the "annual earnings" of any business which Tenant directly owns and operates on the Leased Premises except as set forth below.

Years 1-5	Years 6-10	Years 11-20	Years 21-30	Years 31-40	Years 41-50	20 yr Renewal
3.0%	5.0%	7.5%	10.0%	12.5%	15.0%	18.0%

As used herein, the term "annual earnings" shall mean the annual revenue (as described below) of the Tenant minus cost of goods sold, operating expenses, maintenance expenses, debt service, interest, taxes, depreciation and amortization calculated in accordance with generally accepted accounting principles, consistently applied, and with the following qualifications:

Earnings will be calculated based on the following types of revenue of the Tenant:

- except as otherwise provided herein, revenue from the normal operation of the marina such as fees collected for the rental of boat slips;
- base rent and percentage rent collected from the subtenants of the buildings constructed on the leased property, excluding amounts paid by the subtenant for its share of common area expenses;

Earnings will not include the following types of revenue of the Tenant:

- revenue from the ship's dues, pilotage fees and wharfage fees paid by ferry boats and cruise ships;
- revenue from the sale of boats, whether earned as the owner of the vessel or as the agent or broker for the owner of the vessel;
- refunds to customers on transactions (not to exceed the actual selling price of the item returned), otherwise included in revenue;
- service charges (such as mailing or shipping) provided the Tenant is providing such charges merely as an accommodation to its customers and not for its own profit;
- amounts collected from customers and/or paid by the Tenant to the Government of the Virgin Islands for any sales, use, gross receipts, or excise tax;

- revenue from sales of fixtures, machinery and equipment after use thereof in the conduct of Tenant's business;
- in the event of a casualty loss, any sale in bulk to the Tenant's insurer or a liquidator of any damaged merchandise; and
- any other extraordinary capital transactions.

Earnings will be calculated without deducting any salaries, benefits or other compensation or profit distributions paid to the owners of the Tenant and the following key employees/consultants: Duane Bobeck, Michael Fields, Gordon Finch, Stephanie Hodge, and Kai Hendricks, and their respective immediate family members, and affiliates, unless specifically approved by the Landlord. Operating expenses will include actual expenses incurred by the owners/employees for reasonable and necessary expenses of the business.

2.4 Annual Reports; Landlord's Right to Audit.

a. The percentage rent due under Section 2.3 shall be calculated and paid on an annual basis. The rent based on such annual net earnings shall be calculated within ninety (90) days after the close of each lease year and shall be paid to Landlord within such ninety (90) day time period.

b. For the purpose of ascertaining the amount payable as percentage rent under Section 2.3, Tenant agrees to prepare and keep on the Leased Premises for a period of not less than three (3) years following the end of each Lease Year, complete and accurate records of the Tenant's operations on the Leased Premises to enable Landlord to verify the amount of rent due hereunder, including without limitation records which shall show all income received, cost of goods sold, operating expenses, maintenance expenses, debt service, interest, taxes and other expenses, reserve accounts and amounts deposited thereto and amounts spent therefrom. The acceptance by the Landlord of payments of rent shall be without prejudice to the Landlord's right to an examination of the Tenant's books and records in order to verify the amount of rent due from the Tenant.

c. At its option, Landlord may cause, at any reasonable time upon seven days prior written notice to Tenant, a complete audit by an independent certified public accounting firm (or other individual or entity acceptable to the Tenant) to be made of Tenant's books and records relating to the Leased Premises for prior Lease Year for the purpose of verifying the amounts due as percentage rent under Section 2.3 of this Lease.

d. If such audit shall disclose a liability for percentage rent due under Section 2.3 in excess of the percentage rent previously computed and paid by Tenant for such period, then Tenant shall pay to Landlord the amount of such deficiency within thirty days after the determination of the amount of such deficiency. Provided, however, if Tenant disputes the calculation of such deficiency and the parties can not resolve such dispute, then such dispute shall be submitted to the mediation and arbitration provisions set forth in Section 11.11 hereof.

Tenant shall thereafter pay to Landlord the amount of such deficiency within thirty days after the final determination of the amount of such deficiency.

e. If the deficiency liability for percentage rent due under Section 2.3 shall be determined to be in excess of ten percent (10.0%) of the annual percentage rent due under Section 2.3 previously computed and paid by Tenant for such year, then Tenant shall promptly reimburse Landlord the cost of the audit.

f. Any information obtained by Landlord as a result of such audit (or otherwise provided to or received by Landlord) shall be held in strict confidence.

2.5 Interest on Rent. Each monthly installment of all rents and other charges shall bear interest if not paid promptly. Any rent remaining unpaid fifteen (15) days after the date it becomes due as specified in this Lease shall bear interest at the rate of one and one-half percent (1.50%) per month from the date it became due until it is paid by Tenant to Landlord.

2.6 Place for Payment of Rent. All rent that becomes due and payable under this Lease shall be paid to Landlord at the office of Landlord at P.O. Box 1707, St. Thomas, VI 00801, or such other place or places as Landlord may from time to time designate by written notice given to Tenant.

2.7. Coastal Zone Management Fees.

a. **Existing Coastal Zone Permit No. CZX-34-01-FC and Water Quality Certificate No. WQC-01-001W.** All fees or charges assessed or imposed by the Coastal Zone Management Commission, the Department of Planning and Natural Resources, or the Government of the Virgin Islands pursuant to the Virgin Islands Coastal Zone Management Act, Title 12, Chapter 21, Virgin Islands Code, and any amendments thereto or successor laws thereof, in connection with the existing Coastal Zone Permit No. CZX-34-01-FC and Water Quality Certificate No. WQC-01-001W and any extensions and/or renewals thereof shall be borne exclusively by Landlord and Tenant shall not be obligated to pay or reimburse Landlord for same.

b. **New Coastal Zone Permits.** All fees or charges assessed or imposed by the Coastal Zone Management Commission, the Department of Planning and Natural Resources, or the Government of the Virgin Islands pursuant to the Virgin Islands Coastal Zone Management Act, Title 12, Chapter 21, Virgin Islands Code, and any amendments thereto or successor laws thereof, in connection with obtaining new permits for the development, use and occupancy of submerged lands and filled submerged lands by Tenant pursuant to this Lease (other than the existing Coastal Zone Permit No. CZX-34-01-FC and Water Quality Certificate No. WQC-01-001W) shall be borne exclusively by Tenant and Landlord shall not be obligated to pay or reimburse Tenant for same.

2.8. Sale of Development within First Fifteen Years. If Tenant should sell the marina and commercial center within the first fifteen (15) years of the Lease, Tenant agrees to pay a selling fee to Landlord as follows:

- a. For the marina development:
 - 1. After Phase 1 - \$75,000;
 - 2. After Phase 2 - \$125,000.

- b. For the landside commercial center development:
 - 1. After Phase 1 - \$100,000;
 - 2. After Phase 2 - \$140,000;
 - 3. After Phase 3 - \$180,000;
 - 4. After Phase 4 - \$220,000.

For example, if the Leased Premises is sold after the Phase 1 of the Marina and Phases 1 and 2 of the landside commercial center development are completed, then the fee due to the Landlord shall be \$75,000 plus \$140,000. If the Leased Premises is sold after all phases are completed, then the fee due to the Landlord shall be \$125,000 plus \$220,000. The fee shall be paid to Landlord at the closing of the sale of such Leased Premises.

ARTICLE 3. USE OF PREMISES

3.1. Principal Use. The Leased Premises shall be used for the construction, development and operation of a marina and related boat and marine storage, fuel, repair, maintenance, retail and wholesale facilities. The Leased Premises may also be used for the operation of a full service marina, bars, taverns, nightclubs, restaurants, retail and wholesale stores, grocery stores, mini-warehouse storage facilities, offices, recreational, lodging, apartments, hotels, condominiums, custom brokers, ships agents, all activities, establishments and amenities customarily found at a full service destination marina, other similar commercial and residential activities, and any other use permitted under Virgin Islands W-1 zoning law as it currently exists and as it may be amended from time to time and any replacement zoning statute now or hereafter applicable to the Leased Premises. Prior to embarking on any use not herein specified, Tenant shall advise Landlord of the intended use of the Leased Premises and whether the use will be operated directly by Tenant or under sublease to a third party.

3.2. Only Lawful Uses Permitted. Tenant shall not use or permit the Leased Premises or any portion of the Leased Premises to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation of any valid law, ordinance, or regulation of any federal or local governmental agency, body, or entity. Furthermore, Tenant shall not maintain, commit, or permit the maintenance or commission of any nuisance as now or hereafter defined by any statutory or decisional law applicable to the Leased Premises on the Leased Premises or any part of the Leased Premises.

3.3. Landlord's Reservation. The Landlord reserves unto itself, its successors and assigns, for the use and benefit of the public, a right of ingress and egress upon the common areas (excluding docks) and roadways surrounding and upon the Leased Premises.

3.4 Prior Use by Landlord and its Tenants. Landlord represents and warrants to Tenant that Landlord or any prior tenant or other person in, on, or about the Leased Premises with the permission and consent of Landlord prior to the Effective Date of this Lease has duly complied with, and their respective business operations, assets, equipment, property, leaseholds and other facilities, and the Leased Premises, are in and have been in compliance with the provisions of all federal and territorial environmental laws, codes and ordinances, and all rules and regulations promulgated thereunder. There has been no complaint, order, directive, claim, citation, or notice by any governmental authority or any person or entity with respect to (1) air emissions, (2) spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises, (3) noise emissions, (4) solid or liquid waste disposal, (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or waste, or (6) other environmental, health, or safety matters affecting the Landlord or any of the business, operations, assets, equipment, property, leaseholds, or other facilities now or previously located thereon.

ARTICLE 4. TAXES AND UTILITIES

4.1. Tenant to Pay Taxes. Except as provided in Section 2.6 hereof, in addition to the rents required to be paid under this Lease, Tenant shall pay, and Tenant hereby agrees to pay, any and all taxes, assessments, and other charges of any description levied or assessed during the term of this Lease by any governmental agency or entity on or against any improvements constructed by Tenant or other equipment or fixtures installed by Tenant; provided, however, that Tenant shall have the right to contest the imposition of any such tax or assessment and, provided further, that Landlord shall not impose any additional tax, assessment or charge in connection with Tenant's use or occupancy of the Leased Premises apart from the rent reserved herein.

4.2. Payment before Delinquency. Provided Tenant has received proper written notice thereof, any and all taxes and assessments and installments of taxes and assessments required to be paid by Tenant shall be paid by Tenant at least ten (10) days before each such tax, assess, or installment of tax or assessment becomes delinquent.

4.3. Utilities. Tenant shall pay or cause to be paid, and hold Landlord and the property of Landlord, including the Leased Premises, free and harmless from all charges for the furnishing of gas, water, electricity, telephone service, and other public utilities to the Leased Premises during the term of this Lease and for the removal of garbage and rubbish from the Leased Premises during the term of this Lease.

4.4. Payment by Landlord. Should Tenant fail to pay within the time specified in this Article any taxes, assessments, or other charges required by this Article to be paid by

Tenant and such breach has not been cured with ten (10) days after the effective date of written notice from Landlord to Tenant specifying the default, then Landlord may, without further notice to or demand on Tenant, pay, discharge, or adjust such tax, assessment, or other charge for the benefit of Tenant. In such event, Tenant shall promptly, on written demand of Landlord, reimburse Landlord for the full amount paid by Landlord in paying, discharging, or adjusting such tax, assessment, or other charge together with interest thereon at the rate of twelve percent (12%) per annum from the date of payment by Landlord until the date of repayment by Tenant. Where no time within which any charge required by this Article to be paid by Tenant is specified in this Article, such charge must be paid by Tenant before it becomes delinquent.

4.5. Peaceful Possession. Landlord covenants that it has the right to make this Lease and that Tenant upon performing the terms, conditions and covenants of this Lease, shall have quiet and peaceful possession of the Leased Premises as against any person or entity claiming the same.

ARTICLE 5. CONSTRUCTION BY TENANT

5.1. Tenant shall, at its expense, develop, construct, own, and operate a new yacht marina and commercial center on the Leased Premises in accordance with plans and specifications prepared by Tenant and submitted to the Landlord. The landside development will consist of a series of three-story structures. U.S. Coast Guard facilities will be provided and leased to the U.S. Coast Guard at a fair market rent. U.S. Customs facilities will be provided and leased to the U.S. Customs Service at a fair market rent. The development will include without limitation the continued use of the existing dock, construction of new marina docks and other facilities, a docking facility for the ferries, small cruise ships, and large yachts. The pier and docking areas will include facilities for refueling, potable water, electrical connectivity and removal of "black water". The slips for the large vessels will have these capabilities built within the dock structures. Fueling and service stations will also be available for small yachts.

5.2. Tenant shall construct or cause to be constructed on the Leased Premises and the adjacent submerged lands improvements and facilities at a cost of not less than Twelve Million Five Hundred Thousand Dollars (\$12,500,000) in a manner and according to the terms and conditions specified in this Article 5. Except as provided in Section 2.6 hereof, Tenant shall be responsible for obtaining all permits, licenses, approvals, and authorizations required by any applicable requirement, law, rule, regulation, ordinance, or statute of any applicable governmental authority which is or may be necessary for Tenant to construct on and over the Leased Premises including the adjacent submerged lands and filled submerged lands. Landlord shall make good faith, best efforts to assist the Tenant in obtaining all such permits, licenses, approvals and authorizations.

Tenant shall commence construction within one year after the date Tenant obtains all federal and local permits necessary for the development of the Leased Premises as provided for herein; provided, however, that the one year time period for commencement of construction shall not commence unless and until the Leased Premises is delivered to Tenant free and clear of all tenants, licensees and all other persons or entities in possession of or claiming the right to use all

or any portion of the Leased Premises. Tenant shall substantially complete construction of Phase 1 of the Marina and the first commercial building within five years after the commencement of construction.

5.3. Tenant is responsible for obtaining private financing to pay for the cost of the development. Tenant shall lead and manage the construction project, implement a marketing campaign to attract yachts and cruise ships, lease, manage and secure all facilities, bill and collect all fees and charges to marina and landside tenants and invitees. All wharfage fees from both cruise ships and ferries shall be retained by Tenant and held in a reserve account at a bank located in the U. S. Virgin Islands or the United States to be used to pay for maintenance and repair of the marine facilities (including maintenance dredging) at the Leased Premises (excluding the commercial buildings located on the landside development). Tenant shall provide Landlord with annual accounting of the funds collected and the expenditures made thereof. Any amount remaining in such reserve account at the expiration or earlier termination of this Lease shall be paid to Landlord.

Tenant agrees that if any expenditure for maintenance and repair of the marine facilities from the reserve account will exceed \$50,000, then prior to making such expenditure Tenant shall review the planned expenditure with the Landlord and seek its approval for such expenditure. If the Landlord and Tenant are unable to reach an agreement on whether to make such expenditure, then either party may submit the disagreement to mediation and arbitration under Section 11.11 of this Lease.

5.4. Landlord agrees to relocate the existing commercial shipping facilities located on the Leased Premises to another location on the south shore of the island of St. Croix at its expense; provided, however, the cost of such structure paid by Tenant shall not exceed \$500,000. Tenant agrees to construct a new replacement warehouse structure at the new location selected by the Landlord; the structure will be of similar size and construction to the existing commercial shipping facilities located on the Leased Premises. Landlord and Tenant shall work together on the plans and specifications for the new structure. Tenant shall promptly commence construction of the new structure after the designation of the site by the Landlord, the preparation of the plans and specifications, the delivery by Landlord to Tenant of all federal and local permits necessary for the construction of the new structure and Tenant shall thereafter use commercially reasonable efforts to complete construction of the new structure.

In the alternative to and in satisfaction of its obligations under the preceding paragraph, Tenant shall have the right to deposit the sum of \$500,000 into escrow with an escrow agent acceptable to Landlord, which funds will be used only to pay hard construction costs for the construction of the new replacement warehouse structure. If Tenant elects this option, then Landlord shall promptly commence construction of the new structure, the preparation of the plans and specifications, the receipt of all federal and local permits necessary for the construction of the new structure and Landlord shall thereafter use commercially reasonable efforts to complete construction of the new structure. Landlord shall pay all other construction costs. Upon completion of construction, if any portion of the escrowed funds remain, then such excess funds shall be returned to Tenant. Upon depositing the sum of \$500,000 into escrow with an escrow

agent acceptable to Landlord, Tenant shall be deemed to have satisfied in full its satisfaction under the preceding paragraph.

5.5. It is anticipated that the marina will be constructed in two phases and the buildings on the land will be constructed in four phases. Tenant may combine, modify and/or delete phases of construction as it deems appropriate in its discretion. Landlord consents to this type of phased development.

5.6. Prior to commencement of construction of the development, Landlord shall, at its expense, perform the necessary dredging and maintenance of the Gallows Bay harbor to permit large yachts and small cruise ships to properly and safely navigate through the Gallows Bay channel to provide access to the new marina. If desirable for the proper operation of the marina, Landlord shall also, at its expense, build a break water to benefit all of Christiansted and Gallows Bay harbors in a location and manner acceptable to the Landlord, Tenant and the U.S. Army Corps of Engineers.

5.7. Landlord shall support the private financing and marketing efforts of the Tenant in a good faith, reasonable manner.

5.8. Plans and Specifications. The plans and specifications for the marina and commercial development to be constructed by Tenant shall be submitted to Landlord for Landlord's written approval or any revisions required by Landlord. Landlord shall not unreasonably withhold or delay such approval, and in the event of disapproval or required revision, Landlord shall give to Tenant a written itemized statement of requested revisions and the reasons therefor within twenty-one (21) days after the plans and specifications are submitted to Landlord. If Landlord does not disapprove the plans and specifications within twenty-one (21) days after the same have been submitted to Landlord, such plans and specifications shall be deemed to have been approved by Landlord. If the Landlord objects to the plans and specifications and delivers the written itemized statement to Tenant within such fifteen day time period and if the Landlord and Tenant have not resolved their differences within thirty (30) days thereafter, then at any time thereafter before their differences are resolved, either Landlord or Tenant may deliver a written demand for arbitration to the other party under the arbitration procedures set forth in Section 11.11 hereof. Within ninety (90) days after receipt of all required building permits and the approval of the plans and specifications by the Landlord, Tenant shall, at Tenant's sole expense, commence and shall thereafter diligently prosecute to completion the construction of the proposed improvements in accordance with the approved plans and specifications. Landlord and Tenant recognize that construction of the proposed improvements will be undertaken in stages such that construction of later stages may commence more than ninety (90) days after receipt of the permits required for the construction of the stage.

5.9. Alterations, Improvements and Changes Permitted. Tenant shall have the right to make such alterations, improvements, and/or changes to any building or other structure which may from time to time be on the Leased Premises as Tenant may deem necessary or desirable, and/or to replace any such building or structure with a new one of at least equal value. Provided, however, that prior to making any substantial or material structural alterations,

improvements, or changes, or to replacing any such building or structure, the plans and specifications for such construction work shall be submitted to Landlord for Landlord's written approval or any revisions required by Landlord. Landlord shall not unreasonably withhold or delay such approval, and in the event of disapproval or required revision, Landlord shall give to Tenant a written itemized statement of requested revisions and the reasons therefor within fifteen (15) days after the plans and specifications are submitted to Landlord. If Landlord does not disapprove the plans and specifications within fifteen (15) days after the same have been submitted to Landlord, such plans and specifications shall be deemed to have been approved by Landlord. If the Landlord objects to the plans and specifications and delivers the written itemized statement to Tenant within such fifteen day time period and if the Landlord and Tenant have not resolved their differences within thirty (30) days thereafter, then at any time thereafter before their differences are resolved, either Landlord or Tenant may deliver a written demand for arbitration to the other party under the arbitration procedures set forth in Section 11.11 hereof. Tenant will in no event make any alterations, improvements, or other changes of any kind to any building on the Leased Premises that will decrease the value of such building, or that will adversely affect the structural integrity of the building except as set forth in the plans and specifications that have been approved or deemed to be approved by Landlord under this Section 5.9 or under Section 5.8 above or as otherwise provided for in this Lease.

5.10. Title to Leasehold Improvements. Title to all improvements constructed by or for Tenant shall remain in Tenant for the term of the Lease and any option period. Unless the Tenant continues to occupy the Leased Premises under a new agreement negotiated between the parties at the expiration of the initial lease term and/or option period, title to all improvements constructed by or for Tenant shall vest in the Landlord at the expiration of the term of this Lease, including any exercised extensions and the Tenant shall by appropriate documents convey same to Landlord.

5.11. Architects, Contractors, and Builders. The Tenant shall have the right to employ such architects, engineers, contractors or builders as the Tenant shall deem necessary or desirable in connection with the authorized construction, installation, alteration, modification, repair and/or maintenance of any building, structure or improvement upon the Leased Premises; provided, however, that any of such architects, engineers, contractors, or builders shall be licensed or otherwise competent in their respective profession or trade.

ARTICLE 6. ENCUMBRANCE OF LEASEHOLD ESTATE

6.1 Tenant's Right to Encumber. Lessee may, from time to time during the term of this Lease, obtain one or more loans ("Permitted Tenant Financing") from any bank, insurance company, financial institution or other commercial lender ("Lender"), and encumber by mortgage, assignment of rents and leases, security agreement, and/or other security instrument (collectively "Leasehold Mortgage") all of Tenant's interest under this Lease and the Leasehold Estate hereby created in Tenant, in all improvements and personal property now or hereafter owned by Tenant located on the Leased Premises and/or used in connection with the Leased Premises to secure monies advanced and used in developing, constructing, improving, expanding and/or operating the improvements on and the Tenant's businesses located on the Leased

Premises, for working capital for the Tenant in connection with its business operations located on the Leased Premises; provided, however, that no encumbrances incurred by Tenant pursuant to this section shall, and Tenant shall not have the power to incur any encumbrances that will, constitute in any way a lien or encumbrance on the fee simple interest of the Landlord in the Leased Premises or any other interest of Landlord on in the Leased Premises. Any encumbrances provided for herein shall be subject to the provisions of Section 9.2 herein, which provides for Landlord's right of first refusal upon default of Tenant, among other things. Tenant may refinance existing debt under the provisions of this Section. The loans permitted under this Section may include funds to pay for the costs and expenses incurred by Tenant of acquiring the Leasehold Interest under this Lease and all other real and personal property used in connection with the Lease and its business operations on the Leased Premises, construction improvements and obtaining financing such as loan commitment fees, points, title insurance, surveys, appraisals, inspections, environmental reports, legal fees, accounting fees, architects and engineering fees, building inspections fees and other customary costs and expenses of acquiring property, construction improvements and obtaining financing.

6.2 Request for Notice of Loan Default. Immediately after the recording of any Leasehold Mortgage executed by Tenant pursuant to Section 6.1 of this Lease and containing the power to sell the Leased Premises at a foreclosure sale as permitted under Virgin Islands law, Tenant shall at Tenant's own cost and expense record in the Office of the Record of Deeds, St. Croix, U.S. Virgin Islands, a written request executed and acknowledged by Landlord for a copy of any notice of default and a copy of any notice of sale under mortgage to be mailed to Landlord at the address specified in the request by Landlord.

6.3 Notice to and Service on Lender. Landlord shall mail to Lender, should Tenant incur any encumbrance pursuant to Section 6.1 of this Lease, a duplicate copy of any and all notices Landlord may from time to time give to or serve on Tenant pursuant to or relating to this Lease. Tenant shall at all times keep Landlord informed in writing of the name and mailing address of Lender and any changes in Lender's mailing address. Any notices of other communications permitted by this or any other section of this Lease or by law to be served on or given to Lender by Landlord shall be deemed duly served on or given to Lender when deposited in the United States mail, first class postage prepaid, addressed to Lender at the last mailing address for Lender furnished in writing to Landlord by Tenant or Lender.

6.4. No Modification without Lender's Consent. Should Tenant grant any Leasehold Mortgage pursuant to Section 6.1 of this Lease, Tenant and Landlord hereby expressly stipulate and agree that they will not modify this Lease in any way nor cancel this Lease by mutual agreement without the prior written consent of Lender holding such Leasehold Mortgage.

6.5 Rights of Lender. Should Tenant grant any Leasehold Mortgage pursuant to Section 6.1 of this Lease, the Lender holding such Leasehold Mortgage shall have the right at any time during the term of this Lease and the existence of the Leasehold Mortgage to:

a. Do any act or thing required of Tenant under this Lease, and any such act or thing done and performed by Lender shall be as effective to prevent a forfeiture of Tenant's rights under this Lease as if done by Tenant itself;

b. Realize, after complying with Section 9.2, on the security encumbered by the Leasehold Mortgage by exercising foreclosure proceedings or power of sale or other remedy(s) afforded in law or in equity or by the Leasehold Mortgage, and to:

1. Transfer, convey, or assign the title of Tenant to the Leasehold Estate created by this Lease to any purchaser at any foreclosure sale, whether the foreclosure sale be conducted pursuant to court order or pursuant to a power of sale contained in the Mortgage; or by a deed or assignment in lieu of foreclosure sale; and

2. Acquire and succeed to the interest of the Tenant under this Lease by virtue of any foreclosure sale, whether the foreclosure sale be conducted pursuant to court order or pursuant to a power of sale contained in the Mortgage; or by a deed or assignment in lieu of foreclosure sale.

6.6 Right of Lender to Cure Defaults. Should Tenant incur an encumbrance pursuant to Section 6.1 of this Lease, before Landlord may terminate this Lease because of any default under or breach of this Lease by Tenant, Landlord must give written notice of the default or breach to Lender and afford Lender the opportunity after service of the notice to:

a. Cure the breach or default within forty (40) days where the default can be cured by the payment of money to Landlord or some other person;

b. Cure the breach or default within ninety (90) days where the breach or default must be cured by something other than the payment of money and can be cured within that time; or

c. Cure the breach or default within such reasonable time as may be required where something other than money is required to cure the breach or default and cannot be reasonably performed within the ninety (90) days provided that acts to cure the breach or default are commenced within that time period after service of notice of default on Lender by Landlord and are thereafter diligently continued by Lender.

6.7 Foreclosure in Lieu of Curing Default. Notwithstanding any other provision of this Lease, a Lender holding a Leasehold Mortgage incurred by Tenant pursuant to Section 6.1 of this Lease may, after complying with the provisions of Section 9.2, forestall termination of this Lease by Landlord by commencing proceedings to foreclose its encumbrance on the Leasehold Estate created by this Lease. The proceedings so commenced may be for foreclosure of the encumbrances by order of court or for foreclosure of the encumbrance under a power of sale contained in the instrument creating the encumbrance. The proceedings shall not, however, forestall termination of this Lease by Landlord for the default or breach by Tenant unless:

a. They are commenced within sixty (60) days after service on Lender of the notice described in Section 6.6 of this Lease;

b. They are, after having been commenced, diligently pursued in the manner required by law to completion; and

c. Lender keeps and performs all of the terms, covenants, and conditions of this Lease requiring the payment or expenditure of money by Tenant until the foreclosure proceedings are completed or are discharged by redemption, satisfaction, payment, or conveyance of the Leasehold Estate to Lender.

6.8. Assignment without Consent on Foreclosure. Provided that Lender under any Leasehold Mortgage granted by Tenant pursuant to Section 6.1 of this Lease complies with the provision of Section 9.2 of this Lease and gives written notice of transfer to Landlord setting forth the name and address of the transferee as well as the effective date of the transfer, the written consent of Landlord shall not be required for transfer of Tenant's interest under this Lease to:

a. A purchaser at a foreclosure sale of the encumbrance whether the foreclosure sale be conducted pursuant to court order or pursuant to a power of sale in the instrument creating the encumbrance; or by a deed or assignment in lieu of foreclosure sale; or

b. A purchase from Lender after foreclosure where Lender was the purchaser of Tenant's interest at the foreclosure sale of the encumbrance and Lender is an established bank, insurance company, financial institution or other commercial lender; or by a deed or assignment in lieu of foreclosure sale.

6.9 New Lease to Lender. Notwithstanding any other provision of this Lease; should this Lease terminate because of the insolvency or bankruptcy of Tenant or because of any default under or breach of this Lease by Tenant, Landlord will execute a new lease for the Leased Premises to the Lender holding the Leasehold Mortgage incurred by Tenant pursuant to Section 6.1 of this Lease as Tenant, provided:

a. Lender has complied with the provisions of Section 9.2 of this Lease.

b. A written request for the new lease is served on Landlord by Lender within sixty (60) days after service on Lender of the notice described in Section 6.3 of the Lease or after service on Lender of written notice from the Landlord of the proposed termination of the Lease because of the insolvency or bankruptcy of Tenant, whichever is later.

c. The new lease is for a term ending on the same date the term of this Lease would have ended had not this Lease been terminated, provides for the payment of rent at the same rate that would have been payable under this Lease during the remaining term of this Lease had this Lease not been terminated, and contains the same other terms, covenants, conditions, and provisions as are contained in this Lease, including without limitation the option to extend

the term of the Lease set forth in Section 1.3 hereof (a default by Tenant shall not cause Section 1.4 to defeat the Lender's option to extend the term of the Lease under this paragraph).

d. Lender, on execution of the new lease by Landlord, shall pay any and all sums that would at the time of the execution of the new lease be due under this Lease but for its termination and shall otherwise fully remedy, or agree in writing to remedy, any other defaults under or breaches of this Lease committed by Tenant that can be remedied by Lender.

e. Lender, on execution of the new lease, shall pay all reasonable costs and expenses, including reasonable attorney's fees and court costs, incurred in terminating this Lease, recovering possession of the Leased Premises from Tenant or the representative of Tenant, and preparing the new lease.

f. The new lease shall:

1. Extend the time for performance of any unperformed acts required by Article 5 of this Lease for such period as is equal to the delay in performance of the act caused by Tenant's inability or failure to perform the act and the time required to terminate this Lease and execute a new lease to Lender; and

2. Excuse the performance of any act required by Article 5 of this Lease that has already been performed by Lender, and Lender's assignee as tenant under the new lease shall be liable for payment of all costs and expenses incurred in the performance of any act required by Article 5 of this Lease, whether performed before or after execution of the new lease, that might be alleged or claimed as a lien against the Leased Premises.

6.10. No Merger of Leasehold and Fee Estates. Should Tenant grant any Leasehold Mortgage pursuant to Section 6.1 of this Lease, then there shall be thereafter, during the existence of the Leasehold Mortgage, no merger without the consent of the Lender under such Leasehold Mortgage of the Leasehold Estate created by this Lease and the fee estate in the Lease Premises merely because both estates have been acquired or become vested in the same person or entity.

6.11 Additional Provisions Requested by a Lender. If any Lender or potential Lender requests provisions in addition to those provisions set forth above or modifications to those provisions, then The Landlord will negotiate with the Lender in good faith and in a commercially reasonable manner to attempt to accommodate the Lender's requests.

ARTICLE 7. REPAIRS AND RESTORATION

7.1. Maintenance by Tenant. At all times during the term of this Lease, Tenant shall, at Tenant's own cost and expense, keep and maintain the Leased Premises including all improvements, landscaping, or facilities now or hereafter located on the Leased Premises as well as all facilities now or hereafter appurtenant to the Leased Premises in good order and repair and in a safe, clean, sanitary, neat, tidy, orderly, and attractive condition. This requirement does not

however prohibit the Tenant from replacing the existing structures with new structures as part of the phased construction of the new marina and commercial development as provided for in this Lease.

7.2 Requirements of Governmental Agencies. At all times during the term of this Lease, Tenant, at Tenant's own cost and expense, shall:

a. Make all alterations, additions, or repairs to the Leased Premises or the improvements or facilities on the Leased Premises required by any valid law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, local, or other governmental agency or entity.

b. Observe and comply with all valid laws, ordinances, statutes, orders, and regulations now or hereafter made or issued respecting the Leased Premises or the improvements or facilities on the Leased Premises by any federal, local, or other governmental agency or entity;

c. Indemnify and hold Landlord and the property of Landlord, including the Leased Premises, free and harmless from any and all liability, loss, damages, fines, penalties, claims, and actions resulting from Tenant's failure to comply with and perform the requirements of this section;

d. No official of the Government of the Virgin Islands or the Landlord shall be admitted to any share or part of the Lease, or to any benefit that may arise therefrom. This restriction shall not be construed to extend to this Lease if made with a corporation or company for its general benefit and shall not apply to stockholders or officers of the corporation.

e. Tenant for itself, its representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that:

1. No person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subject to discrimination in the use of the facilities; and

2. That in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination.

7.3 Tenant's Duty to Restore Premises. Should, at any time during the term of this Lease, any buildings or improvements now or hereafter on the Leased Premises be destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of Landlord, this Lease shall continue in full force and effect and Tenant, at Tenant's own cost and expense, shall repair and restore the damaged or destroyed building, buildings, improvement, or improvements according to the original plan thereof or according to such modified plans therefore as shall be

approved in writing by Landlord. The work of repair and restoration shall be commenced by Tenant within sixty (60) days after receipt of all insurance proceeds paid on account of such damage or destruction and shall be completed with due diligence. In all other respects, the work of repair and restoration shall be done in accordance with the requirements for the construction work on the Leased Premises set forth in Article 5 of this Lease or as otherwise agreed upon in writing by Landlord and Tenant. During the period of repair and restoration of the Leased Premises, Tenant's obligations to pay rent shall be suspended for that portion of the Leased Premises under repair; provided, however, that in no event shall Tenant pay less than the base rent established for year one (\$18,000) in Section 2.2 hereof unless this Lease is terminated as hereinafter provided.

7.4 Option to Terminate Lease for Destruction. Notwithstanding the provision of Section 7.3 of this Lease, Tenant shall have the option of terminating this Lease on the last calendar day of any month by giving Landlord at least thirty (30) days written notice of Tenant's intent to do so and by removing, at Tenant's own expense, all debris and remains of the damaged improvements from the Leased Premises if either of the following occurs:

a. Any buildings or improvements now or hereafter on the Leased Premises are so damaged or destroyed by fire, theft, the elements, or any cause not the fault of Tenant during the last ten (10) years of the initial term of this Lease and/or the twenty year option period if the cost to repair or replace the damaged or destroyed buildings or improvements exceeds thirty-five percent (35%) of the total cost to repair or replace all buildings and improvements located on the Leased Premises immediately preceding the casualty, if all such buildings and improvements had been totally damaged or destroyed by such casualty; or

b. Any buildings or improvements now or hereafter on the Leased Premises are so damaged or destroyed by fire, theft, the elements, or any cause not the fault of Tenant during the last five (5) years of the initial term of this Lease and/or the twenty year option period if the cost to repair or replace the damaged or destroyed buildings or improvements exceeds fifteen percent (15%) of the total cost to repair or replace all buildings and improvements located on the Leased Premises immediately preceding the casualty, if all such buildings and improvements had been totally damaged or destroyed by such casualty.

7.5. Application of Insurance Proceeds. Any and all property insurance proceeds that become payable at any time during the term of this Lease because of damage to or destruction of any building or other improvements on the Leased Premises shall be paid to Tenant and applied by Tenant toward the cost of repairing and restoring the damaged or destroyed buildings or improvements in the manner required by Section 7.3 of this Lease; provided, however, that should Tenant exercise the option given Tenant by Section 7.4 of this Lease to terminate this Lease because of damage to or destruction of buildings or improvements on the Leased Premises, then, in that event, any and all fire or other insurance proceeds that become payable because of such damage or destruction:

a. Shall be applied first toward the reduction of the unpaid indebtedness secured by the Leased Premises under any outstanding Leasehold Mortgage incurred by Tenant pursuant to Section 6.1 of this Lease; and

b. Then the balance of the proceeds, if any, shall be paid to Landlord and Tenant in proportion to their respective losses, taking into consideration the Tenant's loss of income and the value of the unamortized cost of the improvements and the Landlord's loss of its fee estate interest in the damaged or destroyed building or improvements. The losses shall be determined by the parties but if no agreement is reached by the parties within 180 days after the date of the casualty, then at any time thereafter before a written agreement allocating the proceeds is signed by the parties, either Landlord or Tenant may deliver a written demand for arbitration to the other party under the arbitration procedures set forth in Section 11.11 hereof.

ARTICLE 8. INDEMNITY AND INSURANCE

8.1. Tenant shall indemnify and hold Landlord and the property of Landlord, including the Leased Premises and any buildings or improvements now or hereafter on the Leased Premises, free and harmless from any and all liability, claims, loss, damages, or expenses resulting from Tenant's occupation and use of the Leased Premises, specifically including, without limitation, any liability, claim, loss, damage, or expenses arising by reason of:

a. The death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or the damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by either (1) the condition of the Leased Premises or some building or improvement on the Leased Premises, or (2) some act or omission on the Leased Premises of Tenant or any person in, on, or about the Leased Premises with the permission and consent of Tenant;

b. Any work performed on the Leased Premises or materials furnished to the Leased Premises at the instance or request of Tenant or any person or entity acting for or on behalf of Tenant; or

c. Tenant's failure to reasonably perform any provision of this Lease or to substantially comply with any reasonable requirement of law or any reasonable requirement imposed on Tenant or the Leased Premises by any duly authorized governmental agency or political subdivision.

Provided, however, the foregoing indemnity shall not apply to any and all claims, damages, costs and expenses incurred to comply with or to verify the Landlord's compliance with environmental laws, rules and regulations applicable to the Leased Premises prior to the Effective Date of this Lease. This exclusion includes any and all costs and expenses of remediation for violations of applicable environmental laws, rules and regulations by Landlord, or any person who is an employee or agent of Landlord, or any tenant or other person in, on, or about the Leased Premises with the permission and consent of Landlord prior to the Effective

Date of this Lease. Landlord shall indemnify and hold Tenant and the property of Tenant, including Tenant's leasehold interest in the Leased Premises and any buildings or improvements now or hereafter on the Leased Premises, free and harmless from any and all liability, claims, loss, damages, or expenses arising out of or resulting from Landlord's breach of any representation or warranty made by Landlord in this Lease or Landlord's failure to reasonably perform any provision of this Lease to be performed by it or to substantially comply with any reasonable requirement of law or any requirement imposed on Landlord or the Leased Premises by any duly authorized governmental agency or political subdivision which is the Landlord's responsibility under this Lease.

8.2. Liability Insurance. To the extent available, Tenant shall, at Tenant's own cost and expense, secure promptly after the Effective Date of this Lease and maintain during the entire term of this Lease a broad form comprehensive coverage policy of public liability insurance issued by an insurance company acceptable to Landlord (Landlord agreeing not to unreasonably withhold or delay approval) and authorized to issue liability insurance in the Virgin Islands insuring Tenant and Landlord against loss and liability caused by or in connection with Tenant's occupation and use of the Leased Premises under this Lease in amounts not less than combined single limit of not less than \$1,000,000 for bodily injury and \$500,000 for property damage per occurrence; Landlord shall be an "additional insured" under such policy. Beginning five years after the Effective Date of this Lease and continuing every five years thereafter during the term of this Lease, including extensions, Landlord and Tenant shall jointly review the insurance coverage and limits to determine what is a reasonable amount of coverage to protect the Landlord and Tenant's respective interests given the risks involved, the availability and cost of such insurance, and the financial strength of the Tenant and its ability to reasonably afford to pay such premiums. If the parties are unable to agree upon the amount of liability insurance to obtain, then the dispute shall be submitted to mediation and arbitration under Section 11.11 hereof.

8.3. Property Insurance. To the extent available, Tenant shall, at Tenant's own cost and expense, at all times during the term of this Lease keep all buildings, improvements, and other structures on the Leased Premises, as well as any and all additions thereto, insured in an amount equal to the full insurable replacement value of the improvements located on the Leased Premises less depreciation, and exclusive of the cost of excavations, foundations, and below-ground improvements. The insurance shall be obtained from insurance companies authorized to issue such property insurance in the U. S. Virgin Islands against loss or destruction by fire and the other perils commonly covered under the standard extended coverage endorsement to property insurance policies in the U. S. Virgin Islands. Any loss payable under such insurance shall be payable to Tenant, Landlord, and any Lender under an Leasehold Mortgage granted by Tenant pursuant to Section 6.1 of this Lease as their interests may appear. All proceeds received because of a loss covered by such property insurance shall be used and applied in the manner required by Section 7.5 of this Lease.

8.4. Specific Perils to be Insured. Notwithstanding anything to the contrary contained in Section 8.3 of this Lease, the insurance required by Section 8.3 of this Lease Agreement shall, whether or not included in the standard extended coverage endorsement

mentioned in Section 8.3, insure all buildings, improvements, and other structures on the Leased Premises, as well as any and all additions thereto, against loss or destruction by windstorm, flood, earthquake, explosion, riot, attending a strike, civil commotion, malicious mischief, vandalism, aircraft, fire, smoke damage, and sprinkler leakage if available.

Furthermore, the insurance required by Section 8.3 of this Lease during the construction of the project described in Article 5 of this Lease shall be a Builder's Risk Completed Value Non-reporting form of insurance policy against "all risk of physical loss," including difference in condition and collapse and transit coverage, covering the total value of the work performed and equipment, supplies and materials furnished, convertible to and to be converted to fire and extended coverage for their full insurable value upon completion of construction with the proceeds of such coverage to be payable to Tenant, Landlord, and any Lender under an Leasehold Mortgage as provided in Section 8.3 of this Lease and used and applied in the manner required by Section 7.5 of this Lease.

8.5. Deposit of Insurance with Landlord. Each insurance policy required by this Article of the Lease shall contain a provision that it cannot be cancelled for any reason unless ten (10) days' prior written notice of the cancellation is given to Landlord in the manner required by this Lease for service of notices on Landlord by Tenant.

8.6 Waiver of Subrogation. Landlord and Tenant shall each have included in all policies of insurance respectively obtained by them with respect to the Leased Premises a waiver by the insurer of all right of subrogation against the other in connection with any loss or damage thereby insured against. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant each hereby waives any and all rights of recovery, claim, action or cause of action against the other for any loss or damage that may occur to the Leased Premises or any improvements thereto, or any personal property of Landlord or Tenant, arising from any cause that (a) would be insured against under the terms of any property insurance required to be carried hereunder; or (b) is insured against under the terms of any property insurance actually carried, regardless of whether it is required hereunder. The foregoing waiver shall apply regardless of the cause or origin of the claim, including but not limited to the negligence of a party or that party's agents, officers, employees or contractors. The foregoing waiver shall not apply if it would have the effect, but only to the extent of such effect, of invalidating any insurance coverage of Landlord or Tenant.

ARTICLE 9. ASSIGNMENT AND SUBLEASING

9.1. Except as provided in Article 6 and Sections 9.2 and 9.3 of this Lease, Tenant shall not assign or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the Leased Premises or any of the buildings or improvements that may now or hereafter be constructed or installed on the Leased Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Except as provided in Article 6 and Section 9.2 of this Lease, any assignment or transfer by Tenant, whether it be voluntary or involuntary, by operation of law or otherwise, without Landlord's consent is void

and of no force and effect, and shall, at the option of Landlord, be a material default by Tenant under this Lease.

9.2. Assignment as Security. Notwithstanding the provisions of Section 9.1 of this Lease, Tenant may, with prior written notice to Landlord as to the identity of assignee only, transfer and assign all of Tenant's interest under this Lease and the Leasehold Estate hereby created in Tenant under the following conditions:

a. The assignment or transfer is to a Lender as collateral for Permitted Tenant Financing as permitted under Section 6.1 hereof.

b. This consent to the assignment is conditioned on the Tenant and Lender agreeing that the Landlord shall have the right of first refusal to assume the obligations of Tenant to the Lender under the Leasehold Mortgage and the Permitted Tenant Financing secured thereby under the following conditions and terms:

1. If the Lender, as holder of the Leasehold Mortgage, acquired the right of foreclosure or the right to acquire possession of the Leased Premises, by virtue of a default by the Tenant under the Leasehold Mortgage, or under the Note which it secures; then the Holder of the Leasehold Mortgage, before commencing its action to foreclose the Leasehold Mortgage, or to otherwise acquire possession of the Leased Premises, as the case may be, shall give written notice thereof to Landlord;

2. The Landlord shall have a period of sixty (60) days from its receipt of the notice to elect, by written notice to the Tenant and to the Holder of the Leasehold Mortgage, to cure any existing default and assume full liability on the obligations of the Leasehold Mortgage;

3. The Tenant shall surrender this Lease to the Landlord and the Tenant hereby covenants to do so within fifteen (15) days after Tenant's receipt of Landlord's written notice of such election;

4. The Tenant hereby further agrees that the covenant to surrender to Landlord may be specifically enforced by Landlord or by the Lender, or by both;

5. The Lender shall have agreed in writing to the terms and conditions of this Section 9.2;

6. The consideration to be paid by the Landlord for any surrender of this Lease which is made pursuant to the foregoing shall be the higher of:

i. The appraised fair market value of the Tenant's leasehold interest, including the value of improvements placed on the Leased Premises and the remainder of the lease term (plus options, if any), but excluding the value of the fee simple interest in the land itself; and

ii. The indebtedness (including principal, accrued interest, costs and fees, including legal fees) owed by the Tenant to the Lender; and

7. Such consideration shall be first applied toward the indebtedness owed by the Tenant to the Lender, and the balance, if any, shall be paid to the Tenant. The appraisal of the improvements placed on the Leased Premises referred to above shall be made by two appraisers, one of which shall be selected by the Tenant and one selected by the Landlord. If the two appraisers selected cannot agree on an appraised value, then they shall agree on a third appraiser, all three appraisers shall appraise the fair market value of the Tenant's leasehold interest, and the average value of the three appraisals shall be used for this computation.

9.3. Tenant's Right to Sublet. Tenant shall have the right to sublease any portion of the Leased Premises from time to time, and at all times during the term of this Lease, without written notice to or consent from the Landlord; provided, however, that: (a) the term of any sublease shall not extend beyond the term of this Lease, (b) any and all subleases shall be expressly made subject to all the terms, covenants, and conditions of this Lease, and (c) Landlord shall be given a complete copy of each sublease upon execution.

9.4. Transfer of Stock as Assignment. If the Tenant is a corporation or limited liability company, then any transfer or assignment of any stock or membership interests in the corporation or limited liability company, as the case may be, totaling in the aggregate more than thirty-five percent (35%) of all such stock or membership interests in the corporation or limited liability company, as the case may be, shall be considered an assignment of this Lease and prohibited by Section 9.1; provided, however, that any transfer of stock or membership interests, as the case may be, to an owner's spouse, children, grandchildren or a trust for the benefit of the owner's spouse, children, or grandchildren caused by the shareholder's death or any other transfer by the shareholder in connection with the planning of his estate or any transfer of the shares in connection with the merger or dissolution of Tenant into another corporation, limited liability company or partnership in which Tenant's shareholders have a controlling interest shall be excepted from this provision.

ARTICLE 10. DEFAULT TERMINATION

10.1. Should Tenant breach this Lease and abandon the Leased Premises prior to the natural expiration of the term of this Lease, Landlord may continue this Lease in effect by not terminating Tenant's right to possession of the Leased Premises, in which event Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease including the right to recover the rent specified in this Lease as it becomes due under this Lease.

10.2. An Event of Default by Tenant under this Lease ("Event of Default") shall have occurred if Tenant substantially and materially defaults in the performance of any covenant, condition, or agreement contained in this Lease and if such default is not cured within ninety (90) days after written notice of the default specifying the details of the default is served on Tenant by Landlord, provided, however, no Event of Default shall have occurred if the default

can not reasonably be cured within such ninety (90) day time period and Tenant commences actions to cure the default within the ninety (90) day time period and Tenant thereafter diligently continues actions to cure the default. Upon the occurrence of an Event of Default, Landlord may terminate this Lease by serving written notice of termination on the Tenant and:

a. Bring an action to recover from Tenant:

1. The worth at the time of award of the unpaid rent which had been earned at the time of termination of the Lease;

2. The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination of the Lease until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided;

3. The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; and

4. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease; less all rent and other similar amounts actually collected by Landlord; and

b. Bring an action in addition to or in lieu of the action described in subparagraph (a) of this section, to re-enter and regain possession of the Leased Premises in the manner provided by the laws of unlawful detainer of the Virgin Islands then in effect.

10.3 Insolvency of Tenant. Should Tenant become insolvent as defined in this section, Landlord may, by giving ninety (90) days written notice to Tenant or to the person appointed to manage Tenant's affairs at the address for such person appearing in the official records of the court that appointed him, terminate this Lease and forfeit Tenant's interest in the Leased Premises and in any improvements or facilities in, on, or appertaining to the Leased Premises. For purposes of this section, Tenant shall be conclusively presumed to have become insolvent if Tenant:

a. Has a receiver appointed to take possession of all or substantially all of Tenant's property because of insolvency; or

b. Makes a general assignment of all or substantially all of Tenant's property for the benefit of creditors (this provision does not apply to an assignment of property as collateral for a loan as described in Section 9.2 of this Lease).

10.4. Cumulative Remedies. The remedies given to Landlord in this Article shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law and elsewhere provided in this Lease.

10.5. Waiver of Breach. The waiver by Landlord of any breach by Tenant of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Tenant either of the same or a different provision of this Lease. The waiver by Tenant of any breach by Landlord of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Landlord either of the same or a different provision of this Lease.

10.6. Surrender of Premises. On expiration or sooner proper termination of this Lease, Tenant shall surrender the Leased Premises, all improvements in or on the Leased Premises, and all facilities in any way appertaining to the Leased Premises, to Landlord in as good, safe, and clean condition as practicable, reasonable wear and tear excepted. Damage caused by a casualty is also excepted if Tenant terminates this Lease under Section 7.4 of this Lease.

10.7 Covenants and Agreements. All covenants and agreements contained in this Lease are declared to be conditions to this Lease and to the term hereby demised to the Tenant.

ARTICLE 11. MISCELLANEOUS

11.1. Force Majeure – Delays. Except as otherwise expressly provided in this Lease, should the performance of any act required by this Lease to be performed by either Landlord or Tenant be prevented or delayed by reason of any act of God, strike, lockout, labor trouble, inability to secure materials, war, act of terrorism, restrictive governmental laws or regulations, delay in obtaining permits, or any other cause except financial inability not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused; provided, however, that nothing contained in this section shall excuse the prompt payment of rent by Tenant as required by this Lease or the performance of any act rendered difficult or impossible solely because of the financial condition of the party, Landlord or Tenant, required to perform the act.

11.2. Attorney's Fees. Should any litigation be commenced between the parties to this Lease concerning the Leased Premises, this Lease, or the rights and duties of each in relation thereto, the parties do hereby agree that each shall bear its own cost of attorney's fees in such litigation.

11.3. Notices to the Landlord. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Lease or by law to be served on or given to Landlord by Tenant or any Lender described in Article 6 of this Lease shall be in writing and shall be deemed duly served and given when personally delivered to Landlord, to any managing employees of Landlord, or, in lieu of such personal service, when deposited in the United States mail, certified mail, postage prepaid, returned receipt requested, addressed to Landlord at P.O. Box 1707, St. Thomas, VI 00801 and received by the Landlord as evidenced by the return receipt. Landlord may change Landlord's address for the purpose of this section by giving written notice of such change to Tenant in the manner provided in Section 11.4

whereupon Tenant shall transmit a copy of such notice to any lender described in Article 6 of this Lease.

11.4. Notices to Tenant. Except as otherwise expressly provided by law, any and all notices or other communication required or permitted by this Lease or by law to be served on or given to Tenant by Landlord shall be in writing and shall be deemed duly served and given when personally delivered to Tenant, any managing employee of Tenant, or, in lieu of such personal service, when deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to Tenant at 5000 Carden Beach, Christiansted, VI 00820, and received by the Tenant as evidenced by the return receipt. Tenant may change its address for the purpose of this section in the manner provided in Section 11.3 of this Lease. Copies of all notices served upon Tenant shall be simultaneously served upon Tenant's attorneys Nichols Newman Logan D'Eramo & Grey, P.C., 1131 King Street, Christiansted, VI 00820; attn: G. Hunter Logan, Jr., Esq. or to such successor legal counsel as Tenant shall notify Landlord in writing.

11.5. Governing Law. This Lease, and all matters relating to this Lease, shall be governed by the laws of the U.S. Virgin Islands in force at the time any need for interpretation of this Lease or any decision or holding concerning this Lease arises.

11.6. Binding on Heirs and Successors. This Lease shall be binding on and shall inure to the benefit of the parties hereto and their respective successors and assigns, but nothing in this section shall be construed as a consent by Landlord to any assignment of this Lease or any interest therein by Tenant except as provided in Articles 6 and 9 of this Lease.

11.7. Partial Invalidity. Should any provision of this Lease be held by a court of competent jurisdiction to be either invalid, void, or unenforceable, the remaining provisions of this Lease shall remain in full force and effect unimpaired by the holding.

11.8. Sole and Only Agreement. This Lease instrument and the exhibits attached hereto constitute the sole and only agreement between Landlord and Tenant respecting the Leased Premises, the leasing of the Leased Premises to Tenant, the construction of the marina and commercial facilities described in this Lease on the Leased Premises, or the lease terms herein specified, and correctly sets forth the obligations of Landlord and Tenant to each other as of its date. Any agreements or representations respecting the Leased Premises, their leasing to Tenant by Landlord, or any other matter discussed in this Lease not expressly set forth in this instrument are null and void.

11.9. Memorandum of Lease for Recording. Neither party shall record this Lease without the written consent of the other unless the recording of same is required by the Lender, as holder of the Leasehold Mortgage. However, Landlord and Tenant shall, at the request of either at any time during the term of this Lease, execute a memorandum or "short form" of this Lease for purposes of and in a form suitable for recording. The memorandum or "short form" of this Lease shall describe the parties, Landlord and Tenant, set forth a description of the Leased Premises, specify the term of this Lease, and shall incorporate this Lease by reference.

11.10. Affirmative Action Program. Attached to this Lease as **Exhibit "C"** is an Affirmative Action Program. By this reference, Exhibit "C" is incorporated herein as if set forth in full.

11.11 Mediation and Arbitration Procedures.

a. Mediation Procedures. Before arbitrating any dispute under Section 11.11(b) of this Lease, either party may elect to mediate the dispute as described below, and the other party agrees to participate in the mediation. Either party shall have the right to arbitration of the dispute if it is not resolved at mediation.

If either party elects to mediate, the parties shall submit a request to the American Mediation Institute, U.S. Virgin Islands ("AMI"), or if AMI is unavailable another independent mediation service doing business in the U.S. Virgin Islands, to furnish a list of five (5) impartial mediators. The mediator shall be selected by Landlord and Tenant by alternatively striking a name from the list provided. The mediation shall be held at a neutral site, if practical, on St. Croix. Landlord and Tenant will each pay one-half of the mediator's fees and expenses. Each party shall bear its own costs and expenses in connection with the mediation, including attorney's fees.

The mediation shall be held within fourteen (14) days of the date on which the mediator is selected, subject to the availability of the mediator. The mediation session shall be a minimum of two (2) hours in length unless the dispute is sooner resolved. The mediation shall be conducted in accordance with the policies of AMI (or the other mediation service handling the mediation, as the case may be), and Landlord and Tenant agree to cooperate by complying with whatever pre-mediation requests the mediator makes.

b. Arbitration Procedures. Whenever a party submits a written demand for arbitration under the provisions of this Lease, Landlord and Tenant shall thereafter each immediately select an independent arbitrator, and the two arbitrators so chosen shall select a third arbitrator, and the three arbitrators so selected shall hear and determine the controversy and their decision shall be final and binding on both Landlord and Tenant, who shall bear the cost of such arbitration equally between them. The arbitrators shall conduct the arbitration hearing within fifteen (15) days after the third arbitrator is selected. The decision of a majority of the arbitrators shall determine the controversy and the arbitrators shall notify Landlord and Tenant in writing of their determination within fifteen (15) days after the arbitration hearing. Except as provided in this Section, the arbitration shall be conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators shall not have jurisdiction to alter, amend or modify the provisions of this Agreement and their decision is limited to interpreting this Agreement. The decision of the arbitrators shall be final and binding and may be enforced in any court of competent jurisdiction. The arbitration shall take place on the Island of St. Croix, United States Virgin Islands.

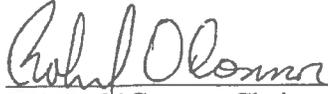
In the case of an arbitration involving disputes concerning plans and specifications, construction or reconstruction of improvements and other similar matters, each arbitrator

selected must be a licensed architect or engineer independent of the party that selected such arbitrator. As used in this Section, "independent of the party that selected it" means the arbitrator can not be employed by that party or under agreement with that party to provide services in connection with the Leased Premises.

11.12 Holdover by Tenant. If Tenant remains in possession of the Leased Premises after the expiration of the term of this Lease or after any permitted termination of this Lease by Landlord, without the prior consent of Landlord, then such possession shall be subject to all of the obligations imposed upon Tenant by this Lease except that the tenancy shall be from month to month and the amount of the Base Rent shall be a monthly amount based upon double the then monthly Base Rent. Tenant must also continue must continue to pay the additional rent due under Section 2.2 and the percentage of annual earnings under Section 2.3 hereof.

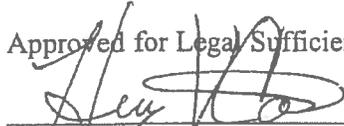
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IN WITNESS WHEREOF, the parties hereto have duly executed this Lease effective the day and year first above written.



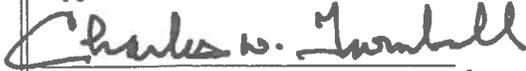
Robert O'Connor, Chairman
Virgin Islands Port Authority

Approved for Legal Sufficiency:



VIPA Attorney

Approved:



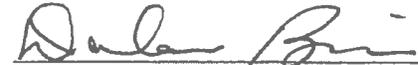
Charles W. Turnbull,
Governor

5/16/06

Landlord:

VIRGIN ISLANDS PORT AUTHORITY

By:



Darlan Brin, Executive Director

Tenant:

GALLOWS BAY DEVELOPMENT
PARTNERS LLC

By:



Duane Bobeck, Manager

List of Exhibits:

Exhibit "A"	Preliminary Development Plan
Exhibit "B"	Coastal Zone Permit No. CZX-34-01-FC and Water Quality Certificate No. WQC-01-001W
Exhibit "C"	Affirmative Action Program