

LEASE AGREEMENT

**GOVERNMENT OF THE U.S. VIRGIN ISLANDS
DEPARTMENT OF PROPERTY AND PROCUREMENT**

And

WATER ISLAND DEVELOPMENT COMPANY, LLC

PREMISES: Portions of Tract B consisting of approximately 33.1 U.S. Acres and Tract C consisting of approximately 11.9 U.S. Acres, and the Catchment Area consisting of approximately 3 U.S. Acres, Water Island, U.S. Virgin Islands

Water Island Development Company

Tract B consisting of approximately 33.1 U.S. Acres and Tract C consisting of approximately 11.9 U.S. Acres, and the Catchment Area consisting of approximately 3 U.S. Acres, Water Island, Virgin Islands

LEASE AGREEMENT

THIS LEASE made this ____ day of _____, 2014 (the "Lease Date") by and between the **GOVERNMENT OF THE U.S. VIRGIN ISLANDS**, acting through its Commissioner of Property and Procurement, hereinafter "Lessor" and **WATER ISLAND DEVELOPMENT COMPANY, LLC** whose mailing address is 6501 Red Hook Plaza, Suite 201 St. Thomas, Virgin Islands 00802, hereinafter "Lessee."

WITNESSETH:

WHEREAS, the United States of America, through the Department of the Interior Office of Insular Affairs and the Lessor, as buyer therein, executed a Contract For Sale of Real Property (hereinafter "Contract of Sale") on September 12, 1996 for parcels of land located on Water Island including but not limited to the land (the "Premises") described in Exhibit A attached hereto and incorporated herein by reference; and

WHEREAS, the Premises was designated as a hotel site because it was the location of the former hotel and associated properties on Tract B (excluding the villas, lots 48 through 60, and lots 24 and 25), including the catchment basin and deep water dock; the beach and associated lands on Tract C; and the public ferry dock and associated lands on Tract E as marked on a copy of the 1979 map of the Bureau of Land Management. All public roads on Water Island, excluding those on the Sprat Bay properties are included; and

WHEREAS, pursuant to section 2 of the Contract of Sale, the Lessor agrees to use the Premises for public purposes only, and to promote the economic development of Water Island for the benefit of the U.S. Virgin Islands, including the residents of Water Island; and

WHEREAS, pursuant to section 2B of the Contract of Sale, the United States government, through its Interior Office of Insular Affairs, agreed to expend up to \$3.325 million for demolition and clean-up of the former hotel facilities, removal of hazardous materials, including catchment basin remediation, and repair of the deep water dock. Pursuant to the same clause, the Lessor agreed to repair the ferry dock, remove storm debris, and remove debris resulting from the demolition and clean-up of the hotel facilities. All of the foregoing has been accomplished in compliance with said section 2B; and

WHEREAS, pursuant to section 6 of the Contract of Sale, the Lessor agreed to comply with use restrictions on the Premises as stated in Exhibit 2 attached to the Contract of Sale (the "Restrictive Covenant"). The Restrictive Covenant includes in pertinent part, the portion of Tract B previously developed as a hotel may be redeveloped

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for a hotel or tourist resort; the reference to Tract B excludes the villas and other privately owned lots 48-60; Tract B nondeveloped portions; and Tract C, including Honeymoon Beach. The Restrictive Covenant include additional restrictions, such as setback from beachfront vegetation, in addition to outdoor lighting restriction, to minimize impacts to sea turtles should additional development take place; and

WHEREAS, pursuant to section 3 of the Contract of Sale, the Interior, Office of Insular Affairs conveyed the Premises to the Lessor by Quitclaim Deed dated March 29, 2005, a copy of which is attached hereto and incorporated herein by reference as Exhibit B, and which includes as an exhibit thereto the Restrictive Covenant; and

WHEREAS, the Restrictive Covenant includes the same restrictions as are attached to the Contract of Sale; and

WHEREAS, the Lessor desires to construct a hotel and marina as well as other associated amenities as more particularly described herein on the Premises pursuant to the conditions of the Contract of Sale, Quitclaim Deed and the Restrictive Covenant; and

WHEREAS, on September 19, 2013, the Lessor and Revpar International issued an Expression of Interest ("EOI") pursuant to which suitably qualified firms were invited to submit proposals for the construction of a resort development on the Premises; and

WHEREAS, in RFP012-2014(P), Lessee was the successful bidder to construct a resort development and other related and ancillary facilities on the Premises; and

WHEREAS, because Lessee will construct a resort development and other associated amenities as more particularly described herein on the Premises, Lessor desires to lease the Premises to Lessee. In consideration of the mutual covenants and agreements herein set forth it is hereby agreed:

ARTICLE 1

PREMISES AND USE

1.01 **Premises**. The Lessor hereby leases to the Lessee and the Lessee hires and takes from the Lessor the Premises. A map of the Premises is attached hereto and incorporated herein by reference as Exhibit C.

1.02 **Use**. The Lessee shall use the Premises to construct and develop the Hotel and Marina to include a deep water dock, hotel and other overnight lodging accommodations, marina, infrastructure improvements necessary to operate the hotel, a full service health spa, social center and other related hotel and marina related facilities, as further detailed in Section 4.01 below, and for no other material purpose whatsoever. The Water Island Hotel and Marina is further described in Water Island Development

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Company LLC response to RFP012-2014(P), entitled Water Island Expression of Interest dated November 30, 2013, which is attached hereto and incorporated herein by reference as Exhibit D.

ARTICLE 2

TERM

2.01 Term. The initial term of this Lease shall be for a period of ninety-nine (99) years (the "Term") commencing on the first day of the month following satisfaction of the following conditions precedent:

(a) approval by the Governor and the Legislature of the Virgin Islands of this Lease,

(b) approval by the United States Department of the Interior of the sale to Lessee or its designee of the "Residential Land" defined in Section 4.09, below

(the "Effective Date"). In the event that condition (a) has been satisfied but condition (b) above remains unsatisfied as of the date which is two (2) calendar years following the date hereof, the Lessee may, at its election, terminate this Lease, whereupon neither Lessor nor Lessee shall have further obligation to the other, except as expressly set forth herein. If Lessee does not terminate the Lease at this time but another two (2) years pass without condition (b) being satisfied, within thirty (30) days of such date, Lessee may waive, in writing condition (b) and notify Lessor that it has elected to proceed under this Lease, whereupon the Effective Date shall be the first day of the month following such notice, failing which, the Lease will terminate without further obligations by either Party.

2.02 Holding Over. If Lessee remains in possession after expiration of the Term with Lessor's express consent, Lessee shall become a month to month tenant and there shall be no renewal of this Lease by operation of law. During the period of any such holding over, all provisions of this Lease shall be and remain in effect. Notwithstanding the foregoing, Lessee shall pay to Lessor a sum equal to 200% of the Base Rent in Section 3.01, payable in monthly installments, in lieu of the Base Rent set forth in Section 3.01 in the event Lessee remains in possession after expiration of the Term without Lessor's express consent and without any distinct agreement between Lessor and Lessee.

2.03 Quiet Enjoyment. Upon payment by Lessee of the Rent and other amounts due under this Lease and the Lessee's construction of the hotel and marina in conformity with designs, specifications and plans, permits and licenses, and maintenance in accordance therewith, normal wear and tear excepted, Lessor warrants and covenants that Lessee shall peaceably and quietly hold and enjoy the Premises for the Term without hindrance or interruption by Lessor or any other person or persons lawfully or equitably

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claiming by, through or under Lessor; subject, nevertheless, to the terms and conditions of this Lease.

ARTICLE 3

RENT

3.01 Base Rent. Upon expiration of the Construction Rent Period (as defined in Section 3.02 below), Lessee shall pay to Lessor an annual base rent (the "Base Rent") of FIFTY-TWO THOUSAND EIGHT HUNDRED and No/100 Dollars (\$52,800.00) payable in equal monthly installments of FOUR THOUSAND FOUR HUNDRED and No/100 Dollars (\$4,400.00) each. Payment of Base Rent shall be made in equal monthly installments in advance on the first day of each and every month during the Term, without any previous demand by Lessor, provided however, if possession of the Premises is granted to the Lessee at a date after the first of the month then in such event the Base Rent for such first month shall be prorated. The Base Rent shall be paid at Lessor's office at Building No. 1 Sub Base, St. Thomas, Virgin Islands 00802, together with any other sum due as additional rent as provided herein.

3.02 Reduction in Base Rent. During the Construction Rent Period, Lessee shall pay base rent (the "Construction Base Rent") in an amount equal to One Thousand and No/100 Dollars (\$1,000.00) per month. The Construction Period Base Rent shall remain in effect through the expiration of the Construction Rent Period, but upon expiration of the Construction Rent Period, Lessee shall be obligated to pay Base Rent in the amount provided in Section 3.01 above. As used herein, the "Construction Rent Period" commences on the Effective Date and expires upon the earlier to occur of (i) completion of the Improvements described on Section 4.01(ii-iii) below as evidenced by the issuance of all required occupancy and use permits for such portion of the Improvements or (ii) December 31, 2024 (in either case, the "Completion Date").

3.03 Late Payment Charges. Lessee acknowledges that late payment by Lessee to Lessor of rent and other charges provided for under this Lease will cause Lessor to incur costs not contemplated by this Lease, such as processing and accounting charges, the exact amount of which cannot be readily determined. Therefore, if any installment of Base Rent or any other charge due from Lessee is not received by Lessor within ten (10) days after the date due, Lessee shall pay, as a late charge, to Lessor an amount equal to five percent (5%) of the delinquent monthly Base Rent payment or other delinquent charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Lessor will incur by reason of the late payment by Lessee.

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Acceptance of any late charge shall not constitute a waiver of Lessee's default with respect to the overdue amount, nor prevent Lessor from exercising any of the other rights and remedies available to Lessor.

3.04 Unpaid Rent, Fees and Charges. Any additional rent, attorneys' fees, or other charges or money payable by Lessee to Lessor under this Lease that is not Construction Period Base Rent or Base Rent that is not received by Lessor by the tenth (10th) day after the day when payment is due shall bear interest at the rate of five percent (5%) per annum (the "Default Rate") from the date when the same was due according to the terms of this Lease until paid by Lessee.

ARTICLE 4

IMPROVEMENTS

4.01 Improvements. As a part of the consideration for this Lease, Lessee shall construct on the Premises, at Lessee's own cost and expense, certain improvements anticipated to include the items listed below (collectively referred to herein as the "Water Island Hotel and Marina" or "Improvements"). Lessee shall have no obligation to build any of the Improvements which are not financially feasible, in Lessee's sole discretion, or for which permits and approvals cannot be obtained. It is estimated that the cost of the completed Improvements will be approximately **\$140,000,000.00**. The initial development of the Improvements will include, at a minimum, eighty (80) hotel rooms. The Improvements will include:

- (i) Deep water dock;
- (ii) Hotel and other overnight lodging accommodations;
- (iii) Marina;
- (iv) Infrastructure improvements necessary to operate the hotel and marina;
- (v) Such retail and commercial improvements as may be desired by Lessee and which are complementary to the hotel and marina facilities. Such improvements may include, but shall not be limited to, a full service health spa, a social center and other hotel- and marina-related facilities; and
- (vi) Ferry service between the Premises and St. Thomas.

4.02 Financing Contingency. Lessee's obligation to proceed under this Lease is contingent on its ability to obtain financing from available public and private sources, together with private equity which, in the aggregate, are deemed sufficient by Lessee to pay for all pre-development, development, soft and hard construction costs, including contingency line items, fixturing, equipping and all other costs to complete the

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Improvements. Such financing shall be obtained with binding commitments therefor (which may include reasonable and customary conditions) by no later than 24 months after the Effective Date, failing which the Parties shall negotiate an extension in good faith taking into consideration the overall financial environment at that time and Lessee's reasonable expectations as to the amount of time required to complete financing. If the Parties are unable to reach an agreement on an extension, after ninety (90) days, either Party may terminate this Lease by written notice to the other Party. Lessee agrees to use reasonable diligence in pursuing such commitments for the financing and equity investments necessary to complete the Improvements, and upon obtaining same, will provide proof thereof to Lessor.

4.03 Contingency for Permits and Approvals. Lessee's obligation to proceed under this Lease is contingent on its ability to obtain all permits, approvals and authorizations required for the completion of the Improvements, including but not limited to all required building and construction permits from the USVI, the Army Corps of Engineers, the United States Coast Guard, any applicable environmental resource department, transit department, and similar governmental authorities. Such permits, or in the alternative, letters indicating that, but for the payment of applicable permit and impact fees, such permits may be issued, shall be obtained by no later than 24 months after the Effective Date, failing which Lessee may terminate this Lease by written notice to Lessor delivered not less than thirty (30) days following the date on which Lessee has determined that it is unable to obtain the requisite permits and approvals. If it is shown that Lessee was not diligent in seeking the requisite permits and approvals within the time allowed, the Lessor may terminate this Lease by written notice to Lessee delivered not less than thirty (30) days following the expiration of the time allowed. Notwithstanding the foregoing, the Parties shall first attempt in good faith to reach an agreement on an extension of time within which to obtain the necessary permits and approvals before terminating the Lease. Lessee agrees to use reasonable diligence in pursuing such permits, and upon obtaining same, will provide proof thereof to Lessor.

4.04 Construction Schedule. Upon obtaining all permits and closing on the construction financing for any portion of the Improvements, such portion of the Improvements must be completed within sixty (60) months.

4.05 Title to Improvements. Subject to the rights of the Leasehold Mortgagees (as defined in Section 9.03 of this Lease), ownership of the Improvements shall be and remain with Lessee until the expiration or earlier termination of the Term and Lessee shall be deemed to exclusively own the Improvements for federal tax purposes. Lessee alone shall be entitled to all of the tax attributes of ownership thereof, including, without limitation, the right to claim depreciation or cost recovery deductions, and Lessee shall have the right to amortize capital costs and to claim any other federal tax benefits attributable to the Improvements. Upon expiration or earlier termination of the Term, title to all Improvements shall revert to Lessor.

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4.06 Location of Improvements; Road Relocation. All of the Improvements to be made by the Lessee shall be located on the Premises, except to the extent certain infrastructure elements may be in easement areas pursuant to Section 7.02, below. Upon the Lessor's written approval and consent, Lessee shall have the right, at Lessee's sole expense to reroute any publicly-dedicated road to accommodate the location of the Improvements, provided that such location results in the road remaining within publicly-owned land and does not cause any adjoining landowner's property to be condemned on account thereof, or to become out of compliance with any zoning, setback or land use laws, rules or regulations.

4.07 Real Property Tax: Upon the completion of the Improvements constructed on the Premises, Lessee shall notify Lessor who shall notify the Tax Assessor for the purpose of making an assessment of the value of the Improvements. Lessee 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 the Office of the Lieutenant Governor, Tax Assessor on or against any Improvements constructed by Lessee or other equipment or fixtures installed by Lessee. Notwithstanding the foregoing, Lessee may be exempted from property tax liability on or against any Improvements if approved for economic incentives providing for such exemption.

4.08 Excavation and Sorting. If any excavation shall be made by Lessee or contemplated to be made by Lessee for building or other purposes upon property or streets adjacent to or nearby the Premises, Lessee either:

(a) shall afford to the person or persons causing or authorized to cause such excavation the right to enter upon the Premises for the purpose of doing such work as such person or persons shall consider to be necessary to preserve any of the walls or structures of the Improvements on the Premises from injury or damage and support the same by proper foundation, or

(b) shall, at the expense of the person or persons causing or authorized to cause such excavation, do or cause to be done all such work as may be necessary to preserve any of the walls or structures of the Improvements on the Premises from injury or damages and to support the same by proper foundations.

Lessee shall not by reason of any such excavation or work, have any claim against Lessor for damages or indemnity or for suspension, diminution, abatement or reduction of rent under this Lease.

4.09 Contingency on Purchase and Sale of Additional Land. It is acknowledged that there is additional real property on Water Island owned by Lessor that is suitable for residential development, which property is more particularly described in the Letter of Intent attached hereto as Exhibit F and made a part hereof (the "Residential Land"). This Lease and the Lessee's obligations thereunder are contingent on approval to be obtained from the United States Department of the Interior, of the sale of the

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Residential Land to Lessee or its designee. Lessor will use its best efforts to obtain such approval from the United States Department of the Interior in a timely manner. As provided in Section 2.01 above, if such approval is not obtained within two (2) years following the Lease Date, Lessee shall have the right to terminate this Lease.

ARTICLE 5

MECHANIC'S LIEN

5.01 Mechanic's Lien. Nothing contained in this Lease shall be deemed, construed or interpreted to imply any consent or agreement on the part of Lessor to subject Lessor's interest or estate to any liability under any mechanic's lien. Should any notice of intention to file a lien under Title 28, Chapter 12 of the Virgin Islands Code or any mechanics or other lien be filed against the property of the Lessor, for any work, labor, services or materials performed at or furnished to the Premises for or on behalf of the Lessee or anyone holding any part of Lessee's leasehold estate in the Premises through or under Lessee, Lessee shall promptly advise Lessor in writing of said notice and cause the same to be canceled and discharged of record by payment, bond or order of a court of competent jurisdiction within thirty (30) days of receipt of said notice. If Lessee fails to so discharge said lien, then the Lessee shall forthwith reimburse the Lessor the total out-of-pocket expenses incurred by the Lessor in discharging the said lien, as additional rent hereunder.

ARTICLE 6

INSURANCE AND INDEMNITY

6.01 Evidence of Insurance.

(a) Lessee shall, prior to commencement of work on the Premises and on or before June 1st of each year following such date (the "Insurance Date"), provide Lessor with two copies of evidence of insurance as provided in Exhibit E attached hereto, documenting that insurance coverages for the Premises are in compliance with the specifications for insurance coverage set forth in Exhibit E. Such evidence of insurance shall be in compliance with section 3 of Exhibit E, Evidence of Compliance with Insurance Requirements Insurance Date, or section 4 of Exhibit E, Evidence of Renewal or Replacement Policies, as applicable. Lessee must produce written evidence that subcontractors have proof of insurance similar to that of Lessee, or Lessee's policies of insurance must cover the subcontractors.

(b) Lessee's liability under this Lease is not limited to the amount of insurance coverage required herein.

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(c) Lessor shall have the right, at times deemed appropriate to Lessor during the Term, to request Lessee to modify the insurance minimum limits specified in Exhibit E in order to maintain reasonable coverage amounts consistent with then-current industry standards and to the extent such limits are commercially available. Lessee shall make all commercially reasonable efforts to comply with any such request.

(d) For any insurance required under Exhibit E, Lessee shall be responsible for all deductibles, retentions, coinsurance, and the difference between any sublimits and the limits set out in Exhibit E.

6.02 Fire and Extended Coverage by Lessee. Lessee shall keep all buildings on the Premises insured against loss or damage by fire with the usual extended coverage endorsements, in amounts not less than eighty percent (80%) of the full insurable value thereof, above foundation walls. A copy of all insurance policies shall be delivered to Lessor within twenty (20) days after completion of construction of the Improvements.

6.03 Indemnity. Lessee agrees to indemnify and save Lessor harmless from and against any and all claims and demands for or in connection with, any accident, injury or damage whatsoever (collectively, "Claims") caused to any person or property arising, directly or indirectly, out of the business conducted on the Premises or occurring in, on or about the Premises or any adjacent area under the exclusive control of the Lessee or arising directly or indirectly, from any act or omission of Lessee or its agents, employees, or contractors, and from and against any and all costs, expenses and liabilities incurred in connection with any such Claim or proceeding brought thereon, except to the extent any of the foregoing results from the negligence or willful misconduct of Lessor or its agents, contractors or employees. Lessor agrees to indemnify and save Lessee harmless from and against any and all claims and demands for or in connection with, any accident, injury or damage whatsoever (collectively, "Claims") caused to any person or property arising, directly or indirectly, out of any conditions of the Property existing on the Effective Date hereof unless the Lessee was made specifically aware, in writing, of any specific conditions pertaining to the Property which might give rise to any such Claims, except to the extent any of the foregoing results from the negligence or willful misconduct of Lessee or its agents, contractors or employees.

6.04 Non-Liability. To the extent permitted by law, Lessor shall not be responsible or liable to Lessee for any loss or damage that may be occasioned by the acts or omissions of persons occupying any property adjacent to or adjoining the Premises, or any part thereof, or for any loss or damage resulting to Lessee or its Premises from water, gas, steam, fire or the bursting, stoppage, or leaking of pipes, provided such loss or damage is not occasioned by the negligence or willful misconduct of Lessor or its agents, contractors, or employees and to the extent permitted by law.

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ARTICLE 7

ENTRY BY LESSOR; EASEMENTS OVER LESSOR'S REMAINING PROPERTY

7.01 Access to Premises. Lessor or Lessor's agents shall have the right to enter upon the Premises at all reasonable times upon reasonable advance notice to Lessee, to ensure compliance with the provisions of this Lease.

7.02 Easement for Facilities and Utility and Other Services. Lessor shall grant to Lessee any necessary easements for the installation, use, maintenance and repair of water pipes, water storage tank facility, cables and wires, solar panels, power facility, or other utility and infrastructure equipment in, on or through Lessor's remaining property located on Water Island (the "Remaining Property"), as and to the extent that Lessee may or hereafter deem to be necessary or appropriate in order to provide water, waste disposal, power, communications or other similar services to the Improvements; provided, however, that such easements shall be located in a manner so as to cause the least possible adverse impact on the Remaining Property. To the extent any of the roads, sidewalks or paths on the Remaining Property are not public rights of way, Lessor shall provide such easements as are necessary to ensure ingress and egress to and from any of the Improvements or the facilities and equipment described in this Section.

ARTICLE 8

CONDEMNATION

8.01 Notice of Condemnation. The party receiving any notice of the kind specified below which involves the Premises shall promptly give the other party notice of the receipt, contents, and date of the notice received, which shall include:

- (a) Notice of Intent of Taking.
- (b) Service of any legal process relating to condemnation of the Premises or the Improvements.
- (c) Notice in connection with any proceedings or negotiations with respect to such a condemnation.

8.02 Rights of Lessor and Lessee. Lessor and Lessee shall each have the right to represent its respective interest in each proceeding or negotiation with respect to a taking or intended taking and to make full proof of its claims. No agreement, settlement, sale or transfer to or with the condemning authority shall be made without the consent of both parties. Lessor and Lessee each agree to execute and deliver to the other any

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instrument that may be required by the provisions of this Lease relating to the condemnation.

8.03 Taking of Leasehold. Upon a total taking, Lessee's obligation to pay Base Rent, additional rent and other charges hereunder shall terminate on the date of taking, or possession given, whichever is earlier, but Lessee's interest in the leasehold shall continue until the taking is completed by deed, contract or final order of condemnation, at which time this Lease and all of Lessor's and Lessee's obligations hereunder shall terminate.

8.04 Total Taking. If this Lease is terminated as a result of a total taking, each party hereto shall be entitled to prosecute claims in such condemnation proceedings for the value of its respective interest in the Premises, as applicable, or any portion or interest therein.

8.05 Partial Taking. Upon partial taking, all sums including damages and interest awarded for the fee, leasehold or both shall be distributed and disbursed to Lessor and Lessee as they may agree or, in the absence thereof, in accordance with the laws of the U.S. Virgin Islands. Upon partial taking Lessee shall have the option of terminating this Lease upon thirty (30) days notice to Lessor.

ARTICLE 9

DEFAULT, CANCELLATION, AND TERMINATION

9.01 Lessee Default. Lessee shall be in default under this Lease, and this Lease shall be subject to cancellation by Lessor following all applicable notice and cure periods, in the event Lessee shall:

(a) Be in arrears in the payment of the whole or any part of the amount agreed upon hereunder (including the payment of Base Rent) for a period of ninety (90) days after the due date under the Lease.

(b) File in any court a petition in bankruptcy or insolvency or for the appointment of a receiver or trustee of all or a portion of Lessee's property.

(c) Make any general assignment for the benefit of creditors.

(d) Abandon the construction or operation of the Premises, which abandonment shall be deemed to have occurred only after all or substantially all of Lessee's or its construction contractor's or operator's personnel have failed to be present on the Premises for more than one hundred eighty (180) consecutive days, and where such failure is not the result of any force majeure event, as described in Section 10.02 below.

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(e) Default in the performance of any of the covenants and conditions required herein (except rental payments) to be kept and performed by Lessee, and such default continues for a period of one hundred eighty (180) days after receipt of written notice from Lessor to cure such default, unless during such one hundred eighty (180) day period, Lessee shall commence and thereafter diligently perform such action as may be reasonably necessary to cure such default. If default by Lessee in the performance of its obligations hereunder is precipitated in whole or in part by activities for which Lessor is solely responsible, the period herein established to commence a cure for the said default will be extended for a reasonable period to account for the effect of Lessor's activities.

(f) Be adjudged a bankrupt in involuntary bankruptcy proceedings.

(g) Be made a party to any receivership proceeding in which a receiver is appointed for the property or affairs of Lessee where such receivership is not vacated within ninety (90) days after the appointment of such receiver.

(h) Failure to pay the outstanding assessed real property taxes for two (2) years, unless otherwise exempted.

(i) Failure to complete construction of Improvements constructed upon the Premises within sixty (60) months from obtaining all permits and closing on the construction financing for any portion of the Improvements as set forth in Sections 4.02, 4.03, and 4.04 herein.

(j) Failure to obtain required insurance as stated herein.

Failure of Lessor to exercise any remedy upon the default of Lessee for any of the reasons set out above shall not operate to bar or destroy the right of Lessor to cancel this Lease by reason of any subsequent violation by Lessee under this Lease. Notwithstanding the foregoing, the provisions of this Section 9.01 are subject to the rights of the Leasehold Mortgagees under Section 9.03 below.

9.02 Lessor Default. Lessor shall be in default under the Lease, and this Lease shall be subject to cancellation by Lessee, in the event Lessor shall:

(a) File in any court a petition in bankruptcy or insolvency or for the appointment of a receiver or trustee of all or a portion of Lessor's property.

(b) Make any general assignment for the benefit of creditors.

(c) Default in the performance of any of the covenants and conditions required herein relating in any way to Lessor's providing occupancy or maintenance of the Premises to be kept and performed by Lessor in accordance with this Lease, and such default continues for a period of ninety (90) days after receipt of written notice from Lessee to cure such default, unless during such ninety (90) day period, Lessor shall commence and thereafter diligently perform such action as may be reasonably necessary

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to cure such default. If default by Lessor in the performance of its obligations hereunder is precipitated in whole or in part by activities for which Lessee is solely responsible, the period herein established to commence a cure for the said default will be extended for a reasonable period to account for the effect of Lessee's activities.

(d) Be adjudged a bankrupt in involuntary bankruptcy proceedings.

(e) Be made a party to any receivership proceeding in which a receiver is appointed for the property or affairs of Lessor where such receivership is not vacated within ninety (90) days after the appointment of such receiver.

Failure of Lessee to exercise any remedy upon the default of Lessor for any of the reasons set out above shall not operate to bar or destroy the right of Lessee to cancel this Lease by reason of any subsequent violation by Lessor under this Lease.

9.03 Termination. This Lease shall terminate at the expiration of the Term.

9.04 Repossessing and Reletting. Subject to the provisions of Article 10 below, in the event of default by Lessee hereunder which shall remain uncured after the required notices have been given pursuant to this Lease, and for such time as provided herein, Lessor may at once thereafter, or at any time subsequent during the existence of such default:

(a) Enter into and upon the Premises or any part thereon and repossess the same, expelling therefrom Lessee and all personal property of Lessee (which property may be removed and stored at the cost of and for the account of Lessee), to the extent permitted by law; or

(b) Either cancel this Lease by notice or without canceling this Lease, relet the Premises or any part thereof upon such terms and conditions as shall appear advisable to Lessor. If Lessor shall proceed to relet the Premises during any month or part thereof, at less than the rent due and owing from Lessee during such month or part thereof under the terms of this Lease, Lessee shall pay such deficiency to Lessor upon calculation thereof, providing Lessor has exercised good faith in the terms and conditions of reletting. Payment of any such deficiencies shall be made monthly within forty-five (45) days after receipt of deficiency notice.

If any suit or action is brought by Lessor against Lessee to enforce any of the provisions hereof, the Lessor, if successful on the merits, shall be entitled to collect reasonable attorneys' fees and expenses in the action or proceeding.

9.05 Assignment and Transfer: Lessee shall not assign or transfer this Lease or any interest therein, without the prior written consent of Lessor which shall not be unreasonably withheld. Any consent of any assignment shall not be deemed consent to any subsequent assignment.

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9.06 Subleasing. Lessee may not sublet the Premises in whole or in part without Lessor's advance written consent, which consent shall not be unreasonably withheld. Lessor's consent must be received within fourteen (14) days from receipt of Lessee's request, otherwise the sublease is deemed to be approved, except that no approval is necessary for subleases to related entities of Lessee. Lessor's consent does not release Lessee from any of its obligations under this Lease. In the event that Lessor consents to subleasing of the Premises or any part thereof, the Lessee shall pay to the Lessor an additional amount of 5% of the sublease amount received monthly per sublease, not to exceed \$6,000 per year per sublease, for subleasing income as additional rent, in lieu of the surcharge in Act 6634. Additional rent is defined as rent which exceeds the Initial Base Rent or the Reduction in Initial Base Rent as described in sections 3.01 and 3.02 respectively. This additional rent shall be due and payable on the next rent day after such subletting rent becomes due from the subtenant.

9.07 Cumulative Remedies. Notwithstanding anything to the contrary herein, each right or remedy of Lessee under this Lease shall be cumulative of and shall be in addition to every other right or remedy provided by law, and the exercise, or the beginning of the exercise, by Lessee of any one or more of the rights or remedies provided for by law shall not preclude the simultaneous or later exercise by Lessee of any or all other rights or remedies provided for herein.

ARTICLE 10

MORTGAGES, LIENS AND ENCUMBRANCES;
ASSIGNMENT AND SUBLETTING

10.01 Leasehold Mortgages; Assignment and Sublet:

(a) Lessee shall have the right, from time to time and at any time, in whole or in part, subject to the prior consent of Lessor, which consent shall not be unreasonably withheld or delayed, to hypothecate, mortgage, pledge or alienate Lessee's leasehold interest in the Premises and/or the rights granted to Lessee under this Lease (a "Leasehold Mortgage"). Lessee shall provide fifteen (15) days notice to Lessor prior to the closing of any loan or other transaction in connection with which such interest is given, identifying the name and address of the party obtaining an interest in Lessee's leasehold (the "Leasehold Mortgagee"). In no event whatsoever shall Lessee have the right to encumber Lessor's fee simple interest in the Premises.

(b) For the benefit of the holder of any Leasehold Mortgage who shall have become entitled to notice as hereinafter provided in this Section 10.01, the Lessor agrees not to accept a voluntary surrender of this Lease at any time while such Leasehold Mortgage shall remain an encumbrance on the leasehold estate; and the Lessor and Lessee further agree for the benefit of any such Leasehold Mortgagee that, so long as any such Leasehold Mortgage shall remain an encumbrance on the leasehold estate, without the prior written consent of such Leasehold Mortgagee, the Lessor and Lessee will not

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subordinate this Lease to any mortgage which may hereafter be placed on the fee of the Premises or amend or alter any terms or provisions of this Lease or consent to any prepayment of any Annual Rent.

(c) If any Leasehold Mortgagee shall have given to the Lessor a notice specifying the name and address of such Leasehold Mortgagee, the Lessor shall send by personal delivery or by certified or registered mail or overnight courier service to such Leasehold Mortgagee a copy of each notice of default at the same time as and whenever any such notice of default shall thereafter be given by the Lessor to Lessee, addressed to such Leasehold Mortgagee at the address last furnished to the Lessor. No notice of default by the Lessor shall be deemed to have been given unless and until a copy thereof shall have been so given to such Leasehold Mortgagee. Lessee irrevocably directs that the Lessor accept, and the Lessor agrees to accept, performance and compliance by any such Leasehold Mortgagee of and with any term, covenant or condition on Lessee's part to be kept, observed or performed under this Lease with the same force and effect as though kept, observed or performed by Lessee. Such Leasehold Mortgagee shall have, and be subrogated to, any and all rights of Lessee with respect to the curing of any such default, and shall also have the right to extend the period of time for curing of any such default for an additional period of sixty (60) days from the date contained in the notice of default, or in the case of a default which cannot be cured within said sixty (60) day period, for such additional period as, with all due diligence and in good faith, is necessary to cure the default.

(d) In case of the termination of this Lease by reason of the happening of an Event of Default, the Lessor shall give notice thereof to any Leasehold Mortgagee who shall have notified the Lessee of its name and address pursuant to Section 10.01 (f), which notice shall be sent by personal delivery or by registered or certified mail or overnight courier service to such Leasehold Mortgagee at the address last furnished to the Lessor pursuant to Section 10.01 (f). If, within ninety (90) days after the mailing of such notice, such Leasehold Mortgagee shall notify the Lessor that such Leasehold Mortgagee desires to enter into a lease of the Premises with the Lessor, the Lessor shall join with the Leasehold Mortgagee, or its nominee, in executing and delivering a new lease of the Premises to such Leasehold Mortgagee, or its nominee, for the remainder of the Term, at the Annual Rent and upon the terms, covenants and conditions contained in this Lease.

(e) The Lessor agrees to execute such further certificates, consents, subordination, non-disturbance and attornment agreements, estoppel certificates and other documents as may reasonably be required by a Leasehold Mortgagee or subtenant, provided that the Lessor is not required to pay money or incur expenses thereby, the documents are consistent with the terms of this Lease, and the Lessor's property rights are not adversely affected thereby.

(f) In every case where the Leasehold Mortgagee elects to acquire possession of the Premises or to foreclose the Leasehold Mortgage, prior to the acquiring

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of possession or the foreclosing of the Leasehold Mortgage, the Leasehold Mortgagee shall give the Lessor (i) a right of first refusal to acquire the Improvements and assume Lessee's obligations under the Leasehold Mortgage or (ii) the right to provide a purchaser reasonably satisfactory to the Leasehold Mortgagee for the purchase of Lessee's interest in this Lease, the Improvements and Lessee's obligations under the Leasehold Mortgage. The Lessor shall exercise the rights herein set out within one hundred twenty (120) days from the date that the Lessor is notified in writing by the Leasehold Mortgagee that these rights may be exercised.

ARTICLE 11

GENERAL TERMS AND CONDITIONS

11.01 Notices. All notices provided to be given under this Lease shall be given by recognized overnight courier service or by certified or registered mail, return receipt requested, postage fully prepaid, addressed to the proper party at:

LESSOR: Commissioner
 Department of Property & Procurement
 Building No. 1 Sub Base
 St. Thomas, U.S. Virgin Islands 00802

LESSEE: Stephen Evans-Freke
 Water Island Development Company
 6501 Red Hook Plaza, Suite 201
 St. Thomas, U.S. Virgin Islands 00802

The address of either party may be changed from time to time by giving written notice to the other party to that effect.

11.02 Unavoidable Delay; Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Lease by the reason of acts of God, inability to secure materials, flood, drought, earthquake, storm, fire, pestilence, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, action or inaction of government, or other proper authority, fuel supply or material shortage, or failure, threat of failure or sabotage of facilities that have been maintained in accordance with good engineering and operating practices, or other cause, without fault and beyond the reasonable control of the party obligated, financial inability excepted, performance of such act shall be excused for the period of the delay up to a maximum of ninety days (90) commencing from the date of required notice under this Section; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, however, that nothing in this paragraph shall excuse Lessee from the prompt payment of all amounts required of Lessee. The party delayed or prevented from the performance of any act as above described shall notify the other party of such delay or prevention within fifteen (15) days of the delayed

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party's knowledge thereof, and shall thereafter keep the other party regularly informed by written notification every thirty (30) days of the status of such delay or prevention.

11.03 Non-discrimination. Lessee in exercising any of the rights or privileges granted by this Lease, shall not, on the grounds of race, color, creed, sex, disability as that term is understood by the American Disabilities Act, or national origin, discriminate or permit discrimination against any person.

11.04 Officials not to Benefit. No member of the U.S. Congress or the Territorial Legislature, no official or officer of the United States or the U.S. Virgin Islands Government, or any of their instrumentalities shall be admitted to any share of this Lease or any benefit of value that may arise therefrom.

11.05 Agreement made in the U.S. Virgin Islands. The laws of the U.S. Virgin Islands shall govern the validity, performance, and enforcement of this Lease.

11.06 Counterparts. This Lease may be executed in four (4) counterparts, each of which shall be deemed an original.

11.07 Cumulative Rights and Remedies. All rights and remedies of Lessor here enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law. Likewise, the exercise by Lessor of any remedy provided for herein or allowed by law shall not be to the exclusion of any other remedy.

11.08 Interpretation. Words of gender used in this Lease shall be held to include the plural and vice versa unless the context otherwise requires.

11.09 Agreement made in Writing. This Lease contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any manner other than by agreement in writing signed by the parties hereto or their respective successors in interest.

11.10 Paragraph Headings. The captions of the various articles and paragraphs of this Lease are for convenience and ease of the scope, content, or intent of this Lease or any part or parts of this Lease.

11.11 Invalidity or Illegality of Provisions. The invalidity or illegality of any provisions of this Lease shall not affect the remainder of this Lease.

11.12 Successors and Assigns. All of the terms, provisions, covenants, and conditions of this Lease shall inure to the benefit of and be binding upon Lessor and Lessee and their successors, assigns, legal representatives, heirs, executors and administrators.

11.13 Broker. Lessee covenants, warrants, and represents that there was no broker instrumental in consummating this Lease, and that no conversations or prior

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negotiations were had with any broker concerning the renting of the Premises by or through Lessee. Lessee agrees to hold Lessor harmless against any claims for brokerage commission arising out of any conversation or negotiation had by Lessee with any broker.

11.14 Approvals Required. This Lease shall not become effective unless approved by the Governor and the Legislature of the U.S. Virgin Islands. If such approval is obtained, Lessor shall provide written notice of such approval promptly to Lessee in recordable form.

11.15 Cooperation by Lessor. Lessor will cooperate with Lessee in filing zoning or rezoning applications, environmental impact reports, or any other governmental or quasi-governmental applications, studies or declarations as may be required by any government rules in regard to construction of the Water Island Hotel and Marina or other improvements or for obtaining permits, licenses, or approvals to conduct activities on the Premises. Lessor may, and if required by government rules shall, join in the application for any required or desirable permits and authorizations.

11.16 Third Party Beneficiaries. Lessor and Lessee acknowledge that the respective rights and remedies under this Lease are for the benefit of, and can be exercised only by, Lessor and Lessee (and any indemnitees under any provision of this Lease) as their interests appear; provided, however, that Lessor and Lessee agree that Leasehold Mortgagees shall be third party beneficiaries under this Lease.

11.17 Estoppel Certificates. Lessee or Lessor, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Lessee, Lessor or any Leasehold Mortgagee, a certificate certifying (a) that this Lease is unmodified and in full force and effect, (or, if there have been modifications, that this Lease is in full force and effect as modified, and stating the modifications), (b) the dates, if any, to which the rent has been paid, (c) that there are no existing offsets or defenses against the enforcement of any term hereof on the part of Lessee to be performed or complied with (or, if so, specifying the same), and (d) that no notice has been given to either party of any default that has not been cured. Any such certificate may be relied upon by any prospective purchaser, mortgagee or beneficiary under a deed of trust of the Premises or of any interest therein.

ARTICLE 12

CONFLICT OF INTEREST

12.01 Conflict of Interest. Lessee covenants that it has no interest and will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its obligations under this Lease. Lessee further covenants that it either is:

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(a) Not a territorial officer or employee (i.e. the Governor, Lieutenant Governor, member of the Legislature or any other elected territorial official; or an officer or employee of the legislative, executive or judicial branch of the Government or any agency, board, commission or independent instrumentality of the Government, whether compensated on a salary, fee or contractual basis); or

(b) A territorial officer or employee and, as such, has:

(i) Familiarized itself with the provisions of Title 3 Chapter 37, Virgin Islands Code, pertaining to conflicts of interest, including the penalty provisions set forth in Section 11.08 thereof;

(ii) Not made, negotiated or influenced this contract, in its official capacity;

(iii) No financial interest in the contract as that term is defined in Section 11.01 of said Code chapter.

12.02 Compliance with Laws. Lessee shall comply with all laws and regulations of the U.S. Government and the Government of the U.S. Virgin Islands including but not limited to: zoning, Coastal Zone Management, building codes, environmental laws, and the American with Disabilities Act. Lessee shall obtain all licenses and permits to use the Premises and to do business in the U.S. Virgin Islands as are required.

12.03 Waiver of Lease Terms. The waiver by either party of any breach of any term, condition or covenant of this Lease, during the Term of this Lease, shall not be deemed to be a waiver of any subsequent breach of the same or any other term, condition or covenant of this Lease. No delay or omission to exercise any right or power shall be construed to be a waiver of any such right or power and every right and remedy conferred under this Lease may be exercised from time and as often as may be deemed expedient by the holder of such right or remedy.

ARTICLE 13

DAMAGE AND DESTRUCTION

13.01 Lessee's Duty to Restore. If, at any time during the Term of this Lease, the Improvements shall be damaged or destroyed by fire or other casualty covered within the insurance designation of fire and extended coverage as same is customarily written in the U.S. Virgin Islands, Lessee, at its sole cost and expense, if so requested by Lessor or elected by Lessee, and provided that the insurance proceeds related to such casualty are made available to Lessee in a sufficient net amount for use in connection therewith, shall repair, alter, restore, replace or rebuild the same as nearly as reasonably possible to its value, conditions and character which existed immediately prior to such damage or destruction, subject to such changes or alterations as Lessee may elect to make in conformity with the provisions of this Lease and modern construction techniques and

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methods. Provided Lessee otherwise complies with the terms of this Lease and obtains Lessor's approval, it may construct Improvements which are larger, smaller or different in design, function or use and which represent a use comparable to prior use or compatible with uses of property in the immediate geographical area, to the extent such construction and improvement are allowed by Section 1.02 of this Lease. However, in the event insurance proceeds related to such casualty are not made available to Lessee for use in connection therewith, or are deemed insufficient by Lessee in its reasonable discretion, and Lessee elects not to rebuild, Lessor and Lessee shall each have the right to terminate this Lease as to such Phase or Phases which suffered the casualty but the Base Rent shall continue at the same amount for any remaining portions of the Premises.

13.02 Termination of Lease for Certain Destruction Occurring During Last Ten Years of Lease Term. Notwithstanding anything to the contrary contained herein, in the event that the Improvements or any part thereof shall be damaged or destroyed by fire or other casualty during the last ten (10) years of the Term of this Lease, and the estimated cost for repair and restoration exceeds an amount equal to twenty-five percent (25%) of the then-current fair market value of the Water Island Resort Community (as determined by an appraisal secured by the Lessee), then Lessee shall have the right to terminate this Lease and its obligations hereunder by giving written notice to Lessor within six (6) months after such damage or destruction. In such event, this Lease shall terminate fifteen (15) days following Lessor's receipt of notice of casualty, and Lessee shall not be entitled to the return of any Base Rent. In such event, the property insurance proceeds for the damaged Improvements, including business interruption insurance proceeds shall be paid to Lessor and Lenders as their respective interests may appear.

ARTICLE 14

ENVIRONMENTAL MATTERS

14.01 Remediation of Prior Contamination; Inspections. It is acknowledged that the Premises previously contained some contamination which was to have been remediated by Lessor or its predecessor in interest. The Lessee shall have the right, prior to commencement of construction of the Improvements, to conduct an environmental audit of the Premises and to perform such borings, samplings and other tests as it may desire to determine the environmental status of the Premises. Any contamination that is revealed to be present on the Premises shall be the responsibility of the Lessor to treat, remove or otherwise remediate, as may be required by applicable laws, codes and ordinances, in order to permit the construction of the Improvements. Further, Lessor will indemnify Lessee for any loss, claims or liability arising from the existence of any such prior contamination.

14.02 Premises Reduction. In the event contamination is discovered on the Premises and Lessor is unable or unwilling to treat, remove or otherwise remediate it as provided in Section 14.02 above, Lessee may, at its election, (a) request that Lessor enter into an amendment to this Lease pursuant to which any contaminated portion of the

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Premises is deleted from the description of the Premises, if development of the Water Island Resort Community on the balance of the Premises is feasible, in Lessee's sole discretion or (b) terminate this Lease, whereupon Lessee and Lessor shall have no further liability hereunder, except as specifically set forth herein.

SIGNATURES APPEAR ON FOLLOWING PAGES

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IN WITNESS WHEREOF, the parties herein have hereunto set their hands and seals on the day and year first above written.

WITNESSES:

LESSEE:

WATER ISLAND DEVELOPMENT COMPANY, LLC

a U.S. Virgin Islands limited liability company

Penelope
Manda Hamilton

By: [Signature]
Stephen Evans-Freke

Title: Principal

ACKNOWLEDGEMENT

Territory of the U.S. Virgin Islands)
District of St. Thomas, & St. John) ss:

Before me personally appeared Stephen Evans-Freke as Principal, of **Water Island Development Company LLC**, well known, and known to be the individual described in and who executed the foregoing instrument.

WITNESS my hand on this 19 day of November, A.D. 2014

[Signature]
Notary Public


NPT# : 12-17

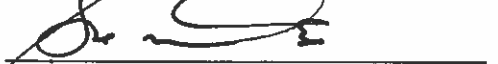
COM Exp : 20/8/16

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WITNESSES:



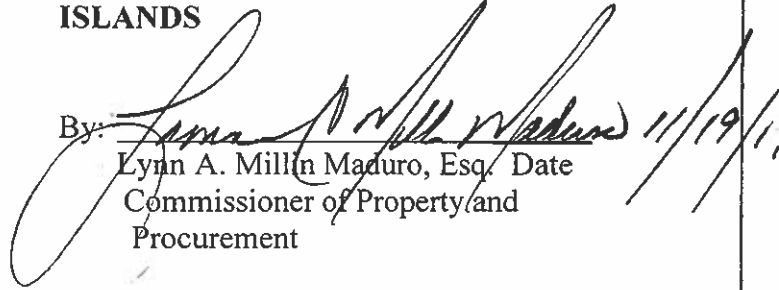


Date 11/19/14

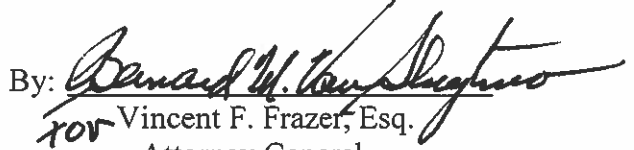
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Date

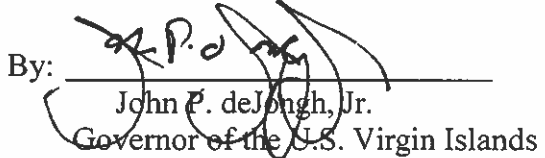
**LESSOR:
GOVERNMENT OF THE U.S. VIRGIN
ISLANDS**

By: 
Lynn A. Millin Maduro, Esq. Date 11/19/14
Commissioner of Property and Procurement

Approved as to Legal Sufficiency

By: 
ror Vincent F. Frazer, Esq.
Attorney General

APPROVED:

By: 
John P. deJongh, Jr.
Governor of the U.S. Virgin Islands

APPROVED:

By: _____
President of the Legislature
of the U.S. Virgin Islands