



**SIXTEENTH LEGISLATURE
COMMONWEALTH NORTHERN MARIANA ISLANDS**

Honorable Jesus P. Mafnas Memorial Building

Capitol Hill

Saipan, MP 96950


February 5, 2009

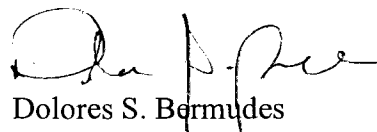
The Honorable Benigno R. Fitial
Governor
Commonwealth of the Northern Mariana
Islands
Capitol Hill
Saipan, MP 96950

Dear Governor Fitial:

We have the honor of transmitting herewith a certified copy of **Joint Session Resolution No. 16-2**, entitled, "A Joint Session Resolution granting approval pursuant to Article XI, Section 5(d) of the Northern Marianas Constitution of a Lease Agreement between the Department of Public Lands and Flame Sako Resort Hotel and Spa for the leasing of approximately 109,003 square meters of public land in Saipan, CNMI; and for other purposes," which was duly adopted by the Sixteenth Northern Marianas Commonwealth Legislature in Joint Session on February 4, 2009.

Sincerely yours,


Evelyn C. Fleming
House Clerk


Dolores S. Bermudes
Senate Clerk

Enclosure



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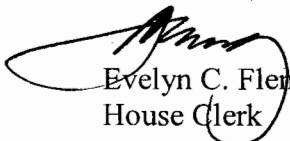
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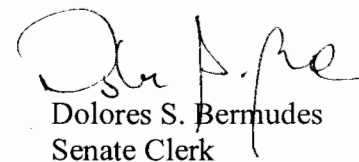
John S. Del Rosario, Jr.
Secretary
Department of Public Lands
P.O. Box 500380
Saipan, MP 96950

Dear Secretary Del Rosario:

We have the honor of transmitting herewith a certified copy of **Joint Session Resolution No. 16-2**, entitled, "A Joint Session Resolution granting approval pursuant to Article XI, Section 5(d) of the Northern Marianas Constitution of a Lease Agreement between the Department of Public Lands and Flame Sako Resort Hotel and Spa for the leasing of approximately 109,003 square meters of public land in Saipan, CNMI; and for other purposes," which was duly adopted by the Sixteenth Northern Marianas Commonwealth Legislature in Joint Session on February 4, 2009.

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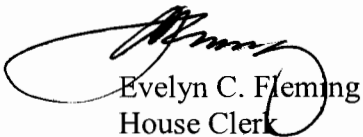
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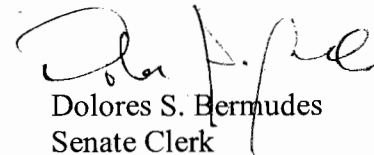
Dae Sik Kang
President and CEO
Flame Sako Corporation
PMB 353 Box 10001
Saipan, MP 96950

Dear President Kang:

We have the honor of transmitting herewith a certified copy of **Joint Session Resolution No. 16-2**, entitled, "A Joint Session Resolution granting approval pursuant to Article XI, Section 5(d) of the Northern Marianas Constitution of a Lease Agreement between the Department of Public Lands and Flame Sako Resort Hotel and Spa for the leasing of approximately 109,003 square meters of public land in Saipan, CNMI; and for other purposes," which was duly adopted by the Sixteenth Northern Marianas Commonwealth Legislature in Joint Session on February 4, 2009.

Sincerely yours,


Evelyn C. Fleming
House Clerk


Dolores S. Bermudes
Senate Clerk

Enclosure

**FIFTEENTH LEGISLATURE
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
THIRD JOINT SESSION 2009**



J. S. RES. No. 16-2

A JOINT SESSION RESOLUTION

Granting approval pursuant to Article XI, Section 5(d) of the Northern Marianas Constitution of a Lease Agreement between the Department of Public Lands and Flame Sako Resort Hotel and Spa for the leasing of approximately 109,003 square meters of public land in Saipan, CNMI; and for other purposes.

Offered by: *the Senate Committee on Resources, Economic Development and Programs, and the House Committee on Natural Resources by the following members:*

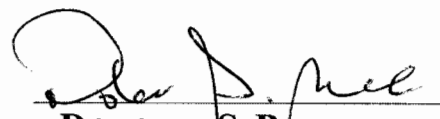
Senators Jude U. Hofschneider, Maria Frisca T. Pangelinan, Felix T. Mendiola; and Representatives Ramon A. Tebuteb, David M. Apatang, Oscar M. Babauta, Diego T. Benavente, and Raymond D. Palacios on February 4, 2009

Referred to the Senate Committee on Resources, Economic Development and Programs, and the House Committee on Natural Resources
JOINT SESSION COMMITTEE REPORT No. 16-1

**ADOPTED BY THE
SIXTEENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
IN JOINT SESSION**

ON FEBRUARY 4, 2009


EVELYN C. FLEMING
HOUSE CLERK


DOLORES S. BERMUDES
SENATE CLERK



SIXTEENTH LEGISLATURE
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
THIRD JOINT SESSION 2009

J.S. RES. No. 16-2

Offered by the Senate Committee on Resources, Economic Development and Programs, and the House Committee on Natural Resources by the following members:

Senators Jude U. Hofschneider, Maria Frica T. Pangelinan, Felix T. Mendiola; and
Representatives Ramon A. Tebuteb, David M. Apatang, Oscar M. Babauta, Diego T. Benavente, and Raymond D. Palacios

A JOINT SESSION RESOLUTION

Granting approval pursuant to Article XI, Section 5(d) of the Northern Marianas Constitution of a Lease Agreement between the Department of Public Lands and Flame Sako Resort Hotel and Spa for the leasing of approximately 109,003 square meters of public land in Saipan, CNMI; and for other purposes.

1 **WHEREAS**, on January 23, 2009, the Commonwealth of the Northern Mariana
2 Islands entered into a Lease Agreement, with Flame Sako Resort Hotel and Spa, which is
3 incorporated herein as if set forth in full, for the use and development of approximately
4 109,003 square meters of public land on Saipan, for the limited purpose of developing a 357-
5 room hotel facility comprised of hotel rooms, villas, convention center, sea restaurant, water
6 park, marine port, yacht basin, and related improvements and for that lease to remain in
7 effect for a term of twenty-five (25) years as set forth in Article III of the Lease Agreement;
8 and

9 **WHEREAS**, the proposed development is deemed by the Legislature to contribute
10 substantially to the future economic development of Saipan in terms of providing job
11 opportunities, opening a wide range of service-oriented businesses, and bringing economic
12 development to the Commonwealth during times of economic decline; and

13 **WHEREAS**, Flame Sako Resort Hotel and Spa has contracted to provide meaningful
14 opportunities for local employment at a minimum of thirty percent of its workforce; and

1 **WHEREAS**, Section 5(d) of Article XI of the N.M.I. Constitution mandates that the
2 Department of Public Lands may not transfer an interest in more than five hectares of public
3 land for commercial purposes without the approval of the Legislature in a joint session; and

4 **WHEREAS**, public hearings were held on December 09, 2008, at Gregorio T.
5 Camacho Elementary School in San Roque, Saipan and on December 10, 2008, at the Multi
6 Purpose Center in Susupe, Saipan; and

7 **WHEREAS**, testimony received during the public hearings was generally in support
8 of this new development, provided that Paupau Beach Park is not included in the land lease;
9 and

10 **WHEREAS**, the Legislature is not aware of any impediment to the implementation
11 of such a Lease Agreement, all parties having agreed to the terms of the proposed lease
12 agreement;

13 **NOW, THEREFORE, BE IT RESOLVED**, by the Sixteenth Northern Mariana
14 Islands Commonwealth Legislature, sitting in Joint Session, that both houses having
15 reviewed all the data pertinent to the Lease Agreement between the Commonwealth
16 government and Flame Sako Resort Hotel and Spa attached hereto and incorporated herein in
17 its entirety as if fully set forth, said agreement pertaining to the leasing of approximately
18 109,003 square meters of public land for a term of twenty-five (25) years, with an option to
19 extend the term of the lease for one additional term of fifteen (15) years as reflected in
20 Article IV of the lease agreement (which is not under consideration by the Legislature at this
21 time) on the island of Saipan for the development of a 357-room hotel facility comprised of
22 hotel rooms, villas, convention center, sea restaurant, water park, marine port, yacht basin,
23 indoor golf facility, and related improvements, that the Legislature finds the proposed project
24 in the best interest of the people of Saipan and of the Commonwealth, and therefore grants
25 legislative approval of the Lease Agreement for the initial lease term pursuant to Article XI,
26 Section 5(d) of the Northern Marianas Constitution; and

27 **BE IT FURTHER RESOLVED** by the Sixteenth Northern Marianas
28 Commonwealth Legislature that the Department of Public Lands shall inform the Legislature

1 through the Presiding Officers of any and all subsequent changes to the public land lease
2 with Flame Sako Resort Hotel and Spa in accordance with Article XI of the N.M.I.
3 Constitution and in compliance with Public Law 15-2; and


4 **BE IT FURTHER RESOLVED**, that the Speaker of the House of Representatives
5 and the President of the Senate shall certify and the Joint Session Clerks shall jointly attest to
6 the adoption of this resolution and thereafter transmit certified copies to the Honorable
7 Benigno R. Fitial, Governor, Commonwealth of the Northern Mariana Islands; Mr. John Del
8 Rosario, Secretary, Department of Public Lands; and the President of Flame Sako Resort
9 Hotel and Spa.

**Duly adopted by the Sixteenth Northern Marianas Commonwealth Legislature in Joint
Session.**

CERTIFIED BY:



ARNOLD I. PALACIOS
SPEAKER OF THE HOUSE

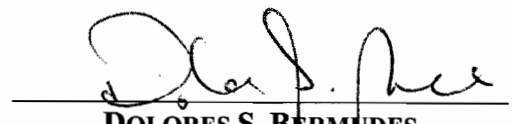


PETE P. REYES
PRESIDENT OF THE SENATE

ATTESTED TO BY:



EVELYN C. FLEMING
HOUSE CLERK



DOLORES S. BERMUDES
SENATE CLERK

(Space Above for Recording Purposes Only)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
SAIPAN, MARIANA ISLANDS

LEASE AGREEMENT
(LA 09-002S)

THIS Lease Agreement (hereinafter the "Lease") is made and entered into this 23rd day of January 2009, by and between the DEPARTMENT OF PUBLIC LANDS, (hereinafter the "DPL"), established under Public Law 15-2, having authority and responsibility over the management, use and disposition of public lands in the Commonwealth; whose offices are located in Dandan, Saipan, Northern Mariana Islands, and FLAME SAKO CORPORATION, a CNMI Corporation (hereinafter the "Lessee"), its successors and assigns.

WITNESSETH THAT:

WHEREAS, The Lessee desires to lease public land in Saipan, Commonwealth of the Northern Mariana Islands, for the purpose of constructing, developing, and operating a hotel resort with villas and associated facilities; and

WHEREAS, The public land consists of more than five (5) hectares and therefore requires Legislative approval. The Lease provisional until Legislative approval is finalized; and

WHEREAS, the DPL, being responsible for the management, use and disposition of public lands in the Commonwealth finds it desirable, beneficial and in the interest of the Commonwealth and public land beneficiaries to permit the Lessee to use public land for such purpose.

NOW THEREFORE, in consideration of the mutual covenants and benefits to be derived herein, the parties agree as follows:

ARTICLE 1: GRANT OF LEASE

The DPL leases to the Lessee the below-described public land (hereinafter the "Premises"), more particularly described as follows:

Lot No. 003 A 11, containing an area of approximately 49,500 square meters, more or less, as shown on DLS Check No. 003 A 06, recorded at the Commonwealth Recorder's Office on June 29, 1994 as File No. 94-1754.

Lot No. 003 A 19, containing an area of approximately 10,000 square meters, more or less, as shown on DLS Check No. 003 A 10, recorded at the Commonwealth Recorder's Office on May 15, 2007, as File No. 07-1060.

Lot No. 003 A 20, containing an area of approximately 49,503 square meters, more or less, as shown on DLS Check No. 003 A 10, recorded at the Commonwealth Recorder's Office on May 15, 2007, as File No. 07-1060.

ARTICLE 2: PURPOSE

The Lessee shall use the Premises to construct, develop and operate a hotel resort with villas, a water park, swimming pools, reception halls, cafeteria, convenience stores, outdoor theatre, indoor golf facility, and other hotel associated amenities.

ARTICLE 3: TERM

The term (hereinafter the "Term") of this Lease shall be for a period of twenty-five (25) years, unless otherwise terminated or cancelled pursuant to applicable provisions of this Lease. The Term shall commence (hereinafter the "Commencement Date") fifteen (15) calendar days from the date of approval of the Lease by the Northern Mariana Islands Commonwealth Legislature.

ARTICLE 4: OPTION TO EXTEND TERM

DPL grants the Lessee an option to extend this Lease for one (1) additional term of fifteen (15) years, subject to the approval of the Northern Mariana Islands Commonwealth Legislature in accordance with the mandate set out in Article XI, § 5(c) of the Constitution of the Northern Mariana Islands. Should Lessee decide to exercise the option to extend this Lease, it will enter into an Extension Agreement with the DPL, pursuant to Section 105(c) of P.L. 15-2, for submission to and approval by the Commonwealth Legislature.

ARTICLE 5. LEGISLATIVE REVIEW AND APPROVAL PERIOD

The Lessee shall have three (3) months to secure legislative approval of this Lease after submission to the Legislature. If the Lessee requires additional time, it must notify the DPL in writing stating the reason for delay in securing the necessary approval.

ARTICLE 6. RENTAL

The Lessee, in consideration of the foregoing, shall pay to the DPL, in the manner prescribed herein, in lawful money of the United States, annual rental for the Premises in the amounts set out in the schedule below:

A. Rental Schedule

1. **Hotel Resort and Villa Development, Related Improvements and Infrastructure, on an area containing approximately 109,003 square meters.**

PERIOD	GUARANTEED ANNUAL MINIMUM	ALTERNATIVE PERCENT OF GROSS RECEIPTS
1st Five-Year Period		
Year One	\$52,320.00 (2%)	Not Applicable
Year Two	\$52,320.00 (2%)	Not Applicable
Year Three	\$52,320.00 (2%)	Not Applicable
Year Four	\$78,840.00 (3%)	or 3%, whichever is greater
Year Five	\$78,840.00 (3%)	or 3%, whichever is greater

2 nd Five-Year Period		
Year One	4% of Fair Market Value	or 3%, whichever is greater
Year Two	4% of Fair Market Value	or 3%, whichever is greater
Year Three	5% of Fair Market Value	or 3%, whichever is greater
Year Four	5% of Fair Market Value	or 3%, whichever is greater
Year Five	6% of Fair Market Value	or 3%, whichever is greater
3 rd Five-Year Period	7% of Fair Market Value	or 3%, whichever is greater
4 th Five-Year Period	7% of Fair Market Value	or 3%, whichever is greater
5 th Five-Year Period	8% of Fair Market Value	or 3%, whichever is greater

The percent of gross receipts listed above shall be assessed against the gross receipts, as defined in Article 43G. Should the Guaranteed Annual Minimum rental be less than the Alternative Percent of Gross Receipts in any quarter, the Lessee shall pay to the DPL the difference within forty-five (45) days from the end of the quarter in which the difference occurs, with adjustments, if any, to be made at the end of every calendar year upon the submission of the annual certified financial statements as provided in Article 8 hereof. A copy of the CNMI Business Gross Revenue Tax Quarterly Return must be submitted quarterly, together with the computation of the quarterly gross receipts rental to substantiate the additional payment or non-payment.

B. Manner of Payment. The Lessee shall discharge its obligation of payment by depositing the payments required under this Article with the Department of Public Lands office, located in Dandan, Saipan, Mariana Islands, or at a location as the DPL may from time to time designate in writing.

C. Time and Payment; Interest; Amortization. All rents payable pursuant to the terms of this Provision Lease shall be deemed to have commenced on the first day of the month after the Commencement Date of this Provision Lease, and shall be paid without prior notice or demand. Past due rental payments shall bear interest at one percent (1%) per month compounded monthly, from the date it becomes due until paid. This provision shall not be construed to relieve the Lessee from any default in making any rental payment at the

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time and in the manner herein specified, but is subject to the amortization provisions set forth herein.

**ARTICLE 7. APPRAISAL AND DETERMINATION OF RENTAL AFTER
EACH FIVE YEARS**

At the end of the initial five (5) year period of this Lease and each succeeding five (5) year period, the Guaranteed Minimum Annual Rental payable by the Lessee to the DPL shall be based upon the percentage of the appraised fair market value of the unimproved land as of the commencement of each five-year period, or the percent of gross receipts pursuant to Article 6A and as defined in Article 43G, whichever is greater. An independent appraiser who must be a member of a nationally accepted appraisal society, to be selected by agreement between the DPL and the Lessee, will determine the appraised market value. In the event that the DPL and the Lessee cannot reach an agreement on the selection of the appraiser, a committee of three (3) arbitrators being selected by the other two will select the appraiser. The cost of appraisal will be borne by the Lessee.

ARTICLE 8. ANNUAL REPORTS AND AUDIT

The Lessee shall, not later than forty-five (45) days after the end of each calendar year of this Lease, submit to DPL financial statements audited by public accountants certified in the United States, which shall include a schedule of gross receipts indicating sources and deductions in support of the gross receipts rental requirement under Article 6A. Any duly authorized representative of the DPL shall have access to and the right to examine and audit any or all pertinent books, documents, papers and records of the Lessee and its sublessees and concessionaires relating to this Lease during the normal business hours of any working day. Lessee shall insert a similar provision in all subleases pertaining to this right of access, examination, and audit, and shall make available to said representative(s) or agent(s) all books and records of the Lessee or its sublessees and concessionaires which may be requested or may be necessary for completion of a special audit of any or all activities or enterprises conducted on the Premises.

The Lessee shall keep and maintain its accounting and bookkeeping system in accordance with generally accepted accounting principles applicable to the industry. The



Lessee shall keep its accounting books and records at all times in the English language.

ARTICLE 9. PERMITS, CONSTRUCTION PLANS, SPECIFICATIONS, AND SURVEYS

A. Permits. The Lessee agrees and covenants that within six (6) months from the Commencement Date of this Lease, it will at its own expense and risk secure all required CNMI Government and applicable Federal permits for the development and construction to be completed on the Premises. Copies of such permits must be delivered to the DPL within five (5) days of their issuance. If the Lessee requires additional time to secure the permits, it must notify the DPL in writing of the reason for the delay in securing the necessary approval and its request for extension. The DPL shall review the Lessee's request for extension and provide for additional time if the extension is necessary.

B. Financing of Project. The Lessee agrees and covenants that within six (6) months from the Commencement Date of this Lease, it shall submit to DPL evidence of its sources of financing for the proposed construction and development of the hotel with villas and associated resort facilities. The document listing the sources of financing must be drafted with sufficient specificity to be verifiable and acceptable to the DPL.

C. Construction Plans and Specifications. The Lessee agrees and covenants that within six (6) months from the Commencement Date of this Lease, it will at its own cost, risk and expense, submit to the DPL its complete construction plans and specifications, which must include a conceptual design of the development of the Premises. Upon submittal by the Lessee, the DPL shall have thirty (30) working days to review the submitted construction plans and specifications and to notify the Lessee of approval or disapproval of the plans. In the event that changes are necessary, the DPL shall give the Lessee reasonable time to make the necessary changes to the plans for re-submittal. If the DPL does not notify the Lessee in writing of the status of the submitted plan within the thirty (30) working day review period, then the plans and specifications are deemed approved.

D. Compliance with Financing of Project. The Lessee agrees and covenants to adhere to the financing and construction deadlines set forth in Sections B and C of this Article. Lessee covenants and agrees that if it fails to secure financing for the construction

of the hotel, villas and all other associated resort facilities by April 30, 2009, the Lease shall automatically be terminated and the Lessee shall vacate the premises in accordance with the terms of ARTICLE 29: Default. Lessee agrees and covenants to provide verifiable evidence of such financing by submitting bank statements, letters of credit, or other such financing evidence.

E. Surveys. The Lessee agrees and covenants that within two (2) months from the Commencement Date of this Lease, it will at its own cost, risk and expense, procure and submit to the DPL complete retracement and topographic surveys of the Premises. Survey shall be coordinated with and reviewed by the Lessor and submitted to the Division of Lands and Surveys for approval.

ARTICLE 10. CONSTRUCTION SCHEDULE

The Lessee agrees and covenants that within the time hereinafter stipulated, it will at its own cost, risk and expense, build, construct, fully equip and furnish, structures and associated facilities according to the following schedule.

The construction of the entire hotel, villas, water park and other related amenities shall commence within six (6) months after the review and approval of the plans and specifications by the Lessor and other CNMI government regulatory agencies (e.g. Department of Public Works) and shall be complete no later than seventeen (17) months from start of construction.

ARTICLE 11. EXCUSED DELAY OF PERFORMANCE

Whenever under this Lease a time is stated within which or by which original construction, repairs, reconstruction or other performance by the Lessee shall be commenced or be completed, and a failure or delay in such performance is due, in whole or in part, to fire, explosion, earthquake, storm, flood, drought or other unusually severe weather conditions, accident, breakdown of machinery or facilities, strike, lockout, combination of workmen, war, insurrection, riot, act of God or the public enemy, or any contingency or delay or failure or cause of any nature beyond the reasonable control of either party, whether or not of the kind hereinbefore specified and whether or not any such contingency is presently occurring or occurs in the future, including but not limited to, the

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discovery of human remains, fossils, bones, and relics considered to be of historical importance or value, and such failure or delay does not result from the fault or negligence of the Lessee, the period of delay so caused shall be added to the period allowed herein for the completion of such work provided, however, that the Lessee shall notify the DPL in writing within thirty (30) days after the occurrence of any of the above events.

**ARTICLE 12. CONSTRUCTION, MAINTENANCE, REPAIR,
ALTERATION**

All improvements, renovations, and repairs placed on the Premises shall be constructed in good and workmanlike manner and in compliance with applicable laws, regulations, ordinances, and building codes. All portions of buildings located upon the Premises exposed to perimeter properties or to the public view shall present a pleasant appearance, and all service areas shall be screened from public view. The Lessee shall, at all times during the Term of this Lease and at the Lessee's sole cost and expense, maintain the Premises and all improvements thereon in good order and repair and in a neat, sanitary and attractive condition.

Unless the same are to be promptly replaced with improvements having at least an equal value, no removal or demolition of improvements which has a value in excess of \$25,000.00 shall take place without the prior written consent of the DPL. No additions having a value in excess of \$100,000.00 shall be constructed on the Premises without the prior written consent of the DPL. The Lessee shall indemnify and hold harmless the DPL and the CNMI Government against liability for all claims arising from the Lessee's failure to maintain the Premises and the improvements situated thereon as hereinabove provided, or from the Lessee's violation of any law, ordinance, or regulation applicable thereto.

**ARTICLE 13. GUARANTEE OF LOCAL EMPLOYMENT AND MANAGEMENT
TRAINING PROGRAM**

The Lessee, in consideration for the granting of this Lease, covenants and agrees to the following:

A. **Local Employment.** Lessee shall ensure that no less than thirty percent (30%) of the leased Premises employees shall be CNMI residents. Lessee shall comply with

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3 CMC §§ 4413 and 4436(a).

B. Job Training. The Lessee shall develop and implement a job training program with such government agencies as WIA, Office of Personnel Management, and NMC, with the approval of the Secretary of Commerce and the Director of Labor, to train CNMI residents in the type of jobs required by the Lessee in the operation and maintenance of the leased Premises.

C. Management Opportunities. The Lessee shall undertake all reasonable efforts to encourage, induce and promote qualified CNMI residents to positions of increasing responsibility and management levels in the operation and maintenance of the leased Premises. The Lessee shall make an annual report to the Secretary of Commerce and the Director of Labor on the status of the Lessee's effort to place CNMI residents in management level positions.

ARTICLE 14. PUBLIC BENEFIT OBLIGATIONS

The Lessee, in consideration for granting of this Lease, covenants and agrees to provide the following for the benefit of the general public and residents of Saipan.

A. Public Stock Ownership. The Lessee shall reserve and sell ten (10%) of its corporate shares to the people of the CNMI through a public offering within the CNMI.

B. Protection, Maintenance and Public Access to Major Archaeological and Historic Sites. The Lessee, at its own cost and risk, shall protect and maintain for the benefit of the general public those sites, objects and features possessing historic and/or archaeological significance which have been identified through appropriate professional archaeological surveys conducted in advance of the leased Premises development. These archaeological surveys, which shall be conducted at Lessee's expense, shall be developed and implemented in consultation with the Division of Historic Preservation, Department of Community and Cultural Affairs. The Lessee shall also provide adequate corridors for reasonable public access to these sites.

C. Shoreline Access. The Lessee, at its own cost and risk, shall provide and construct reasonable public shoreline access through and along its leased Premises. The shoreline access plan must be coordinated with and be reasonably agreed upon by the Lessee and the Office of Coastal Resources Management and/or other agency responsible for such activity. In addition, Lessee, at its own cost and risk, shall provide and construct

beach pavilions and restroom facilities at beach areas, which shall be available for unrestricted use and access by the general public with authorization of the Lessee.

D. Local Rate and Accessibility of Hotel, Villas, Water Park, and Related Facilities. The Lessee shall provide for local rates and for accessibility to the hotel, villas, water park, and related amenities for CNMI residents. In the event that specified rates and accessibility cannot be mutually agreed upon, the Chief Justice or an Associate Justice of the Commonwealth Supreme Court shall appoint an arbitrator who shall resolve any dispute between the parties. In the event that either of the above local rates are provided for by law, then that part of this section pertaining to that particular local rate shall be null and void.

ARTICLE 15. SUBLEASE, ASSIGNMENT, TRANSFER, CONCESSIONS

A. Consent Required. Except with the prior consent in writing of the DPL in each instance, Lessee shall not, with respect to development on the public land leased hereby:

(1) Assign, lease, sublease, sell, convey, mortgage, encumber, transfer or dispose of all or any part of Lessee's interest in or to the Premises, or permit the Premises to be used or occupied by others; or

(2) Enter into a management contract or other arrangement by which the activities engaged in on the Premises shall be managed and operated by anyone other than Lessee; or

(3) Grant concessions, permits, or otherwise contract for or permit any business or commercial enterprise or activities to be constructed or performed on the Premises by any person other than the Lessee, unless the following conditions are met:

(i) The availability of such concession, permit or enterprise shall be advertised by in a newspaper of general circulation in the Northern Mariana Islands;

(ii) First priority in granting the concession, permit or enterprise shall be given to bona fide residents of the Northern Mariana Islands;

(iii) The granting of such concession, permit or enterprise shall be subject to the approval of DPL or its successor.

For the purposes of this condition, "concession, permit or enterprise" shall mean a privilege or right to sell products or perform services, which are peripheral to Lessee's

proprietary use of the Premises.

Provided, however, Lessee may transfer, assign or sublease this Lease to any affiliate or subsidiary of the Lessee in existence at the time of execution of this Lease, without the consent of the DPL. Provided further that such assignment or sublease does not result in a change of control as defined in Article 15(B).

The consent by the DPL to an assignment, transfer, management contract, or subletting may be granted, denied or made subject to such conditions as the DPL finds it in the best interest of its beneficiaries. Any purported assignment, lease, sublease, sale, conveyance, transfer, mortgage or encumbrance of this Lease, whether written or oral, or any other action for which DPL consent is needed as outlined above, to which the DPL has not given its prior consent is null and void and is of no force or effect and is a violation of this Lease. No sublease, assignment, transfer, or contract shall be valid without the approval of the DPL, and then only if the respective sublessee, assignee, transferee, or other contracting party agrees in writing that the provisions of this Lease bind such sublessee, assignee, transferee, or contracting party.

Once given, the DPL's consent shall not relieve Lessee, or any subsequent sublessees, assignees or transferees, in any way from obtaining the prior consent in writing of the DPL to any further assignment, transfer, management contract, or subletting.

For purposes of this section, "Premises" includes any portion of the leased premises or any improvement on the leased premises, and "Lessee" includes Lessee's employees, successors and assigns.

B. Change in Control of Lessee. If the sale, assignment, transfer, use, or other disposition of any of the issued and outstanding capital stock of Lessee (or of any successor or assignee of Lessee which is a corporation), or of the interest of any general partner in a partnership owning the leasehold estate created hereby, or of the interest of any member of a joint venture, syndicate, or other group which may collectively own such leasehold estate, shall result in changing the control of Lessee or such other corporation, partnership, joint venture, syndicate, or other group, then such sale, assignment, transfer, use, or other disposition shall be deemed an assignment of this Lease and shall be subject to all the provisions of this Lease with respect to assignments.

For purposes of this Article, if Lessee is a corporation or a limited liability company,

"change of control" shall mean any dissolution, merger, consideration, or other reorganization of Lessee, or the sale or other transfer of a controlling percentage of the capital stock of the Lessee, or the sale of at least fifty-one percent (51%) of the value of the assets of the Lessee. The term "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the combined total voting power of all classes of Lessee's capital stock issued, outstanding and entitled to vote for the election of directors.

For purposes of this Article, if Lessee is a partnership, joint venture, syndicate or other group which collectively holds this Lease, "change of control" means a withdrawal or change, voluntary or involuntary or by operation of law, of any partner, individual or entity owning more than fifty-one percent (51%) of the beneficial interest in the partnership, joint venture, syndicate or other group.

For the purposes of this Article, "control" of any corporation shall be deemed to be vested in the person or persons owning more than fifty percent (50%) of the voting power for the election of the Board of Directors of such corporation, and "control" of a partnership, joint venture, syndicate, or other group shall be deemed to be vested in the person or persons owning more than fifty percent (50%) of the general partner's interest in such partnership or of the total interest in such joint venture, syndicate, or other group. For purposes of determining control by a person, members of the family of any assignor or transferor shall be included. For purposes of this section, "members of the family" include a person's spouse, grandparents, parents, brothers and sisters, nephews and nieces, and children by adoption and by blood. Lessee shall furnish an annual statement to the DPL that includes the names and addresses of all stockholders in any corporation or general partners in any partnership holding this Lease, showing the number of shares of stock owned by each stockholder of such corporation, or the respective interest of the partners in such partnership, as the case may be. Such statement shall be signed under oath by an officer of each corporation and by a general partner of each partnership holding this Lease.

C. **Reorganization of Lessee.** Notwithstanding Article 15B above in connection with any reorganization of Lessee, Lessee may, subject to the DPL's prior written consent, assign this Lease to a corporation, company, general partnership or limited partnership if 1) Lessee, or any parent subsidiary or other affiliate of Lessee, is a general partner, in the case of

a partnership, or is the owner of a controlling percentage of the corporate or company assignee, and 2) the assignee executes an agreement assuming Lessee's obligations hereunder and 3) the DPL is given sixty (60) days prior written notice of such assignment.

D. Notice to DPL. Lessee shall furnish a statement of ownership/control to the DPL prior to the Commencement Date of this Lease, and on the same date annually thereafter. If Lessee is a corporation, such statement shall include the names and addresses of all principal stockholders and officers in any corporation acting as Lessee, which stockholder(s) own more than ten percent (10%) of the total combined voting power of all classes of Lessee's capital stock issued, outstanding, and entitled to vote for the election of directors. If the Lessee is a partnership, joint venture, syndicate or other group, such statement shall include the name, address and respective interest of each person or entity with an interest in the partnership, joint venture, syndicate or other group.

E. Assignee's Duties. No assignment, sublease or transfer made with DPL's consent shall be effective until there shall have been delivered to DPL an executed counterpart of such assignment, sublease or transfer containing an agreement, in recordable form, executed by the assignor, sublessor or transferor and the proposed assignee, sublessee or transferee in which the latter assumes due performance of the obligations on the former's part to be performed under this Lease to the end of the leasehold term.

F. Assignment Fee. If the DPL consents to an assignment, it shall assess a fee of twenty-five percent (25%) of the capital gain attributable to the leased land. The term "capital gain" is defined as the sale amount less the book value of all the improvements and fixtures. Lessee shall pay the fee at closing of the assignment.

G. Transfer Fee. If the DPL consents to an assignment, or other transfer of the leased Premises, as particularly described in Article 1 of this Lease, it shall assess a fee of 25% of the remaining rent due under this Lease for the remainder of the Term of the Lease. The transfer fee shall be assessed and Lessee shall pay the fee at closing of the transfer.

ARTICLE 16. STATUS OF SUBLEASES

Termination of this Lease, in whole or in part, by cancellation or otherwise, shall not serve to terminate subleases, concessions, or sub-tenancies, but shall operate as

an assignment to the DPL of any and all such subleases, concessions, and sub-tenancies.

ARTICLE 17. AGREEMENTS FOR UTILITY LINES

The Lessee shall have the right to enter into agreements with public utility companies or with the Government of the Commonwealth of the Northern Mariana Islands and/or any of its agencies to provide utility services, including water, electricity, telephone, television, and sewer lines necessary to the full enjoyment of the Premises and the development thereof in accordance with the provisions of this Lease. Subject to prior consultation with Lessee, the DPL reserves the authority to grant utility rights-of-way across the Premises. The Lessee shall furnish to the DPL executed copies thereof together with a plat or diagram showing the true location of the utility lines to be constructed in accordance therewith. Nothing herein contained shall be deemed to imply an obligation on the part of DPL to furnish Lessee with any water services or other utilities whatsoever. It is expressly understood that the Lessee shall obtain such services at its sole cost and expense.

ARTICLE 18. RIGHTS-OF-WAY FOR UTILITY LINES

The DPL hereby agrees to grant rights-of-way on or across public lands for utility lines necessary to the full enjoyment of the Premises and the full development thereof. Such rights-of-way are to be granted by the DPL in accordance with the approved general development and construction plans.

ARTICLE 19. RIGHT OF MORTGAGE

The Lessee, its successors and assigns may, subject to the express prior written approval of the DPL, mortgage this Lease and the Lessee's interest hereunder, provided that no holder of any mortgage of this Lease or the Lessee's interest hereunder, or any one claiming by, through or under any such mortgage shall, by virtue thereof, except as provided in Article 19 hereof, acquire any greater rights hereunder than the Lessee, and no mortgage of this Lease or the Lessee's interest hereunder, in whole or in part, by the Lessee or the Lessee's successors or assigns shall be valid, unless: (i) at the time of the making of such mortgage, there shall be no default under any of the agreements, terms, covenants and conditions to be performed by the Lessee under this Lease; (ii) such

mortgage shall be subject to all the agreements, terms, covenants and conditions of this Lease, (iii) any such mortgage shall reserve to the DPL prior right, in the event of Lessee's default under the same and after notice of the same character and duration as required to be given to Lessee, to correct the default or to purchase the same and terminate this Lease; and (iv) such mortgage shall contain the following provisions:

This instrument is executed upon condition that (unless this condition be released or waived by the DPL or its successors in interest by an instrument in writing), no purchaser or transferee of said Lease at any foreclosure sale hereunder, or other transfer authorized by law by reason of a default hereunder where no foreclosure sale is required, shall, as a result of such sale or transfer, acquire any right, title or interest in or to said Lease or the leasehold estate hereby mortgaged unless (i) the DPL shall receive written notice of such sale or transfer of said Lease within fifteen (15) days after the effective date of such sale or transfer and (ii) a duplicate original copy of the instrument or instruments used to effect such sale or transfer shall be delivered to the DPL within thirty (30) days after the execution and delivery thereof.

Any mortgage entered into shall be in strict compliance with all applicable laws and regulations, including mortgage security instrument laws, or applicable constitutional provisions, in order to be valid and enforceable.

All funds received pursuant to any mortgage of the leasehold property shall be expended only for leasehold improvements within the Northern Mariana Islands.

ARTICLE 20. RIGHTS OF LEASEHOLD MORTGAGEES

If the Lessee or the Lessee's successors or assigns shall mortgage this Lease or its interest in the Premises, in accordance with the provisions of this Lease, then so long as any such leasehold mortgage, as hereinafter defined, shall remain unsatisfied of record, the following provisions shall apply:

A. Notice to Mortgagee. The DPL shall serve upon the Lessee or the Lessee's successors or assigns any notice of default pursuant to the provisions of Article 29 or any other notice under the provisions of or with respect to this Lease. The Lessee or the Lessee's successors or assigns shall thereafter serve a copy of such notice upon the holder of the then existing mortgage of this Lease of the Premises. Service of such notice of

default upon the Lessee or the Lessee's successors or assigns shall be deemed as service on the mortgagee who shall thereafter have the same period as the Lessee or the Lessee's successors or assigns for remedying the default or causing the same to be remedied, as is given the Lessee or the Lessee's successors or assigns after service of such notice upon it.

B. Remedy. Such leasehold mortgagee of this Lease or the Premises, in case the Lessee or the Lessee's successors or assigns shall be in default hereunder, shall, within the period and otherwise as herein provided have the right to remedy such default, or cause the same to be remedied, and the DPL shall accept such performance by or at the instigation of such leasehold mortgagee as if the same had been performed by the Lessee or the Lessee's successors or assigns.

C. Diligent Prosecution. No default on the part of Lessee or the Lessee's successors or assigns in the performance of work required to be performed, or acts to be done, or conditions to be remedied, shall be deemed to exist, if steps shall, in good faith, have been commenced promptly to rectify the same and shall be prosecuted to completion with diligence and continuity in accordance with Article 29 hereof, on "Default", unless otherwise specified in this Lease.

D. Termination. Notwithstanding while the leasehold mortgage remains unsatisfied of record, if any event or events shall occur which shall entitle the DPL to terminate this Lease, and if before the expiration of thirty (30) days after the date of service of notice of termination by the DPL all rent and other payments herein provided for then in default is fully paid, and the Lessee or the Lessee's successors or assigns shall have complied or shall be engaged in the work of complying with all the other requirements of this Lease, if any, then in default, then in such event the DPL shall not be entitled to terminate this Lease, and any notice of termination theretofore given shall be void and of no force or effect, provided, however, nothing herein contained shall in any way affect, diminish or impair the right of DPL to terminate this Lease or to enforce any other subsequent default in the performance of any of the obligations of the Lessee or the Lessee's successors or assigns hereunder.

E. Notice of Termination. In the event of the termination of this Lease prior to the natural expiration of the term hereof, whether by summary proceedings to dispossess,

service of notice to terminate or otherwise, due to default of the Lessee or the Lessee's successors or assigns as provided in Article 29 hereof, or any other default of the Lessee or the Lessee's successors or assigns, the DPL shall serve upon the holder of the then existing mortgage on this Lease or the Premises written notice of such termination. Nothing herein contained shall release the Lessee or the Lessee's successors or assigns from any of its obligations under this Lease, which may not have been discharged or fully performed by any mortgagee of this Lease or the Premises, or its designee.

F. First Mortgage Only. Whenever reference is made herein to the holder of the mortgage on this Lease or the Premises, the same shall be deemed to refer only to the holder of the first record mortgage on this Lease or the Premises, if any, as shown by the records of the Commonwealth Recorder's office. Notice of such mortgage shall be sent to the DPL by certified or registered mail, and include a copy of the recorded mortgage certified by the Commonwealth Recorder's office as to the date and time of recordation. Any notice or other communication to any such mortgagee by the DPL shall be in writing and shall be served either personally or by certified or registered airmail address to such holder or mortgagee at his/her address appearing on such records or at such other address as may have been designated by notice in writing from such holder or mortgagee to the party serving such notice of communications. Nothing contained in this Article shall be construed so as to require the DPL to serve notices upon or recognize any leasehold mortgagees other than the holder or such first mortgage on this Lease or the Premises, as aforesaid.

ARTICLE 21. FIRE AND DAMAGE INSURANCE

The Lessee shall procure upon the start of construction of the hotel, villas, water park and all other related facilities, and to maintain in force during the entire Term of this Lease or any extension thereof, fire and damage insurance for the Premises in a company or companies authorized to do business in the Northern Mariana Islands, with extended coverage endorsements jointly in the names of the Lessee and the DPL, covering the full insurable value of all permanent improvements on the Premises, subject to appropriate co-insurance provisions. The policy shall contain a clause requiring that the DPL be given thirty (30) days notice prior to any cancellation or termination of the policy.

A copy of such policy or policies or an acceptable certificate shall be deposited with the DPL within thirty (30) days of the same obtained by the Lessee. The Lessee shall pay all premiums and other charges payable in connection with insurance carried by the Lessee. In the event of damage to any permanent improvement on the premises, the Lessee shall reconstruct such improvement in compliance with applicable laws, ordinances, and regulations and in accordance with the applicable provisions of this Lease. Such reconstruction shall commence within six (6) months after the damage occurs and shall be pursued diligently and completed within one (1) year of the occurrence. In the event of damage to the extent of seventy-five percent (75%) or more of the total value of all permanent improvements on the Premises during the last five (5) years of the term of this Lease, the Lessee for ninety (90) days shall have the option to agree to reconstruct the damaged improvements. Should the Lessee fail to notify the DPL in writing of the exercise of its option to reconstruct within ninety (90) days of the occurrence of damage, the Premises shall be cleared at the Lessee's expense and upon completion of such clearing this Lease shall terminate. In the event Lessee shall elect not to rebuild damaged improvements during the last five-year term of the Lease, all insurance proceeds accruing as a result of the fire or damage, shall be for the sole benefit of and made payable to the DPL, or its lawful successors and assigns. Any damages incurred or suffered by any sublessee, assignee, mortgagee or otherwise as a result of such termination shall be borne solely by the Lessee.

ARTICLE 22. LIABILITY INSURANCE

The Lessee shall procure upon the start of construction of the hotel, villas, water park, and all other related facilities, and to maintain in force during the entire Term of this Lease or any extension thereof, at its sole expense, commercial general liability insurance for the Premises and Operation defined herein, with the DPL and the CNMI Government as named co-insured, in a company or companies authorized to do business in the Northern Mariana Islands, in a minimum coverage of \$1,000,000 for each occurrence, \$300,000 in bodily injury per person, and \$300,000 in property damage for each occurrence, or such higher amounts as the DPL may reasonably require. Copies of such policies shall be delivered to the DPL within thirty (30) days of their issuance, and

shall contain a clause stating that at least thirty (30) days' written notice shall be given to the DPL prior to cancellation or refusal to renew any such policies. Lessee agrees that if such insurance policies are not kept in force during the entire term of this Lease, the DPL may procure the necessary insurance, pay the premium therefore, and such premium shall be repaid to the DPL immediately upon the DPL's demand.

All insurance obtained by the Lessee in compliance with this Lease shall be obtained from reputable companies acceptable to the DPL.

ARTICLE 23. NOTICES

Except as otherwise specified herein, all notices required or permitted under this Lease shall be in writing and shall be delivered in person or deposited in the United States mail in an envelope addressed to the proper party, certified or registered mail, postage prepaid as follows:

DPL: Department of Public Lands
P.O. Box 500380
Saipan, MP 96950

LESSEE: Flame Sako Corporation
PMB 353 Box 10001
Saipan, MP 96950

or at such other address as the DPL or Lessee may from time to time specify in writing. All notices shall be deemed delivered (1) on the date personal delivery is made, or (2) on the date falling three (3) days after the date of the post mark by the U.S. Post Office of any mail or notice properly addressed and containing sufficient postage.

ARTICLE 24. RESERVATION OF EASEMENTS/MINERAL RIGHTS

This Lease shall be subject to all existing easements, roadways, and rights-of-way across or through the Premises. The DPL and the CNMI Government retain the right at all times to cause the construction, maintenance, operation or repair of public utilities or parts thereof on the premises, including, but not necessarily limited to, electric power transmission, telegraph, telephone and pipelines, and for roads and other community projects. Lessee shall be entitled to no compensation from the DPL or the CNMI government for such uses of the Premises. The DPL hereby reserves all rights to minerals

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and resources on the Premises, including the right of access to and use of such parts of the surface of the Premises as may be necessary for the mining and saving of said minerals. The right of ingress to and egress from the Premises upon which public utilities and other improvements have been constructed, and for the purposes of inspection by the DPL, as well as for the performance of official duties in the maintenance, operation and repair of such utilities and other improvements is hereby reserved.

ARTICLE 25: RIGHT OF INSPECTION; INGRESS/EGRESS

A. The DPL and its agents shall have, upon reasonable notice, the right to enter the Premises at any time for inspection purposes in order to determine whether the provisions of the Lease are being complied with by the Lessee, to serve notices required under this Lease or for any other purpose deemed necessary by the DPL. In addition, DPL shall have the right to inspect and examine all the books, records, documents, and accounts of the Lessee or its sublessees, from time to time.

B. The DPL reserves to the CNMI Government the right to order cessation of all operations on the Premises until further notice should the CNMI Government, any agency thereof, or the DPL determine the Lessee is not exercising a high degree of care in protecting the safety of persons and property in the conduct of its activities on the Premises.

Regardless of the above provisions, it always remains the sole responsibility and duty of the Lessee to ensure that the operation is operated in a safe and healthful manner.

ARTICLE 26. CONDEMNATION

The DPL and Lessee covenant and agree that in the event the whole property hereby leased shall be taken in condemnation proceedings or by any right of eminent domain, or otherwise, for public purposes, then and on the happening of any such event, the DPL or Lessee, may terminate this Lease and the Term hereby granted and all the rights of the Lessee hereunder, and the rent shall be paid up to the date of such condemnation or termination and any unearned rent paid in advance by the Lessee shall be refunded pro rata. In the event any portion of the property hereby leased is condemned or taken by right of eminent domain or otherwise for public purposes, thereby rendering the leased property unsuitable for the purpose of Lessee as stated in Article 2 above, then and on the happening

of such event Lessee may terminate this Lease and the Term hereby granted, and all the rights of the Lessee hereunder and the rent shall be paid up to the date of such termination or condemnation and any unearned rent paid in advance by the Lessee shall be refunded pro rata. If Lessee does not terminate this Lease upon such event, then the rent shall be reduced in proportion to the land taken as such bears to the total area of land leased. The DPL and the Lessee may each independently file separate claims in such proceedings for the purpose of having the value of their respective interests determined, and the award shall be paid accordingly; but if the public or governmental authorities shall object or refuse to permit separate claims to be proved and/or distributed in such manner, the DPL will prosecute all claims for damages to the Premises on behalf of both the DPL and the Lessee (and authority to do so is hereby granted), and after deducting all reasonable expenses incurred by the DPL incident thereto, the balance of said award shall be divided between the DPL and the Lessee as established in that proceeding. In the event the DPL prosecutes the claim on behalf of both parties hereto, all such awards shall be paid to the DPL for the account of the DPL and Lessee as hereinbefore provided.

ARTICLE 27: COVENANT AGAINST DISCRIMINATION

The use and enjoyment of the Premises shall not be in support of any policy which discriminates against anyone based upon race, creed, sex, color, national origin, or a physical handicap, or as provided by Commonwealth or Federal laws.

ARTICLE 28. ABANDONMENT OF PREMISES

Should the Lessee fail to use the Premises for the purpose set forth in this Lease for a consecutive period of ninety (90) days without securing the written consent of the DPL, the Lessee shall be deemed to have abandoned the Premises, so that in such event this Lease may, at the option of the DPL, be terminated pursuant to the provisions of Article 29 hereof without further notice to the Lessee.

ARTICLE 29. DEFAULT

Time is of the essence and Lessee shall automatically be in default of this Lease if:

A. **Failure to pay.** Lessee shall fail to pay any installment or rent hereby reserved or shall fail to pay any taxes or other charges required to be paid by Lessee within sixty (60) days after the due date under the terms of this Lease.

B. **Other breach of Lease.** Lessee shall breach any term, provision or covenant of this Lease, other than the payment of rent, taxes, or other charges, and fails to cure such breach within sixty (60) days from and after written notice from the DPL.

C. **Insolvency or Bankruptcy.** Lessee, its successors and assigns, becomes insolvent or file for relief under the United States Bankruptcy Code.

D. **Abandonment.** Lessee abandons the Premises as provided in Article 28.

E. **Failure to comply with Financing Deadlines.** Lessee shall fail to comply with the financing deadlines as provided by Article 9 of this Lease.

Upon the occurrence of Lessee's default of this Lease as described above, all Lessee's rights under this Lease are terminated, including, but not necessarily limited to Lessee's right to use the Premises.

Any notices, as may be required by law or this Lease, shall be delivered as provided by Article 23 of this Lease.

ARTICLE 30. REMEDIES

Upon termination of Lessee's rights under this Lease pursuant to Articles 28 or 29, the DPL may terminate this Lease and may, upon fifteen (15) days written notice, enter in, into and upon the leased premises and take possession of all buildings, fixtures and improvements, and evict Lessee without liability of trespass. The remedies herein shall not prejudice the DPL's other rights and remedies at law or equity.

ARTICLE 31. OPTION TO TERMINATE

In the event that the Lessee shall at any time be prevented from utilizing the property for the purpose herein stated for any reason beyond the reasonable control of Lessee, such as but not limited to, the failure of Lessee to receive the necessary government licenses and permits required for earth clearing and construction or by action by any government agency or judicial decree preventing Lessee from utilizing the property for the intended purpose, then and in such event, Lessee shall have the option to

terminate this Lease upon ninety (90) days written notice to the DPL.

ARTICLE 32. ACCORD AND SATISFACTION

No payment by Lessee or receipt by the DPL of a lesser amount than the annual rent herein stipulated shall be deemed to be other than on account of rents due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent be deemed an accord and satisfaction, and the DPL may accept such check or payment without prejudice to the DPL's right to recover the balance of such rent or pursue any other remedy provided in this Lease. In the event that the rent or any other monies which are due hereunder by Lessee are delinquent, the DPL may, upon the receipt of any payments, apply them to any account or period it shall determine in its discretion.

ARTICLE 33. WAIVER OF BREACH

Waiver by the DPL of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained. The acceptance of rent by the DPL shall not be deemed to be a waiver of any of the terms or conditions including the remedies of DPL hereof. No covenant herein shall be deemed waived by the DPL unless such waiver is in writing by the DPL.

ARTICLE 34. EXPENSE OF ENFORCEMENT

If an action is brought by the DPL for rent or any other sums of money due under this Lease, or if any action is brought by either the DPL or Lessee to enforce performance of any of the covenants and/or conditions of this Lease, the losing and defaulting party shall pay reasonable attorney's fees to be fixed by the Court as a part of the costs in any action.

ARTICLE 35: INDEMNIFY, DEFEND AND HOLD HARMLESS

As a part of the consideration hereof, the Lessee hereby releases and forever discharges and agrees to indemnify and hold harmless the DPL, the CNMI Government, their successors, employees and assigns, from any and all injury or loss and all liability for

injury or loss to persons or property which occur on the Premises or which arise out of or in connection with any activities under this Lease during the Term of this Lease, any extension thereto or during any holdover by Lessee.

As part of the consideration hereof, the Lessee also agrees to defend the DPL, the CNMI Government, their successors, employees and assigns, from and against any claim, demand or lawsuit with respect to the subject of the indemnity contained herein, whether or not such claims, demands or actions are rightfully or wrongfully brought or filed and against all costs incurred by the DPL, the CNMI Government, their successors, employees and assigns therein. In case a claim should be brought or an action filed with respect to the subject of indemnity herein, Lessee agrees the DPL, the CNMI Government, their successors, employees and assigns may employ attorneys of their own selection to appear and defend the claim or action on their behalf, at the expense of the Lessee. The DPL, the CNMI Government, their successors, employees and assigns, at their own option, shall have the sole authority for the direction of the defense, and shall be the sole judge of the acceptability of any compromise or settlement of any claims or actions against them.

ARTICLE 36. COVENANT OF QUIET AND ENJOYMENT

The DPL covenants that the Lessee, upon paying the rent required herein and upon fulfilling all the conditions and agreements required of the Lessee, shall and may lawfully, peacefully and quietly have, hold, use, occupy and possess and enjoy the property during the Term agreed upon without any suit, hindrance, eviction, ejection, molestation, or interruption whatsoever of or by the DPL, or by any other person lawfully claiming by, from, under or against the DPL.

ARTICLE 37: GOVERNMENT REQUIREMENT

Lessee shall procure all licenses, certificates, permits, and other required authorizations from any other governmental authorities having jurisdiction over the Operation of the Lessee under this Lease. Lessee shall provide the DPL with copies of all such licenses, certificates, permits and other required authorizations from other governmental authorities no later than the Commencement Date of this Lease.

ARTICLE 38. UNLAWFUL USE AND COMPLIANCE WITH LAWS

Lessee covenants and agrees not to use or cause or permit to be used any part of the Premises for any unlawful conduct or purpose. Lessee agrees to comply with all property, building, health, sanitation, safety and other laws and regulations of the Commonwealth of the Northern Mariana Islands, which are in effect or which may hereafter become effective.

ARTICLE 39. HOLDOVER CLAUSE

If the Lessee fails to vacate the Premises upon the expiration, termination or cancellation of this Lease, Lessee shall be deemed a holdover Lessee. Such holdover Lessee shall be obligated to pay the DPL a holdover fee during the holdover period of not less than 110% of the monthly-prorated Guaranteed Annual Minimum Rental for the Five Year Period immediately preceding the holdover period, or the alternative percentage of gross receipts as provided in Article 6A. Payment of such liquidated damages shall in no way constitute a limitation upon any other rights or remedies the DPL may be entitled to pursue for violation of the Lease, for trespass or illegal possession or for any other cause of action arising out of holdover Lessee's failure to vacate the Premises including the right to evict the Lessee without court action, and the cost thereof to be paid by the Lessee.

ARTICLE 40. CONDITION OF PREMISES

The Lessee acknowledges that it has examined the Premises prior to the making of this Lease and knows the conditions thereof, and that no representation other than those expressed herein have been made by the DPL, and the Lessee hereby accepts the Premises in its present condition at the Commencement Date of this Lease.

ARTICLE 41: VACATING THE PREMISES

Upon the expiration or earlier termination or cancellation of the Lease, the Lessee shall quietly and peacefully vacate the Premises and surrender the possession thereof. The DPL may, at its option, require the removal of all improvements and property on the Premises, or it may require all improvements, except removable personal property, trade

fixtures and equipment, remain on the Premises and become the property of the DPL after termination of this Lease. Upon the failure or neglect of the Lessee to remove its property from the Premises or restore the Premises, the DPL, its officers or agents, may enter the Premises and remove all persons and property therefrom without recourse to any action or proceeding at law or in equity. Such removal and/or restoration shall be at the cost and expense of the Lessee, and no claim for damages of any nature whatsoever against the DPL, the CNMI Government or any officer or agent thereof shall be created by or made on account of such removal.

ARTICLE 42: PUBLIC AUDITOR

This Lease is subject to 1 CMC § 7845. The Lessee shall provide, upon request of the Public Auditor of the Commonwealth all records and reports, and shall allow audit, inspection, access and the right to copy its books, records, documents, correspondence, and any other data and material relating to this Lease, to the Public Auditor, and do any other acts required under 1 CMC § 7845. This right of access, inspections, and copying shall continue until the expiration of three (3) years after the final payment under the Lease is made, or such other time as set forth in 1 CMC § 7845.

ARTICLE 43. GENERAL PROVISIONS AND DEFINITIONS

A. Waiver. No waiver of any default of the Lessee hereunder shall be implied from any omission by the DPL to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect the default other than the default specified in the express waiver, and that only for the time and to the extent therein stated. One or more waivers of any covenant, term or condition of this Lease by the DPL shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by the DPL to or of any act by the Lessee requiring the DPL's consent or approval shall not be deemed to waive or render unnecessary the DPL's consent or approval to or of any subsequent or similar acts by the Lessee. The acceptance of Lease fees by the DPL shall not be deemed to be a waiver of any of the terms or conditions, including the remedies of the DPL. No covenant of this Lease shall be deemed waived by either party unless such waiver is in writing and

signed by the party waiving the covenant.

B. Agreement Complete. It is hereby expressly agreed that this Lease, together with the exhibits attached hereto, contains all of the terms, covenants, conditions and agreements between the parties hereto relating in any manner to the use and occupancy of the Premises, and that the execution hereof has not been induced by either of the parties by representations, promises or understandings not expressed herein and that there are no collateral agreements, stipulations, promises or understandings of any nature whatsoever between the parties hereto relating in any manner to the use and occupancy of the Premises, and none shall be valid or of any force or effect, and that the terms, covenants, conditions and provisions of this Lease cannot be altered, changed, modified or added to except in writing signed by the parties hereto.

C. Interpretation. The language in all parts of this Lease shall be in all cases construed simply, according to its fair meaning, and not strictly for or against the DPL or the Lessee. Captions and paragraph headings contained herein are for convenience and reference only, and shall not be deemed to limit or in any manner restrict the contents of the paragraph to which they relate.

D. DPL's Representative. The authorized representative of the DPL for purposes of this Lease shall be the Secretary of the Department of Public Lands or his/her designee.

E. Lessee's Representative. The authorized representative of the Lessee for purposes of this Lease shall be Mr. Dae Sik Kang, , President and CEO of the Corporation, or whomever the Board of Directors of the Lessee may from time to time designate in writing.

F. Law Governing. This Lease shall be governed by the laws of the Commonwealth of the Northern Mariana Islands, both as to performance and interpretation therein. If any provision of this Lease shall be held invalid under the laws of the Commonwealth of the Northern Mariana Islands for any reason, the same shall in no way impair the validity of the remaining provisions of this Lease, and the remaining provisions of the Lease shall otherwise remain in full force and effect.

G. Gross Receipts. "Gross Receipts", as that term is used herein, means all income or revenue whatsoever, including money and any other thing of value, received by or

paid to the Lessee, its sublessees or concessionaires, or received by or paid to others for the use and benefit of any of the aforementioned, derived from business done, sales made or services rendered directly from or on the leased Premises, or derived from the subleasing, sub-renting, permitting, contracting, or other use of the same. The Lessee shall not directly or indirectly divert from inclusion in Gross Receipts any income or revenue whatsoever derived from the leased Premises to any other business or enterprise located elsewhere.

The following items may be deducted from the gross receipts:

1) credits for the exchange of goods or merchandise from the premises to another store or stores owned or operated by the Lessee, its parent or affiliate, where such exchange is made solely for the convenience of business and not for the purpose of consummating a sale previously made directly or indirectly from or upon the Premises;

2) to the extent the same shall have been included in "Gross Receipts", there shall be deducted credits to customers for returned merchandise, merchandise trade-ins, exchanges, merchandise cancellations, allowances and discounts, and any and all credits to customers of a similar nature;

3) the amount derived from the sale or other disposition of fixtures, goodwill, improvements, furnishings, equipment, accessory, appliance, utensils or any other item of property: (i) which is either sold outside the ordinary course of the Lessee's business; or (ii) which is not acquired or held by the Lessee as a stock-in-trade or inventory for resale in the ordinary course of the Lessee's business;

4) to the extent the same has been counted in the "Gross Receipts", there shall be deducted an amount equal to all income or revenue accruing or paid to the Lessee or for its benefit which is derived from the rental, leasing, or grant of facilities on the Premises to any sublessee or concessionaire primarily for the purpose of operating on the Premises a retail or wholesale sales or service facility whose income or revenue is counted as apart of the "Gross Receipts" of this Lease.

ARTICLE 44. LEASE AGREEMENT BINDING

This Lease and the covenants, conditions and restrictions hereof shall extend to and be binding upon the parties hereto, their heirs, successors and assigns and to any other

person claiming to hold or to exercise any interest by, under or through any of the parties hereto.

ARTICLE 45. PERSONAL GUARANTEE

In further consideration of entering into this Lease, the undersigned Lessee guarantees full performance of all terms and conditions to be performed under this Lease, including but not limited to, prompt payment of any and all obligations that may arise under this Lease. If the Lessee is a corporation, the undersigned principal of the corporation hereby personally guarantees full performance of all terms and conditions to be performed under this Lease, including but not limited to, prompt payment of any and all obligations that may arise under this Lease. If the Lessee is a corporation, the undersigned principal of the corporation agrees to waive any corporate protection under the law pertaining to such personal guarantee of full performance of all terms and conditions to be performed by the corporation under this Lease. This personal guarantee by the Principal of a corporation Lessee may be waived in writing by the DPL at its sole discretion.

DEPARTMENT OF PUBLIC LANDS
P.O. Box 500380, Saipan, MP 96950

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IN WITNESS WHEREOF, the parties hereunto set their respective hands, the date and year first written above.

LESSOR
DEPARTMENT OF PUBLIC LANDS

By: John S. DelRosario, Jr.
JOHN S. DELROSARIO, JR.
Secretary

Date: 01/23/09

COMMONWEALTH OF THE)
NORTHERN MARIANA ISLANDS) ACKNOWLEDGMENT
)
SAIPAN, MARIANA ISLAND)

On this 23rd day of Jan, 2009, before me, a Notary Public in and for the Commonwealth of the Northern Mariana Islands, personally appeared **John S. DelRosario, Jr.**, Secretary of the Department of Public Lands, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the purpose set forth therein.

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



Dewayne Duenas
Notary Public

DEWAYNE DUENAS
NOTARY PUBLIC

Commonwealth of the Northern Mariana Islands
My Commission expires: Mar. 28, 2009

Handwritten initials

DEPARTMENT OF PUBLIC LANDS
P.O. Box 500380, Saipan, MP 96950

APPROVED AS TO FORM AND LEGAL CAPACITY:

By: [Signature]
BRADDOCK HUESMAN
Assistant Attorney General, AGO
Legal Counsel, DPL

Date: 1/23/09

LESSEE
FLAME SAKO CORPORATION

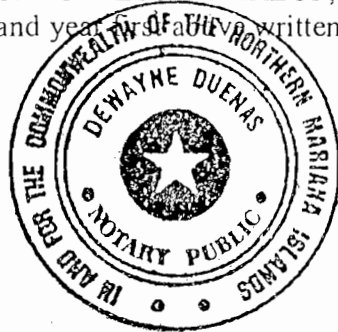
By: DAE SIK KANG
DAE SIK KANG
President and CEO

Date: 1/23/2009

COMMONWEALTH OF THE)
NORTHERN MARIANA ISLANDS) ACKNOWLEDGEMENT
SAIPAN, MARIANA ISLAND)

On this 23rd day of Jan., 2009, before me, a Notary Public in and for the Commonwealth of the Northern Mariana Islands, personally appeared Dae Sik Kang, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the purpose set forth therein.

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



[Signature]
Notary Public
DEWAYNE DUENAS
NOTARY PUBLIC
Commonwealth of the Northern Mariana Islands
My Commission expires: Nov. 28, 2009

[Handwritten initials]

DEPARTMENT OF PUBLIC LANDS
P.O. Box 500380, Saipan, MP 96950

