

LEASE AGREEMENT

THIS INDENTURE OF LEASE, made and entered into this 11th day of June, 1965, by and between the TRUST TERRITORY OF THE PACIFIC ISLANDS, hereinafter referred to as "Government", represented by John M. Spivey, Contracting Officer for the High Commissioner, and the MICRONESIAN DEVELOPMENT COMPANY, INC., a Trust Territory corporation, hereinafter referred to as Lessee,

WITNESSETH:

For and in consideration of the payment of rental and of the other mutual covenants and conditions hereinafter contained, Government hereby leases and demises and the Lessee hereby takes from the Government, for the purpose of breeding, raising, importing, exporting and dealing in cattle and livestock and to carry on a general cattle grazing and agricultural business, the real property located in Tinian, containing approximately 7,500 acres, a sketch of which is attached hereto, made a part hereof, and marked Exhibit "A".

To have and to hold the same unto the Lessee, its successors and assigns for a term of twenty (20) years beginning the 11th day of June, 1965, and ending the 10th day of June, 1985, upon the following terms and conditions:

1. Government reserves and the Lessee agrees to pay as rental for the demised premises in the following manner, to wit:

(a) An amount equivalent to one per cent (1%) of the gross receipts of the Lessee from whatever activity, within or without the Trust Territory Islands for the first four (4) years of this lease, payable quarterly.

(b) An amount equivalent to two per cent (2%) of the gross receipts of the Lessee from whatever activity, within or without the Trust Territory Islands for the period from the 11th day of June, 1969, to the 10th day of June, 1975, payable quarterly.

(c) An amount mutually agreeable to Government and the Lessee, but in no event shall such rental exceed three per cent (3%) of the gross receipts of Lessee from whatever activity, within or without the Trust

Territory Islands, for the period from the 11th day of June, 1975, to the 10th day of June, 1985, payable quarterly.

2. Government and Lessee covenant and agree that this lease shall and will be automatically extended for one (1) term of ten (10) years, upon the same terms and conditions, as contained herein, unless the Lessee gives the Government written notice to the contrary at least thirty (30) days prior to the expiration of this lease.

Rental for such extended term shall be an amount mutually agreeable to the Government and the Lessee, but in no event shall such rental exceed four per cent (4%) of the gross receipts of the Lessee from whatever activity, within or without the Trust Territory Islands, payable quarterly.

3. Lessee shall save and keep harmless the Government from any loss, cost, damage or expense arising out of any accident or other occurrence, causing injury to any person or property, and due directly or indirectly to the use or occupancy of said premises by Lessee. And in connection therewith, Lessee further shall and will, at its own expense, provide and keep in force for the benefit of the Government comprehensive general liability insurance in which the Government shall be named as an additional insured with minimum limits of liability in respect of bodily injury of \$100,000.00 for each person and \$300,000.00 for each occurrence and in respect of property damage of \$5,000.00 for each occurrence.

4. Government does hereby covenant and agree that the said Lessee paying the said rent and performing the covenants and agreements aforesaid, shall and may at all times during the said term, or extension thereof, peaceably and quietly have, hold, and enjoy the said premises, without any manner of let, suit, trouble, or hindrance of or from the said Government, or any other person or persons whomsoever.

5. As a condition to the granting of this lease, the incorporators and other stockholders of Lessee who are non-citizens of the Trust Territory hereby agree, at any time after twenty (20) years from date hereof, to sell, transfer, and convey unto the citizens of the Trust Territory, hereinafter referred to as Citizens, upon written notice from Government that Trust Territory citizens desire to purchase, all

of the capital stock of said stockholders/non-citizens in and to the MICRONESIAN DEVELOPMENT COMPANY, INC., at a fair valuation and for a fair consideration, to be mutually agreed between Citizens and incorporators/non-citizens, if practicable. And if incorporators/non-citizens and Citizens shall not thus mutually agree on the valuation thereof, and on the consideration to be paid therefor, the purchase price shall be determined by three qualified appraisers, all of whom must be members of the American Institute of Appraisers, and one of whom shall be chosen by incorporators/non-citizens, one by Citizens, and a third by the two thus chosen, if Citizens and incorporators/non-citizens shall not mutually agree on a third appraiser. And when the value shall be so determined incorporators/non-citizens shall, upon tender of said purchase price, which in no event shall be less than book value, sell, transfer, assign and convey to Citizens, all its/their capital stock in and to said MICRONESIAN DEVELOPMENT COMPANY, INC.

Costs of appraisal shall be borne equally between the incorporators/non-citizens and Citizens.

6. Government hereby covenants and agrees that Lessee may mortgage or otherwise encumber the demised premises, during the term hereof or any extension herein.

7. It is agreed between Government and Lessee that in case at any time default be made by the Lessee in the payment of any rent when the same shall become due or payable, such default shall continue for thirty (30) days, or in case default shall be made by the Lessee in the performance of any of the other terms, conditions or covenants of said Lease by said Lessee to be performed, other than the covenant for the payment of rent, and said default shall continue for a period of thirty (30) days after service of written notice of such default by Government, then Government may enter into and upon the demised premises or any part thereof and repossess the same, with or without terminating this lease, and without prejudice to any of its remedies for rent or breach of covenant.

8. The term "Gross Receipts" as mentioned in paragraphs 1 and 2 herein shall be construed to mean the total receipts, cash or accrued, of the Lessee received as compensation such as rentals, royalties, fees, commissions, or other emoluments however designated and without any deductions whatsoever.

9. Government shall and will, at its own cost and expense, survey or cause to be surveyed, the tract of real property shown on the attached Exhibit "A", and upon completion of such survey, the metes and bounds description shall be deemed incorporated in this lease, upon written approval of such survey by Government and Lessee.

10. If at any time after the fifteenth year of operations under this lease, the Government determines that the subject land can be utilized to a greater advantage and that in the best interest of the Government this lease should be terminated, the Government shall give notice of such termination at least two (2) years in advance of the date such termination shall be effective. In the event of termination under this provision, the Government and Lessee agree that the Government shall pay an amount based on fair market value of Lessee's physical assets in the Mariana Islands District, to be mutually agreed between the Government and Lessee, if practicable. But if the Government and the Lessee shall not thus mutually agree on a fair market value, such value shall be determined by three (3) qualified appraisers, all of whom must be members of the American Institute of Appraisers, and one of whom shall be chosen by Government, one by Lessee, and a third by the two thus chosen, if Government and Lessee shall not mutually agree on a third appraiser.

When such amount to be paid by Government is determined, the Government will pay an additional twenty per cent (20%) of such amount as liquidated damages.

11. Barring strikes, boycotts, Acts of God, and other circumstances beyond the control of the Lessee, the Lessee hereby agrees to clear, fence and improve the 7,500 acres within seven (7) years of the date of this Agreement. Lessee further agrees to stock the leased premises with a breeding herd of not less than 4,000 head of beef cattle within the first seven (7) years of this lease agreement.

12. This Lease Agreement constitutes the entire terms, covenants and conditions between the Government and the Lessee, and is and shall be considered to be the only agreement between the Government and the Lessee, and may be amended, modified or changed only by a written instrument executed by the duly authorized representatives of the respective parties, and this agreement shall inure to the benefit

of, and bind, as the case may be, the Government and the Lessee, their respective successors and assigns.

WITNESS the hands of the parties the date above written.

THE GOVERNMENT OF THE TRUST TERRITORY
OF THE PACIFIC ISLANDS

By: *John M. Spivey*
John M. Spivey, Contracting Officer
for the High Commissioner

MICRONESIAN DEVELOPMENT COMPANY, INC.
a Trust Territory Corporation,
Lessee

By: *Kenneth T. Jones, Jr.*
Kenneth T. Jones, Jr.
President

WITNESSES:

J. P. Shieff
Quinn

Filed this 8th September 1965

1st Floor A. Sonoda
Dist. Clerk of Courts
Majuro Island District

6/11/65

ADDENDUM NUMBER ONE TO LEASE
AGREEMENT DATED JUNE 11, 1965

THIS ADDENDUM, entered into on the 11th day of June, 1965, by and between the TRUST TERRITORY OF THE PACIFIC ISLANDS, hereinafter referred to as "Government", represented by Robert K. Shoecraft, Attorney General, Contracting Officer for the High Commissioner, and the MICRONESIAN DEVELOPMENT COMPANY, INC., a Trust Territory corporation, hereinafter referred to as Lessee;

W I T N E S S E T H:

WHEREAS, the parties hereto entered into a certain Lease Agreement dated the 11th day of June, 1965, concerning the leasing by the Government of approximately seven thousand, five hundred (7,500) acres of land on the Island of Tinian; and,

WHEREAS, the parties mutually desire to amend said Lease Agreement in certain respects,

NOW, THEREFORE, it is hereby agreed that the said Lease Agreement is amended as follows:

1. On the first page, in the first paragraph, beginning with the words "For and in consideration. . ." in the third line of said paragraph insert the word "sole" between the words "the" and "purpose"; and in the fourth line of said paragraph insert the words "and poultry" between the words "livestock" and "and".

2. A new paragraph, designated as number 13, is hereby added to the original lease agreement to read as follows:

"13. Any use of the leased premises by the Lessee, inconsistent with the purposes as specified

on page one of this Lease Agreement shall be a ground for cancellation of this lease by the Government."

3. A new paragraph, designated as number 14, is hereby added to the said lease agreement to read as follows:

"14. The Lessee warrants that it has not employed any person to solicit or secure this lease upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Government the right to annul the lease, or, in its discretion, to increase the rental consideration reserved herein by the amount of such commission, percentage, brokerage, or contingent fees. This warranty shall not apply to commissions payable by lessees upon contracts or leases secured or made through bona fide established commercial or selling agencies maintained by the Lessee for the purpose of "securing business."

4. A new paragraph, designated as number 15, is hereby added to the original lease agreement to read as follows:

"15. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this Lease or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this Lease if made with a corporation for its general benefit. "

-Page Two of Addendum
Number One to Lease
Agreement.-

Except as hereinabove mentioned, all other terms, covenants, rental, and conditions specified in said original lease, dated the 11th day of June, 1965, be and they shall continue to be of full force and effect.

IN WITNESS WHEREOF, the Government and the Lessee have executed these presents, by their duly authorized representatives, the 11th day of June, 1965.

THE GOVERNMENT OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS

By 

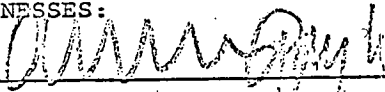
ROBERT K. SHOECRAFT,
Attorney General, Contracting
Officer for the High Commissioner

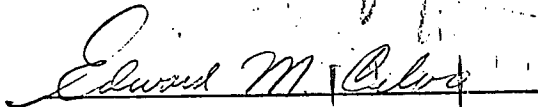
MICRONESIAN DEVELOPMENT COMPANY, INC.
a Trust Territory Corporation,
Lessee

By 

KENNETH F. JONES, JR.,
President

WITNESSES:





*Filed this 8th September 1965
1st James A. Sonoda
Dist. Clerk of Courts
Micronesia Island Dist.*

-Page Three, and Final
Page of Addendum Num-
ber One to Lease Agree-
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