

MEMORANDUM OF UNDERSTANDING

BETWEEN:

**URBANIZA INCORPORAÇÕES E
PARTICIPAÇÕES LTDA.**

AND

THE GOVERNMENT OF GRENADA

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1. SUBJECT:

A proposed Duty Free Zone for the State of Grenada and a Container Port Project on the island of Carriacou by Brazilian Investors.

2. PURPOSE / SCOPE:

The purpose of this binding Memorandum of Understanding is to establish a framework for structuring collaboration between the Urbaniza Incorporações E Participações Ltda. of São Paulo, Brazil, the Project Sponsors and the Government of Grenada towards achieving the establishment of a Duty Free Zone for the Warehousing and Display of Brazilian Products and the Development of a functional Container Port with ancillary facilities at a suitable site on the island of Carriacou.

3. DETAILS OF UNDERSTANDING:

The parties, after due consideration of various matters, have arrived at the following understanding in respect of the project - the details of which are set out in the Annex I hereto.

3.1. *Urbaniza Incorporações E Participações Ltda. agrees subject to executing formal Heads of Agreement for the Project to:*

- (a) Develop the duty free site under the terms of a long-term lease with the Government of Grenada.
- (b) Within 60 working days from the date of signature hereof, with an option of an additional days if necessary, Urbaniza Incorporações E Participações Ltda. shall produce an assessment of the proposed Port location in Dumphries, Carriacou. In the event that the location is unsuitable for the purpose of establishing a Container Port, an alternative site for the implementation of the Project shall, if available, be immediately identified by the Government of Grenada.
- (c) Reserve the right to assign to a subsidiary company known as Urbaniza Grenada Ltd., to be formed and duly incorporated under and by virtue of the Grenada Company's Act 35 of 1994, the authority to enter into a final agreement with the Government of Grenada for the explicit purpose of procuring all necessary licences, rights and exemptions from duty and corporate taxes.

- (d) Produce a master plan within 210 days from the date of final site acceptance by both parties with an option to extend the time for a further period of 90 days, outlining the implementation to the project and the construction phases. [See project schedule and estimated costs].
- (e) Dredge and develop a Harbour at a suitable site in Carriacou.
- (f) Encourage factories and other industries to the area that would make use of the natural resources (limestone, rock and pine, lumber).
- (g) Built a 150,000 Sq. Ft. Warehouse to store and showcase products.
- (h) The parties will evolve a mechanism for exchange of experience and expertise for mutual benefit of both Parties.
- (i) The total investment for the Project will be borne by it, the Project Sponsors.

3.2. *The Government of Grenada agrees subject to executing formal Heads of Agreement for the Project to:*

- (a) Lease 150 acres to Urbaniza Incorporações E Participações Ltda. and should the developer be satisfied with the original location in Dumphries, Carriacou, will within 60 working days from the date of final site acceptance by both parties cause a survey to be done of the parcel of 150 acres.
- (b) Grant exemption from customs duties on imports (except consumable stores) and exports to and from the area for 60 years from commencement of operation.
- (c) Grant duty free concessions on the importation and construction material, equipment, and one van, in addition to the exemption from import duties on cgoods sold in the Duty Free Zone.
- (d) Grant for a period of 15 years an Investment Allowance (where capital investment in the project is to be written off against taxable income which is derived after deducting revenue expenditure and capital allowances from the gross income) which is to Urbaniza Incorporações E Participações Ltda.

and its subsidiary to be known as Urbaniza Grenada Ltd.

- (e) Licence and the rights to operate the sea and air transportation to and from the islands of Carriacou and Grenada, for example a sea plane.
- (f) Allocate an area of 150 acres situate in Carriacou by way of a 66 years lease (with an option to renew for a further 66 years subject to fulfillment of all terms and conditions) to facilitate the development and accommodate a Duty Free Zone and a functional Container Port in Carriacou in connection with a 10 years option on an additional 100 acres for further expansion.
- (g) Grant Duty Free Zone concession in Carriacou with all exclusive rights and a non-competition clause to Urbaniza Incorporações E Participações Ltda. and/or assigns for a period of 66 years with an option to renew for another term subject to fulfillment of all terms and conditions.
- (h) Not grant, subject to previous obligations, duty free zone concession on the mainland of Grenada to any third party within the first 15 years of the establishment of the Duty Free Zone herein in Carriacou with an option to review thereafter.
- (i) Promulgate all necessary legislation for the realization of the projects within the time stipulated in the effective date provision of the Memorandum.

4. DATE OF EFFECT:

This binding Memorandum of Understanding remains in force for 210 days from the date of final site acceptance by both parties with an option for a further extension of 90 days. Should the Company fail to produce the Master Plan, all other obligations under this binding Memorandum of Understanding would automatically terminate and the parties shall not be held liable for any non-performance and this binding Memorandum of Understanding shall be deemed null and void.

5. MODIFICATIONS:

This binding Memorandum of Understanding may be amended by mutual consent through an exchange of correspondences to Urbaniza Incorporações E Participações Ltda., São Paulo, Brazil, c/o Anselm B. Clouden, Grenlaw Chambers, Lucas Street, Saint George's, Grenada and Ministry of Carriacou and

ANNEX I

1. Preliminary Development Plan
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PROJECT PROPOSAL for Duty Free Zone and Container Port Project for the island of Carriacou by Urbaniza Incorporações E Participações Ltda. of São Paulo, Brazil

1. PRELIMINARY DEVELOPMENT PLAN

The Preliminary Development Plan shall incorporate the following principal features and activities that will considerably enhance the economy of Carriacou and Grenada:

- (a) A 15 acres functional Container Port to cater from 20,000 to 40,000 tons Commercial Vessels.
- (b) 150,000 Sq. Ft. built warehouses to stock and display products.
- (c) A Business Center to accommodate offices for business and trade.
- (d) A Duty Free Shopping Mall to cater to exclusive cruise ships.
- (e) 50,000 Sq. Ft. designated area to manufacture and assemble products to be used in the Island or shipped elsewhere.
- (f) Cruise Ship Lines.
- (g) One Emergency Hospital.
- (h) One van to offer transportation and assistance.
- (i) One school to accommodate children of working parents.
- (j) Necessary Network to bring franchisee and real-estate investors to develop the area to a world-class destination

2. DETAILS OF OPERATION

2.1. Shipping Business

The Shipping business will be divided into two classes and Urbaniza Incorporações E Participações Free Port will operate: Small Handy Size, carriers of 20,000 metric tons deadweight (DWT); and Handy Size, carries of 28,000-40,000 DWT.

2.1.1. Liner business:

Typically (but not exclusively) container vessels (wherein “general cargo” is carried in 20 or 40-foot “boxes), operating as

“common carriers”, calling at regularly published schedule of ports. A common carrier refers to a regulated service where any member of the public may book cargo for shipment, according to long-established and internationally agreed rules.

2.1.2. Tramp-tanker business:

Private business arranged between the shipper and receiver and facilitated by the vessel owners or operators, who offer their vessels for hire to carry bulk (dry or liquid) or break bulk (cargoes with individually handled pieces) to any suitable port(s) in the world, according to a specifically drawn contract, called charter party.

2.2. Activities at the Free Port and Zone

A wide range of activities will take place in the Free Port including but not limited to:

- (a) Assembling components for exports or receiving semi-manufactured goods for later improvement and export outside the Caribbean Community.
- (b) Showcase and warehousing, Manufacture, Semi-Manufacture and Raw Products.
- (c) Loading, unloading and trans-shipments storage, including stockholding pending the availability or quotas; sampling, packing, labeling and other forms of minor handling related to the preparing of goods for marketing; processing of most goods from outside the Caribbean Community for export outside the Community.
- (d) Processing, without restriction, of all Brazilian and Caribbean goods, including those emanating from outside the Community that has satisfied the requirements for free circulation.

2.2.1. Warehouse:

A 150,000 Sq. Ft. Built Warehouses to stock, display and market products. Additionally this will provide

- (a) Option for Businesses who want Distribution Outlets in the Caribbean.
- (b) Short or long leasing warehouse for showcasing products.
- (c) Leasing warehouse for stocking inventory.
- (d) Rental showroom to display and promote products.

- (e) Manage logistics and licensing, warehousing and regional distribution.
- (f) Advertise products and services through a website and catalogue.
- (g) Ship products directly from the warehouse.

Advantages:

- Expand business via new international markets from one place, without having an office in every country.
- Product advertising and distribution to National and International Markets.
- Cost-Effective Sales Solution.
- Lower cost of sale, labour and marketing.
- Profits tax-free.
- Display products in a simple and safe way.
- Rent a showroom from 500 to 1000 Sq. Ft.

2.2.2. Business Center:

A Business Center will be constructed to accommodate offices for business, trade, insurance companies, real estate agencies, sales, marketing, advertising, distribution, etc.

2.2.3. Duty Free Shopping Mall:

A Duty Free Shopping Mall to cater to exclusive cruise ships duty free shopping ensures that they really achieve good savings versus the domestic market.

A 3,000 square meters duty free shopping complex is planned as part of the project catering to foreign diplomats and foreign residents making travelers shopping easy especially with competitive prices and best services.

Of the 3,000 square meters, 1,500 square meters are slated for duty free shops and 1,500 square meters for eateries and services.

2.2.4. Manufacture and Assembly Area:

This area shall include the following activities:

- (a) Manufacture and assembly products in general.
- (b) Manufacturing and or assembling components for export or receiving semi-manufactured goods for later Improvement and export outside the Caribbean Community.
- (c) Factories in Freeport including but not limited to manufacturing of pharmaceuticals; Cocoa and Nutmeg - related products; windows and doors; furniture; soft drinks and juices; and clothing and uniforms.
- (d) Assembly Plant (Shops) in Freeport including marine & land industries; and assembling of furniture (armoire, chairs and tables).

2.2.5. Cruise Ship Lines:

Small and exclusive cruise ship lines will ensure that the island of Carriacou be a World Class destination with exclusive duty free shopping and breathtaking natural resources.

Advantages:

- Bring a selective tourism to preserve the island's integrity.
- Attract business for the Duty Free Shopping Center.
- Attract tourism and business to Grenada in general, as tourists and business people may be required to stay one or more nights in St. George's waiting for the transportation to Carriacou.

2.2.6. Emergency Hospital

There will be an emergency hospital and one vehicle to offer transportation and assistance. The hospital will cater to the general public and to the workers associated with the Duty Free Zone, and will be supported by a combination of the percentage income from the Duty Free Zone and private funds.

2.2.7. School

There will be a school to accommodate the children of the persons working at the Duty Free Zone and Port. The classrooms will be used after the classes to train, inform and

teach employees. The school will be supported by local companies within the Duty Free Zone.

Advantages:

- A safe environment to educate all children with easy access to working parents.
- A place to ensure parents tranquility and to offer a nursery childcare.
- A place to administrate adult classes and workshops.
- A place to meet the community and address immediate issues

3. PROJECT ESTIMATED COST AND SCHEDULE

3.1. Port:

A 15 acres functional Container Port, the estimated cost of which incorporates land, hard costs and soft costs:

- ***Estimated Investment*** - US\$300.00 per square foot – 20 million US Dollars.
- ***Estimated time for Completion*** - 2 years after planning, approvals and permits are in place.

3.2. Warehouse:

A 150,000 Sq. Ft. built warehouses to stock and display products - 50,000 Sq. Ft. of which will be dedicated to assembly plants and shops. The estimated cost incorporates land, hard costs and soft costs.

- ***Estimated Investment*** - US\$300.00 per square foot – 45 million US Dollars.
- ***Estimated time for Completion*** - 2 years after planning, approvals and permits are in place.

3.3. Duty Free Shopping Mall

A duty free shopping Mall, the estimated cost of which incorporates land, hard costs and soft costs:

- ***Estimated Investment*** - 9 Million US Dollars.
- ***Estimated time for Completion*** - 18 months after planning, approvals and permits are in place.

4. PROJECTIONS

4.1. First three (3) years:

There will be an estimated 175 thousand tons of cargo per year - 25 thousand, twenty-foot equivalent units (TEU) of Intermodal container traffic move through the seaport per Year; and 3,000 new estimated jobs

4.2. After five (5) years:

There will be an estimated 375 thousand tons of cargo per year - 50 thousand, twenty-foot equivalent units (TEU) of Intermodal container traffic move through the seaport per Year; and 5,000 estimated jobs subdivided in direct (construction) and (operational), and indirect jobs.

5. ADVANTAGES

The special position of the Freeport as an enclave outside the normal customs procedure provides traders with a wide range of benefits:

- (a) Free movement of goods between the Island and the Caribbean Community is possible throughout its special relationship with the Community, subject to the normal requirements for security of duty and tax.
- (b) No customs duties are payable on goods due for import into the Duty Freeport of member states of the Caribbean Community until the goods enter the country of final destination.
- (c) No customs duties are payable on imported goods due for export to a country outside the Caribbean Community area.
- (d) The relative absence of customs formalities and the reliance upon commercial documents for control, simplifies procedures for companies involved in international trade.
- (e) The Urbaniza Port is subject to the normal requirements for security of duty and tax however, will work together with the local authority to provide efficient and responsible services to the community.
- (f) Traders may store goods duty-free for indefinite periods until they decide to enter the goods into the market when trading conditions are most favourable.

- (g) Urbaniza Duty Free Port will comply with all the customary statutory permits and approvals, regulations and requirements, however, special permits can be issued to better tailor the project needs and expedite the development.
- (h) The developers have a flexible approach to customers' building requirements on the site and premises tailored to the specific needs of traders can be provided.
- (i) Public warehouse will be provided and storage and trans-shipment facilities will be available to all traders in the Duty Free Port.
- (j) Cost of becoming established on the Freeport may be reduced by the generous package of grants or loans available from the Warehouse Company. Long leases can be available to suitable tenants.
- (k) The zone will be secured and patrolled.
- (l) The site will be fully serviced and will have excellent telecommunication connections and data transmission services with the rest of the world.
- (m) Goods subject to quota restrictions may be stored pending the availability of suitable quotas.