

SAMSARA

PHUKET ISLAND



Contract Summary

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Your Notes:

Contracts Summary

The Contract Process

- 1 The 14 Samsara homeowners jointly control an offshore company.
- 2 The offshore company controls a Thai land holding company in perpetuity.
- 3 The Thai land holding company owns the Samsara land.
- 4 The owners, for a nominal fee, lease their individual land plots from the Thai company forever.
- 5 Individually, the owners construct their homes on their land plot.

Background and Rationale

As foreigners are not allowed to own land in Thailand, the usual method of house purchase by a foreigner is to buy a house built on land leased from a Thai landowner. Under Thai law the maximum land lease term is 30 years but most leases attach two more unregistered 30 year lease extension options. This method, popular because of its apparent lack of complication, holds some major risks for overseas property owners, as noted in the following quote from the attached Johnson, Stokes and Masters review: *“In addition to the first 30-year lease term, the Lessor provides an option for the Lessee to renew the Lease for another 30 years. Under Thai law, this offer is recognised as a one-sided promise, which is only binding on the contractual party, which is the Lessor who offers such promise. If this plot of land is transferred to any third party, this promise will not bind the transferee.”*

An alternative method, used previously, was the formation of a private Thai company, in which Thai nationals held a majority shareholding. As commonly structured, this is no longer legal. It is also costly, risky and inefficient and raises issues of easement and sub-division road access that are hard to manage.

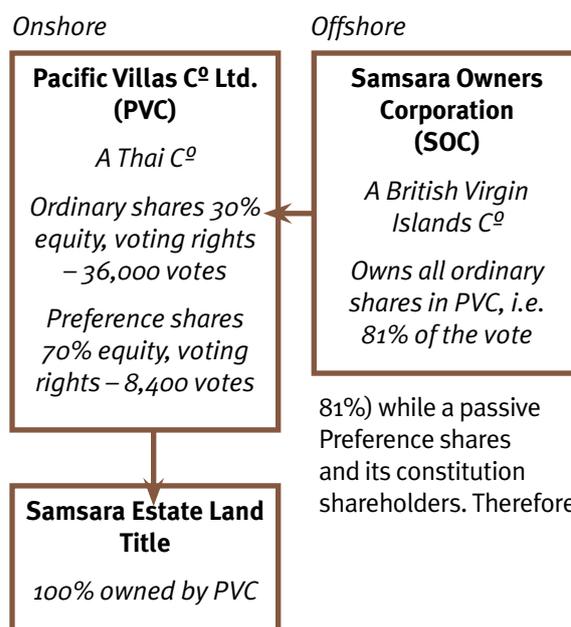
We are using a more secure contractual structure, similar to that used by many large corporate foreign investors in Thailand. This structure conforms fully to Thai law and is based on expert advice from leading local and international law and accountancy companies in Thailand. We believe this structure provides overseas buyers with the most secure means currently available to control and, in effect, own a property in Thailand in perpetuity. It is also highly tax efficient for owners, facilitates resale and also provides an effective owners forum/body corporate within a legal corporate structure.

The Interlocked Control Structure

A Samsara buyer becomes, on completion, a shareholder in an offshore company that controls, in perpetuity, the Thai-registered company that owns the Samsara land title.

Samsara Owners Corporation (SOC), is a BVI-registered company, 100% owned and controlled by the 14 Samsara home and plot owners. There are 14 shares, one share per property, each valued at a nominal US\$ 1,000 and each with equal voting rights. No new shares may be issued. The trustee and registrar of SOC is the Hong Kong division of AMS Trustees, one of the largest BVI trust and registry companies.

A Thai company, Pacific Villas C^o Ltd (PVC), has been established solely to own and hold the Samsara estate land title. 70% of Pacific Villas shares are Preference shares and 30% are Ordinary shares with 10 times the voting rights of Preference shares. SOC holds all the Ordinary shares (36,000 votes = Thai company (Headland Villas C^o Ltd) holds the (8,400 votes = 19%). PVC may not issue new shares may only be changed by a resolution of all Ordinary SOC will always control PVC.



The Articles of Association of the Samsara Owners Corporation ensure that only homeowners in Samsara can be shareholders in SOC and vice versa. A house cannot be sold without the share and the share cannot be sold without the house. A share in SOC is thus an effective proxy for actual land ownership. This corporate structure is currently the most secure, discreet and tax-efficient structure for foreigners to own homes and land in Thailand with peace of mind.

The Land Lease

So that each individual plot on the Estate is officially registered in the owner's name, homeowners lease their individual plots from PVC for a nominal rent, for a 30 year period with irrevocable options to renew the lease, in perpetuity. Through his share in SOC, the Owner controls the Thai land-holding company (PVC), giving complete security of ownership. The lease will pass automatically to heirs and successors, or can be assigned to third parties when the owner sells the property. The lease contract also provides for appropriate changes if, in the future, Thai laws permit longer lease terms or full land ownership by foreigners.

Note that the land area covered by the Land Lease contract (see plan Land Lease Schedule 2 in the Land Contract package) does not include the Forest Department land adjoining certain plots. The architects plan shows tentative extended boundaries for those plots, subject to approval by members of SOC. However, the extended boundaries have no legal or contractual validity.

The House Construction

A separate contract, between the Owner and Asia Island Homes, sets out the terms and conditions governing the construction of the Owners house, including a schedule of progress payments and arrangements for handling variations, i.e. changes to the original design initiated by the Owner at any time during or after execution of the main contract.

Asia Island Homes is responsible, on behalf of the Owner, for overall management of the entire Construction Contract and will have permanent staff on site to supervise all sub-contracts. Owners will receive a construction progress report as each defined construction milestone is reached.

Contract Amendments

With the exception of items specific to individual plots, e.g. plot location, designation, size, Owner's name, etc., all contracts are identical and may not be amended.

The Estate Management After Completion

Phuket Island Property Services (PIPS), a professional Phuket-based property management company, will provide Samsara owners with a defined range of services, including management of the Common Areas and, optionally, individual home services and letting services, for a period of two years from completion. Management of the Common Areas will commence during the house construction phase of the development. At the end of the initial term of the estate management contract, SOC can re-negotiate the contract with PIPS or appoint a new management company.

PIPS will provide the following services:

- **Common Area Management.** This includes managing security, utilities, refuse, general maintenance, gardening, operation of reception, paying insurance, government taxes, etc. and managing a reserve fund. The level of service provided will be directed entirely by the Owners Corporation. As an indication only, PIPS estimates a basic service could be provided for approximately US\$400 per month per household.
- **Individual Home Services** such as gardening, maids, pool cleaning, cooks, airport transfers, etc. Individual fees for these services shall be negotiated between individual owners and PIPS.
- **Letting Services** – If you choose to let your home, PIPS will manage all aspects of this service, including marketing, cleaning and monitoring your home for a fee of based on the rental income. PIPS estimates Samsara homes, in today's market, could obtain a letting income of around of US\$1,000 per day or US\$ 10,000 per month.

A Summary of the Payments

The Reservation, Design and Administration Fee (R D & A Fee)

The R D & A fee is a one-off fee of ThB 2 million which covers the developer's cost of designing and managing your house construction and the whole project to completion. The fee is paid in two instalments. The initial deposit of ThB 200,000 reserves your plot for 14 days while you review the contracts. The second instalment reserves your plot for a further month until the signing of the final contracts.

The Land Purchase Payments

Before we start construction of your house, you must own your plot. When the infrastructure services to your plot are fully in place, the full Land Purchase payment is due. However, if you purchase prior to completion of infrastructure we ask for a proportion of the plot price, as listed in the Payment Schedule. We issue your share in the Samsara Owners Corporation when you make your first payment. (If this is a part payment, the share issue is conditional on your agreement to pay the balance at the scheduled times). When the infrastructure is completed, the first Land Purchase payment for new buyers is 100% of the plot price. We expect infrastructure to be complete in the 1st quarter of 2003.

The House Construction Payments

Our standard house design will cost around ThB 20 million, with additional costs payable for customisation. During construction we will invoice you five times, at various stages of progress (see Payment Schedule). The construction phase will take approximately 12 months per villa.

Payment Schedule

Reservation, Design and Administration Fee

Deposit	ThB 200,000
14 days later	ThB 1,800,000

Land Purchase Payments

For purchases prior to completion of infrastructure

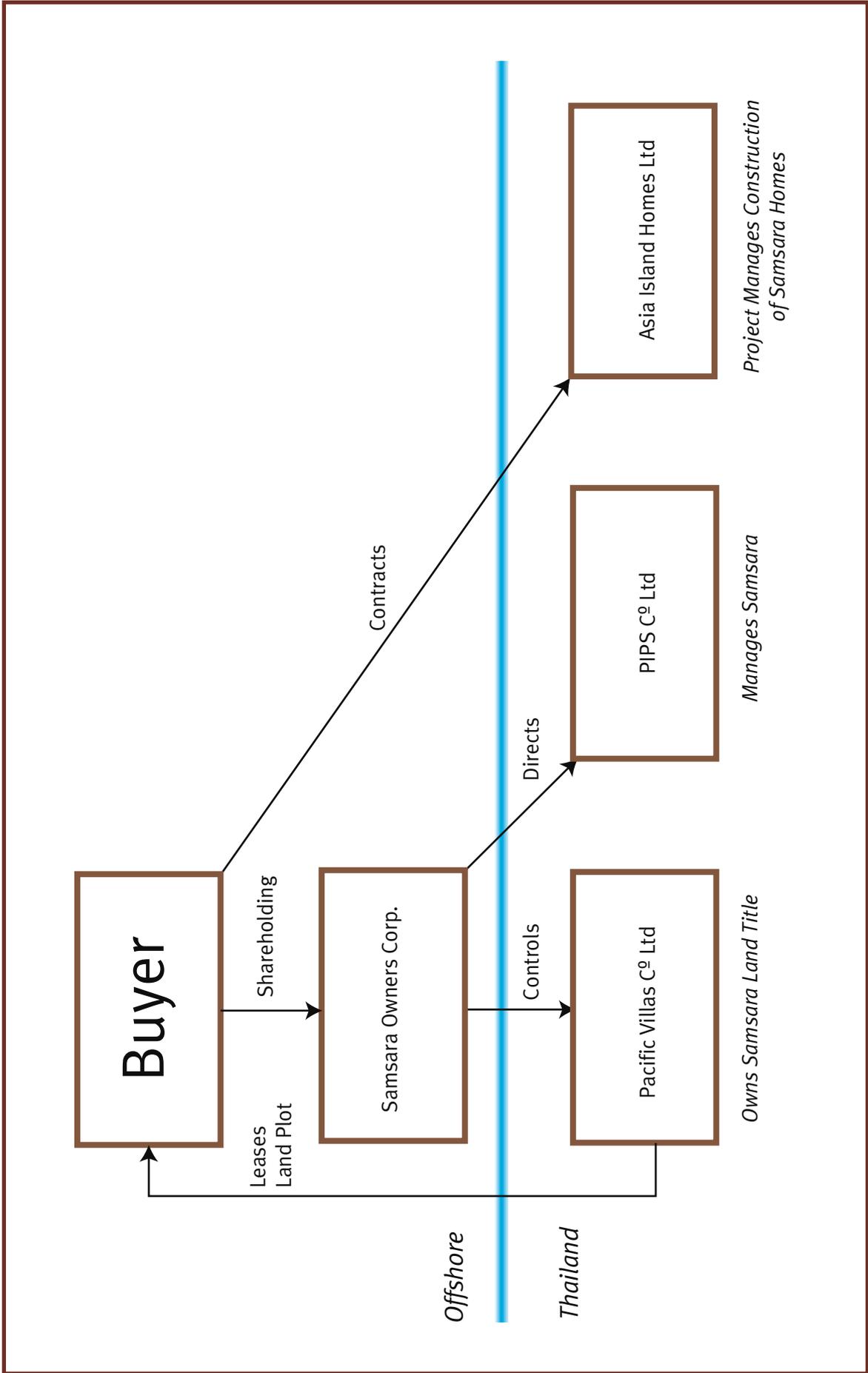
44 days after deposit	80%
On infrastructure completion	20% (estimated 1st quarter 2003)

For purchases after completion of infrastructure

44 days after deposit	100%
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House Construction Payments

deposit	30%
start date + 3 months	20%
start date + 5 months	20%
start date + 7 months	20%
on completion	10%



Legal Opinion

Note: These professional opinions outline the basis of the ownership and control structure. Differences in company names and shareholder percentages do not change the underlying principles.

In particular, the Samsara land holding company is now Pacific Villas C^o Ltd (PVC), rather than SHC, the Ordinary/Preference shareholding ratio is now 30%/70% and the Ordinary/Preference voting ratio is 81%/19%.

Allen & Overy, Bangkok

Advice to Asia Island Homes Inc, 19th April 2000

- 1) ABC Co., a private limited company incorporated in Thailand, will be established with two classes of shares; one being Ordinary Shares held by foreign nationals and the other being Preference Shares held by Thai nationals;
- 2) Preference Shares constitute a majority of the shares in ABC Co. (i.e. 60%) but they have restricted voting rights (i.e. one vote for every ten shares); and
- 3) Ordinary Shares constitute the balance of the shares in ABC Co. and have the right to receive the balance of dividends (after payment of the preference dividends) and have one vote per share. In this way the Ordinary Shareholders control ABC Co. through their voting rights and, on the assumption that the share capital is small, have the right to receive the bulk of the dividends.

The Foreign Business Operation Act, 1999 (“Act”) looks to the ownership of Thai companies rather than management or control. Therefore, we believe that the shareholding structure which effectively gives the Ordinary Shareholders both management control and a disproportionate economic return as discussed above complying with the Act.

Brooke International (formerly Brooke Hiller Parker), Bangkok

Valuation and Title Check of Land Data for Asia Island Homes, 22 July 1999

We made an investigation at the Kathu Land Department on 22nd July, 1999. We verified the following: The land consists of one lot, containing an area of 14 Rai 2 Ngan 57 Square Wah (5,857 Square Wah or 23,428 Square meters), more or less, owned and registered under the name of [the vendor] described as:

Lot N ^o	Book N ^o	Page N ^o	Nor Sor 3 Gor	Cadastre Map Sheet	Area Rai	Ngan	Sq. Wah
33	13 Khor	40	1190	4624 I	14	2	57
				Total	14		

There is no registered mortgage on the property.

The property is located in an area that is not condemned.

