

CONTRACT

EXCLUSIVE AIRLINE MANAGEMENT CONTRACT BETWEEN SAKHALIN AVIATRASSY and AVIATION MANAGEMENT SERVICES, INC. ("AMS").

WHEREAS SAKHALIN AVIATRASSY, official airline of the government of Sakhalin, hereafter referred to as SAT, an established airline (a government airline, former Aeroflot of Sakhalin Region) desire to upgrade services for passenger and cargo traffic both domestically and internationally, with the full support of its government.

WHEREAS AMS is a group of international airline specialists with worldwide experience in international aviation industry, which is able to provide management expertise that will upgrade SAT's services.

WHEREAS AMS undertakes to take over the management of SAT Airlines for a period of ten (10) years for the purpose of upgrading the standard of SAT's operations.

NOW, THEREFORE, both parties entering into this contractual agreement, on the basis of consulting and management for SAT Airlines, effective March 1, 1994, agree to the following provisions:

- 1) AMS will provide its expertise and services in the assistance of the management of SAT, and in so doing will negotiate all contracts between SAT and any third party, subject to reasonable approval by SAT.
- 2) AMS will be responsible for its best efforts in the successful fulfillment of any contracts or agreements between or among SAT and third parties, and SAT will assist AMS in this regard to the best of its ability.
- 3) AMS will supervise the setting up of the new management team and its operations for traffic rights, marketing, planning, administration, training and all other aspects of the running of the airline, subject to reasonable approval by SAT.
- 4) AMS will evaluate and analyze any and all equipment and purchases for the needs of SAT, as well as finding and approving subcontractors.

fulfilling its various contracts with third parties. The timing of any transfers will be done on as need basis within a reasonable period of time.

15) AMS is hereby given the right as the exclusive agent of SAT in negotiating with other airlines; AMS will report all minutes of the negotiations and all contracts negotiated by AMS must be reasonably approved by SAT.

16) AMS has the right to accept commissions from vendors, suppliers, et cetera, who contract with AMS or SAT. These commissions will in no way impair the rights of AMS to continue to be paid those sums due it under this contract.

17) The term of this agreement shall be for ten years. If AMS desires to withdraw from this contract, it may do so by giving 180 days' notice to SAT, and hereby agrees to provide a replacement to complete the terms of this contract. If SAT decides to terminate this contract it must provide notice of 180 days in advance to AMS, and agree to pay whatever damages that may result to AMS, including all fees due AMS under paragraphs (5), (7) and (8) hereunder.

18) NOTICE: Notice herein means written notice sent to the parties via certified or registered mail, and notice shall be determined as of the date of the receipt of the letter, or if not received, then thirty days after the letter is postmarked. Each party shall act diligently to insure notice is perfected to the other party, providing specific addresses necessary to do so.

19) SAT hereby agrees to hold harmless AMS in regard to any contract, good, device, et cetera that AMS negotiated or brokered; that is, that once the contract that AMS negotiated is executed between SAT and any other third party, than AMS is no longer liable for anything that does result in liability to SAT. SAT also acknowledges that it releases AMS from any liability incurred by AMS acting under this contract.

20) All services described in this contract or required by SAT in any phase of SAT's operations will be provided by AMS to SAT as SAT's exclusive agent for such services for the duration of this contract.

21) All governmental approval for SAT's activities under this contract shall be the responsibility of SAT, who will process such applications for approval and pay all legitimate fees

- 5) AMS will introduce and select financial sources for the needs of SAT to purchase aircraft or other equipment, for reasonable separate compensation to AMS.
- 6) AMS will provide a minimum of one (1), maximum of three (3), professionals available in Sakhalin for the quality control and coordination with offices of AMS.
- 7) AMS will receive US \$32,000.00 (Thirty Two Thousand) directly from SAT per month as a flat fee for the above mentioned services, excepting those set forth in paragraph (5) above and (8) below. SAT will transfer this amount on the fifteenth day of each month to AMS at AMS's bank account in Washington, DC.
- 8) AMS will negotiate and execute aircraft leases on behalf of SAT, subject to reasonable approval by SAT; separate compensation (apart from all other compensation under this contract) shall be paid AMS by SAT equal to a minimum of ten percent (10%) of all lease payments made by SAT for leases executed under this paragraph. All liability of SAT, including that for aircraft leases, will be guaranteed by the government of Sakhalin, and such guarantees shall be acceptable to AMS.
- 9) All expenses will be invoiced to SAT on a monthly basis. Payment by wire transfer by SAT shall be made within 30 days from the date of the invoice, and shall be to the account of AMS at AMS's bank in Washington, DC.
- 10) SAT agrees to consult and advise AMS about any and all contracts, agreements and negotiations regarding any matter which may affect the airline and its management, in order to protect the airline, thus obligating SAT to so consult AMS in advance.
- 11) SAT agrees to inform AMS of any changes in regional and national regulations.
- 12) SAT agrees to reimburse AMS or pay directly for all membership and subscriptions for international organizations and publications.
- 13) SAT agrees to present for its consideration any contracts that SAT is considering which may affect SAT's operations in any way. Such presentation shall be to AMS.
- 14) SAT agrees to advance monies to AMS in support of

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called for in securing such approvals.

22) All payments to AMS under this contract shall be made to AMS' bank account at the First Union Bank in Washington, DC.

23) AMS shall have the right to designate legal counsel or other agents for SAT necessary to secure the approval, as may be required by the U.S. government or any agency thereof for SAT's present services or any expansion of these services as SAT desires. Separate payment by SAT (through AMS) shall be made for all such services.

24) Signatures on this contract shall constitute a warranty of authority to bind the parties to it.

SAT AIRLINES
(SAKHALINSKIE AVIATRASSY)

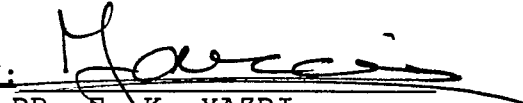
AVIATION MANAGEMENT SERVICES, INC.
(A DISTRICT OF COLUMBIA
CORPORATION)

BY:



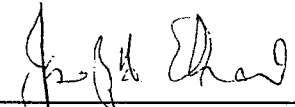
Executive Director

BY:



DR. F. K. YAZDI
PRESIDENT

ATTEST:



SECRETARY

DATED AS TO ALL PARTIES: MARCH 1, 1994