

5849362

DATED

31 March

2007

(1) TARGET SHAREHOLDERS

- and -

(2) AHG VENICE LIMITED

**SHARE EXCHANGE
AGREEMENT**
relating to

the exchange of shares in
**THE ALTERNATIVE HOTEL
GROUP LIMITED**

SATURDAY



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16/02/2008

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COMPANIES HOUSE



WE HEREBY CERTIFY THIS TO BE A TRUE COPY

OF THE ORIGINAL

DATE 14/02/08

SIGNED DLA PIPER UK LLP

DLA PIPER UK LLP

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THIS AGREEMENT is made on

31 March

2007

BETWEEN:

- (1) THE PERSONS whose names and addresses are set out in schedule 1 ("Vendors"), and
- (2) AHG VENICE LIMITED a company registered in England with number 05849362 whose registered office is at 179 Great Portland Street, London W1N 5LS ("Purchaser")

IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings.

"Additional Consideration" means the additional consideration for the sale and purchase of the Shares as stated in clause 4,

"Additional Consideration Amount" shall have the meaning given in clause 4.1,

"Articles" means the articles of association of the Purchaser adopted on or about the same date as this agreement,

"A Preference Shares" means redeemable A preference shares of £1 each in the capital of the Purchaser having the rights set out in the Articles,

"B Preference Shares" means redeemable B preference shares of £1 each in the capital of the Purchaser having the rights set out in the Articles,

"Business Day" means any day, other than a Saturday or Sunday or English bank holiday,

"Business Value" means £573,487,825,

"Completion" means the sale and purchase of the Shares in accordance with clause 4,

"Completion Accounts" means the accounts prepared and agreed or determined in accordance with schedule 2,

"Completion Date" means the date on which Completion occurs,

"Debts" means

- (a) any debts or other sums which have been invoiced by the Target or its subsidiaries, or in respect of which the Target or its subsidiaries is entitled to raise an invoice, at the Effective Date,
- (b) any interest payable on those debts or other sums, and
- (c) the benefit of all securities, guarantees, indemnities and rights relating to those debts or other sums,

"Effective Date" means the date hereof,

"Initial Consideration" means the initial consideration for the sale and purchase of the Shares as stated in clause 3,

"Preference Shares" means the A Preference Shares and/or the B Preference Shares (as the context requires),

"Shares" means the 10,000,000 ordinary shares of £1 each in the capital of the Target to be acquired by the Purchaser in accordance with this agreement;

"Stock" means

- (i) the wet and dry consumable stocks owned by the Target or its subsidiaries (including without limitation all stocks of unconsumed foodstuffs, soft drinks, beers, wines, spirits and other alcohol, tobacco, bottles, cases and other consumable items and consumable stores of bar, catering and maintenance stocks (whether opened or unopened)), towels, oil, fuel, cleaning materials and stationery at the Effective Date together with all deposits paid by or on behalf of the Target or its subsidiaries to suppliers for bottles, pallets or cases etc, and
- (ii) all items of stock bought by or on behalf of the Target or its subsidiaries and held for re-sale at the Target's or its subsidiaries' property (including without limitation, clothing and gift items) as at the Effective Date as certified by reference to the Target's or its subsidiaries' monthly stock take,

"Target" means The Alternative Hotel Group Limited (registered number 05623595),

"Total Consideration Value" shall be the Business Value plus the actual Working Capital Amount, or less the actual Working Capital Amount, if negative, save that the Total Consideration Value shall be not less than £200,000,000 or greater than £300,000,000,

"Working Capital" means the working capital of the Target and its subsidiaries at close of business on the Effective Date being an amount calculated by adding the Stock, Debts, prepayments and cash and cash equivalents of the Target and its subsidiaries at close of business on the Effective Date together and deducting therefrom the creditors (including intra-group and third party indebtedness including bank and loan debt) and accruals of the Target and its subsidiaries at close of business on the Effective Date (in each case such amounts being determined in accordance with schedule 2), and

"Working Capital Amount" means an amount (which may be a negative amount) equal to the amount of Working Capital at the Effective Date as determined pursuant to schedule 2

- 1 2 Reference in this agreement to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted and any regulations made under it;
- 1 3 The headings in this agreement are for convenience only and shall not affect its meaning
- 1 4 Reference to a clause, schedule or paragraph is (unless otherwise stated) to a clause, schedule or a paragraph of a schedule of or to this agreement respectively
- 1 5 Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa

2. SALE OF SHARES

- 2 1 Each of the Vendors shall sell or procure to be sold the Shares set opposite its name in column (2) of schedule 1 and the Purchaser shall purchase such Shares upon and subject to the terms and conditions of this agreement
- 2 2 Each of the Vendors covenants in respect of itself only that that Vendor shall sell and the Purchaser will acquire that Vendor's entire legal and beneficial interest in the Shares together with all rights of any nature which are now or which may at any time become attracted to them or accrue in respect of them (including all dividends and distributions declared paid or made in respect of them on or before the Completion Date)
- 2 3 Each Vendor warrants and represents to the Purchaser that the information in schedule 1 in respect of itself is true and accurate in all respects and not misleading and will be true and accurate in all respects and not misleading at all times after the date of this agreement up to and including Completion or cessation of this agreement

3. INITIAL CONSIDERATION

The Initial Consideration for the sale of the Shares to be sold by each of the Vendors shall be the allotment and issue, credited as fully paid, to such Vendor of the number of Preference Shares set opposite its name in column (3) of schedule 1

4. ADDITIONAL CONSIDERATION

- 4 1 The Additional Consideration (if any) for the sale of the Shares to be sold by each of the Vendors shall be the allotment and issue, credited as fully paid, to the Vendors (in equal proportions) for such number (if any) of A Preference Shares (to AHG Venice Management Services Limited) and B Preference Shares (to Uberior Ventures Limited) as have an aggregate nominal value equal to the amount (the "Additional Consideration Amount") produced by deducting £200,000,000 from the Total Consideration Value.
- 4 2 The Total Consideration Value shall be calculated by reference to the Completion Accounts and the provisions of schedule 3 will take effect on Completion. The Purchaser shall satisfy any Additional Consideration within 5 Business Days of the agreement or determination of the Additional Consideration Amount by issuing an

equal number of A Preference Shares (to AHG Venice Management Services Limited) and B Preference Shares (to Uberior Ventures Limited) as together have an aggregate nominal value equal to the Additional Consideration Amount (and the provisions of clauses 5.2.2 and 5.2.2.3 shall apply to such Preference Shares)

5. COMPLETION

5.1 Completion shall take place on the date of this agreement and at such place as the parties shall agree

5.2 On Completion

5.2.1 each of the Vendors shall deliver to the Purchaser a transfer of the Shares to be sold by him under this agreement in favour of the Purchaser duly executed by such Vendor (or, as the case may be, the registered holder of the relevant Shares) together with the share certificates relating to such Shares duly executed by such Vendor in respect of the rights attaching to such Shares,

5.2.2 the Purchaser shall, conditionally upon each Vendor complying with its obligations under clause 5.2.1

5.2.2.1 allot and issue to each Vendor the Consideration due to him pursuant to clause 3,

5.2.2.2 procure that the name of the relevant Vendor is entered into the Register of Members of the Purchaser as the holder of the relevant Preference Shares, and

5.2.2.3 deliver to the relevant Vendor the appropriate definitive certificate(s) for the relevant Preference Shares

6. GENERAL

6.1 No variation of this agreement shall be valid unless made in writing and signed by or on behalf of each of the parties to this agreement.

6.2 No failure or delay by the Purchaser or any of the Vendors or time or indulgence given by any of them in or before exercising any remedy or right under or in relation

to this agreement shall operate as a waiver of the same nor shall any single or partial exercise of any remedy or right preclude any further exercise of the same or the exercise of any other remedy or right

6.3 No waiver by any party of any requirement of this agreement or of any remedy or right under this agreement shall have effect unless given by notice in writing signed by such party. No waiver of any particular breach of the provisions of this agreement shall operate as a waiver of any repetition of such breach

6.4 Any release, waiver or compromise or any other arrangement which the Purchaser gives or enters into with any Vendor in connection with this agreement shall not affect any right or remedy of the Purchaser as regards any other Vendor's liabilities under or in relation to this agreement and such other Vendor shall continue to be bound by this agreement as if it had been the sole contracting party

6.5 This agreement may be executed in any number of counterparts each of which when executed by one or more of the parties hereto shall constitute an original but all of which shall constitute one and the same instrument

6.6 This agreement shall remain in full force and effect so far as concerns any matter remaining to be performed at Completion even though Completion shall have taken place

6.7 A person who is not a party to this agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this agreement. This clause does not affect any right or remedy of a third party which exists or is available otherwise than pursuant to that Act

6.8 Each of the parties shall bear and pay its own legal, accountancy and other fees and expenses incurred in and incidental to the preparation and implementation of this agreement

6.9 No announcement, communication or circular concerning this agreement shall be made at any time by or on behalf of the parties to it without the prior approval of the other (such approval not to be unreasonably withheld or delayed)

6.10 This agreement shall be binding on and enure for the benefit of each party's successors and personal representatives but shall not be assignable

6.11 This agreement (including the schedule to it) constitutes the entire agreement between the parties with respect to the subject matter of this agreement

6.12 Subject to clause 6.13

6.12.1 this agreement supersedes and extinguishes all previous agreements between the parties and any representations and/or warranties previously given or made by any of the parties relating to the subject matter of this agreement,

6.12.2 all of the parties acknowledge to each other (and shall execute this agreement in reliance on such acknowledgement) that they have not been induced to enter into any such documents by, nor relied on, any representation in connection with this agreement, and

6.12.3 each of the parties irrevocably and unconditionally waives any right it may have to claim damages in respect of or to rescind this agreement by reason of any misrepresentation whatsoever

6.13 Nothing in this clause 6 shall exclude any liability which any party would otherwise have to any other party, or any right which any of them may have to rescind this agreement, in respect of statements made fraudulently by the another party prior to the execution of this agreement, or any rights which any of them may have in respect of fraudulent concealment by any other party

6.14 The invalidity, illegality or unenforceability of any provisions of this agreement shall not affect the continuation in force of the remainder of this agreement

7. NOTICES

Any notice to be given pursuant to the terms of this agreement shall be given in writing to the party due to receive such notice at its registered office from time to time or such other address as may have been notified to the other parties in accordance with this clause 7. Notice shall be delivered personally or sent by first class prepaid recorded delivery or registered post (airmail if overseas) and shall be deemed to be given in the case of delivery personally on delivery and in the case of posting (in the absence of evidence of earlier receipt) 48 hours after posting (six days if sent by airmail)

8. GOVERNING LAW AND JURISDICTION

- 8.1 This agreement shall be governed by and construed in accordance with the laws of England
- 8.2 The parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this agreement

IN WITNESS of which the parties or their duly authorised representatives have executed this agreement on the date specified above.

SCHEDULE I

Particulars of the Vendors

(1) Vendors	(2) Number of Shares	(3) Initial Consideration (Preference Shares)
Uberior Ventures Limited	5,000,000	100,000,000 B Preference Shares
AHG Management Services Limited	5,000,000	100,000,000 A Preference Shares

SCHEDULE 2

Part 1

Completion Accounts

- 1 The Completion Accounts shall comprise a balance sheet showing the Working Capital of the Target as at close of business on the Effective Date For the avoidance of doubt the Working Capital shall not include fixed assets
- 2 The Completion Accounts shall be prepared in accordance with the accounting policies, principles, estimation techniques, measurement bases, practices and procedures used by the Company in the preparation of the consolidated management accounts prepared for each part of the Target and each of its subsidiaries (and the Stock shall be determined by reference to the regular stock-take carried out by the Target and its subsidiaries on or about the Effective Date)
- 3 The Purchaser shall procure the preparation and submission to the Vendors of a draft of the Completion Accounts ("Draft Completion Accounts") as soon as reasonably practicable following Completion The Vendors shall within 15 Business Days of receipt of the Draft Completion Accounts give notice to the Purchaser ("Notice") stating whether or not they agree with the Draft Completion Accounts and in the case of disagreement, the item or items in dispute, the reasons for such dispute and details of its proposed adjustments to the Draft Completion Accounts
- 4 If the Vendors do not give the Notice within the prescribed period, then they shall be deemed to have agreed the Draft Completion Accounts which shall constitute the Completion Accounts
- 5 If the Notice states that the Vendors agree with the Draft Completion Accounts then such accounts shall constitute the Completion Accounts
- 6 If the Notice states that the Vendors disagree with the Draft Completion Accounts then
 - 6 1 the Vendors and Purchaser shall endeavour to agree in good faith those items detailed as disputed in the Notice; and
 - 6 2 if within 15 Business Days of receipt of the Notice, the Vendors and the Purchaser have not agreed the Completion Accounts the item or items that remain in dispute

shall be referred for determination by an Expert in accordance with the provisions of part 2 of this schedule upon the written request of either Vendor or the Purchaser

Part 2

Expert Determination

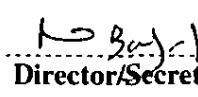
- 1 An "Expert" is an individual with suitable experience in dealing with such types of dispute at a firm of chartered accountants in the United Kingdom (who and which are independent of the parties)
 - 1.1 agreed by the Vendors and the Purchaser in writing, or
 - 1.2 in default of agreement within 15 Business Days of the date of either the Vendors or the Purchaser serving on the other details of its suggested Expert or Experts, nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales upon the application at any time of either Vendor or the Purchaser
- 2 Each of the Vendors and the Purchaser agrees to
 - 2.1 use its reasonable commercial endeavours to
 - 2.1.1 appoint an Expert expeditiously following a written request to do so from the other, and
 - 2.1.2 agree the term of reference for the Expert within 10 Business Days of the Expert's selection or nomination,
 - 2.2 provide (or, to the extent it is reasonably able, procure that others provide) the Expert with such information, documents and assistance (including the right to inspect such documents, records and materials held by it or under its control as the Expert reasonably requires for the purpose of making his determination
- 3 The Expert shall act as an expert and not as an arbitrator. His determination shall be final and binding on the parties except where there is fraud or manifest error
- 3 The Expert's fees and expenses (including the cost of his nomination) shall be borne equally by the Vendors and the Purchaser

EXECUTED (but not delivered until the date)
hereof) as a deed by **AHG VENICE**)
LIMITED acting by two directors or one)
director and the secretary)

Signature



Director



Director/Secretary

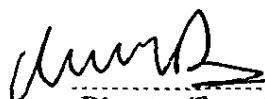
EXECUTED (but not delivered until the date)
hereof) as a deed by **AHG VENICE**)
MANAGEMENT SERVICES acting by two)
directors or one director and the secretary)

LIMITED

Signature



Director



Director/Secretary

EXECUTED (but not delivered until the date)
hereof) as a deed by **UBERIOR VENTURES**)
LIMITED acting by two directors or one)
director and the secretary)

Signature

Director

