

First Affidavit of
Khosrow Zamani
Sworn on 21st March, 2000

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO 24/2000

In the Matter of a Charge over Shares dated 17th March 2000

And in the Matter of GCR Order 50, rule 11



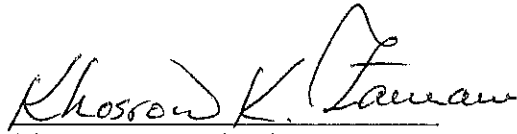
AFFIDAVIT

I, **Khosrow Zamani**, Director of Southern Europe and Central Asia Department of International Finance Corporation, 2121 Pennsylvania Avenue NW, Washington, DC 20433, United States of America

MAKE OATH and say as follows:

1. I am a Director of International Finance Corporation, an international organization established by articles of agreement among its member countries including the United Kingdom on behalf of the Cayman Islands and Azerbaijan and having a place of business at 2121 Pennsylvania Avenue NW, Washington, DC 20433, United States of America (the "Chargee").
2. Pursuant to a Deed of Charge over Shares dated 17th March 2000 (the "Charge") between Securities Development S.A. (the "Chargor") and the Chargee, the Chargor charged as legal and beneficial owner all its rights, title and interest to inter alia 1816 ordinary shares of US\$1.00 each (the "Shares") in the capital of Baku Hotel Company (the "Company"). There is now produced and shown herewith a true copy of said Charge marked as Exhibit "KZ1".
3. The Company is an exempt company incorporated under the laws of the Cayman Islands and has its registered office is at Caledonian Bank & Trust Limited, P.O. Box 1043 GT, Caledonian House, Dr. Roy's Drive, George Town, Grand Cayman.
4. Pursuant to the Charge, at any time after an Event of Default as defined in the Charge, the Chargee is entitled to receive and retain all dividends declared and paid upon the shares.

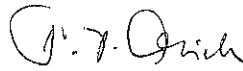
5. There is now produced and shown herewith and marked "KZ2" a true copy of the Stop Notice in relation to the Shares and a note stating the address to which any notice as is referred to in Order 50 rule 12 of the Grand Court Rules 1995 is to be sent.


Khosrow Zamani, Director

District of Columbia) ss:

I, Sylvia P. Adricula, the undersigned Notary Public acknowledge that Mr. Khosrow Zamani, to me known and known by me to be the Director of the Southern Europe and Central Asia Department of International Finance Corporation, duly empowered, executed the foregoing document in the name and on behalf of International Finance Corporation and acknowledged the signing thereof to be his voluntary act and deed.

Washington, D.C., this 28th day of March, 2000.


Sylvia P. Adricula

My commission expires July 31, 2003

This Affidavit was filed by C.S. Gill & Co., Attorneys-at-Law for International Finance Corporation, whose address for service is P.O. Box 945 GT, 4th Floor Genesis Building, George Town, Grand Cayman, Cayman Islands, British West Indies.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 2000

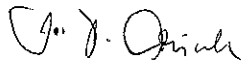
In the Matter of a Charge over Shares dated 17th March 2000

And in the Matter of GCR Order 50, rule 11

District of Columbia) ss:

I, Sylvia P. Adricula, the undersigned Notary Public acknowledge that this is the exhibit "KZ1" to the affidavit of Mr. Khosrow Zamani, to me known and known by me to be the Director of the Southern Europe and Central Asia Department of International Finance Corporation.

Washington, D.C., this 28th day of March, 2000.



Sylvia P. Adricula

My commission expires July 31, 2003

THIS DEED is made the seventeenth day of March, 2000.

BETWEEN:

- (1) SECURITIES DEVELOPMENT S.A., a company organized and existing under the laws of Panama (hereinafter called "the Chargor"); and
- (2) INTERNATIONAL FINANCE CORPORATION ("IFC") of 2121 Pennsylvania Avenue, N.W., Washington D.C. 20433, United States of America, an international organization established by Articles of Agreement among its member countries including the United Kingdom, on behalf of the Cayman Islands, and Azerbaijan (hereinafter called "the Chargee").

WHEREAS:

- (a) Baku Hotel Company, a company organized and existing under the laws of the Cayman Islands, whose registered office is at Caledonian Bank and Trust Limited P.O. Box 1043 G.T. Caledonian House, Grand Cayman (BHC Cayman) (a "Borrower") and Baku Hotel Company, a company organized and existing under the laws of Azerbaijan, (BHC Azerbaijan) (a "Borrower"), together with BHC Cayman (the "Borrowers"), and IFC have entered into a loan agreement dated as of even date herewith (as amended, supplemented or as otherwise modified from time to time the "Loan Agreement").
- (b) The Chargor now wishes to enter into this Deed with the Chargee as security for the obligations of the Borrowers under the Loan Agreement on the terms set out below.

NOW THIS DEED WITNESSETH as follows:-

1. Definitions

- 1.1 Unless otherwise specified all undefined capitalised terms herein shall have the respective meanings as specified in the Loan Agreement.
- 1.2 In addition the following words and expressions shall have the following meanings:
 - "Agreement" shall mean this Deed of Charge.
 - "Borrowers" shall have the meaning specified in the first recital to this agreement.
 - "Charged Shares" shall have the meanings specified in Section 3 hereof.
 - "Chargor" shall have the meaning specified in the first paragraph of this agreement.
 - "Chargee" shall have the meaning specified in the second paragraph of this agreement.

“Financial Support Agreement” shall mean the agreement entered into among IFC, the Borrowers, Settlement Investors, Inc. and Securities Development, S.A. dated as of even date herewith.

“Loan Agreement” shall mean the agreement entered into between the Borrowers and IFC dated as of even date herewith.

2. Security

- (a) This Agreement is for the benefit of the Chargee to secure the prompt and complete payment and performance when due by the Borrowers of all obligations and liabilities whether actual or contingent now or hereafter due, owing or incurred by the Borrowers under the Loan Agreement, the Financial Support Agreement, and any other Transaction Documents as applicable.
- (b) The Chargor understands, agrees and confirms that the Chargee may enforce this Agreement against it without proceeding against the Borrowers, any guarantors or any other party liable for payment under the Loan Agreement.

3. Charging Clause As continuing security for the prompt and complete payment and performance when due of the obligations and liabilities under the Loan Agreement, the Financial Support Agreement, and any other Transaction Documents, as applicable, by the Borrowers, the Chargor hereby charges by way of first fixed equitable charge, all of the right, title and interest of such Chargor in, to and under the following:

- (a) all shares both present and future of the Chargor in BHC Cayman as described in Schedule One hereto; and
- (b) all dividends, interest or other distributions and all allotments, accretions, offers, rights, benefits and advantages whatsoever at any time accruing, offered or arising in respect of the Charged Shares whether by way of conversion, redemption, bonus, preference option or otherwise.

(all such charged shares, dividends, and other rights and interests hereinafter collectively called the “Collateral”).

4. Representations, Warranties and Covenants The Chargor makes the following representations, warranties and covenants which shall survive the execution and delivery of this agreement.

- 4.1 The Chargor will at all times during the continuance of this Agreement deposit with the Chargee (i) all share certificates and documents of title in respect of the Charged Shares (ii) a share transfer form in respect of all the Charged Shares, substantially in the form set out in Schedule Two hereto, duly signed in blank and undated by the appropriate officers of the Chargor (iii) an irrevocable proxy in the form set out in Schedule Three hereto.

- 4.2 The Chargor will not without the prior written consent of the Chargee sell, assign, transfer or permit to be sold any of the Charged Shares.
- 4.3 The Charged shares are duly and validly issued, fully paid and non-assessable and duly and validly charged hereunder in accordance with the laws of the Cayman Islands. The Chargor warrants, covenants and agrees to defend the Chargee's right, title and interest in and to the Charged Shares and all other Collateral charged by it hereunder against the claims and demands of all persons whomsoever.
- 4.4 The Chargor is the registered, legal and beneficial owner of the Charged Shares and as at the date hereof has good title to the Charged Shares free and clear of all liens and other claims, security interests, mortgages, pledges and encumbrances of every nature whatsoever and it has the right to charge the Charged Shares and all other Collateral charged by it hereunder.
- 4.5 The Charged Shares shall constitute 18.16% of the issued share capital in BHC Cayman, and together with the shares charged by Settlement Investors Inc., pursuant to the Deed of Charge between IFC and Settlement Investors Inc. dated as of even date herewith, shall constitute 100% of the issued Share Capital in BHC-Cayman. BHC Cayman does not have outstanding (i) any securities convertible into or exchangeable for its share capital or (ii) any rights to subscribe for or to purchase or any options for the purchase of its share capital.
- 4.6 The Chargor will not, in its capacity as a shareholder of BHC-Cayman or otherwise, vote to authorise the issue of any additional shares in BHC Cayman.
- 4.7 The Chargor warrants that the security interest created herein will represent a valid first, fixed and equitable charge over the Collateral in favour of the Chargee.
- 4.8 The Chargor will forthwith inform the Chargee of any changes in the Directors or Secretary of BHC Cayman.
- 4.9 No filings or recordings in any public office or register are or will be necessary in order to perfect, protect and preserve the charge over the Collateral and the security interest created by this Agreement.
- 4.10 The Chargor will not, without the prior written consent of the Chargee, hereafter create or permit to exist any mortgage, debenture, charge or lien over any of the Collateral until all obligations and liabilities under the Loan Agreement are satisfied in full.
5. Voting and Corporate Rights (a) Unless and until an Event of Default has occurred, the Chargor shall be entitled to exercise any voting and other rights with respect to the Charged Shares for any purpose and in any manner which is not inconsistent with the terms hereof. (b) Following the occurrence of an Event of Default, the Chargor shall only be entitled to exercise any voting and other rights with respect to the Charged Shares for a period of five days following the date of a notice of Acceleration given to the

Borrowers pursuant to Section 7.01 of the Loan Agreement solely for the purpose of taking actions necessary to repay any amounts due under the Loan Agreement. (c) The Chargor shall not be entitled to exercise any voting or other rights with respect to the Charged Shares for any purpose whatsoever once such five day period has expired.

6. Dividends and Other Distribution Unless and until an Event of Default has occurred all dividends and other distributions payable in respect of the Charged Shares shall be paid to the Chargor and shall not be part of the Collateral; provided that any dividends or distributions payable in respect of the Charged Shares which represent in whole or in part a return of capital shall be paid to the Chargee.
7. Remedies upon Default If an Event of Default shall have occurred and be continuing for a period of five (5) days from the date of any notice of Acceleration given to the Borrowers pursuant to Section 7.01 of the Loan Agreement, the Chargee shall be entitled to exercise all the rights and powers which may be exercisable by the registered holder of the Charged Shares for the perfection and enforcement of its rights in respect of the Collateral and, without limitation of the foregoing may cause all of the Charged Shares or other Collateral to be transferred into its name or that of a nominee or nominees.
 - 7.1 The Chargor shall at any time if and when required by the Chargee execute such further legal or other charges or assignments, transfers or other documents in favour of the Chargee as it may from time to time require over the Charged Shares for the purpose of perfecting its title to the same or for vesting or enabling it to vest the same in itself or its nominees or in any purchaser to secure the obligations and liabilities of the Borrowers under the Loan agreement.
 - 7.2 The Chargee without being required to give any notice to the Chargor shall be entitled to exercise the following rights if an Event of Default shall have occurred and be continuing for a period of five (5) days from the date of any notice of Acceleration given to the Borrowers pursuant to Section 7.01 of the Loan Agreement:
 - (i) To exercise any and all voting rights with respect to the Charged Shares and other Collateral pursuant to the irrevocable proxy granted by the Chargor in favour of the Chargee, including the appointment and removal of any director and other officer of BHC Cayman.
 - (ii) To receive and retain as security for all of the Borrowers' liabilities and obligations under the Loan Agreement, any and all dividends declared or paid upon the Charged Shares and other Collateral.
 - (iii) To sell or dispose of the Charged Shares or other Collateral in one or more parcels at the same or different times in such manner and generally on such terms and conditions and for such consideration as the Chargee may think fit. Any such sale or disposition may be for money or other valuable consideration and be payable immediately or by installments spread over such period as the Chargee shall think fit.

- (iv) To not be liable to account as mortgagee in possession in respect of all or any of the Charged Shares and to not be liable for any loss upon realisation or for any failure to accept any offers or to notify the Chargor of any such matter or for any negligence or default by it, or its nominee or nominees in connection with the sale or disposal of the Charged Shares.
- 7.3 All money received by the Chargee in the exercise of any powers conferred by this Agreement shall be applied towards the satisfaction of the Borrowers' obligations and liabilities under the Loan Agreement.
- 7.4 The Chargor hereby agrees fully to indemnify and hold harmless the Chargee from and against all losses, actions, claims, expenses, demands and liabilities whether in contract, tort or otherwise hereafter reasonably incurred by it or any nominee, agent, officer or employee for whose act or omission it may be liable for anything done or omitted in the exercise or purported exercise in good faith of the powers contained herein.
- 7.5 The Chargor hereby covenants with the Chargee on demand to pay all reasonable costs, charges and expenses incurred by the Chargee in or about the enforcement, preservation or attempted preservation of the security under this Agreement or in the exercise or purported exercise in good faith of any of the powers herein contained, on a full indemnity basis.
8. Obligations Absolute The obligations of the Chargor shall not be altered, or affected by the validity, regularity or enforceability of any provision of the Loan Agreement, the recovery of any judgement against any person or any action to enforce the same, any failure or delay in the enforcement of the obligations of the Borrowers under the Loan Agreement.
- 8.1 The obligation of the Chargor hereunder and the rights of the Chargee to enforce the same shall not in any way be affected by the insolvency, liquidation, reorganization, dissolution, winding-up of the Chargor or any change in ownership of the Chargor.
9. Power of Attorney The Chargor hereby irrevocably and unconditionally and for as long as any liability or obligation under the Loan Agreement remains outstanding appoints the Chargee and the persons deriving title under the Chargee severally to be the attorney in the name and on behalf and as the act and deed of the Chargor or otherwise to execute and complete any transfers or other documents which the Chargee may require for the purpose of perfecting its title to or for vesting the Charged Shares in the Chargee or its nominee or in any purchaser and otherwise generally to sign seal and deliver and otherwise perfect such transfers or other documents and any such legal or other charges or assignments over the Charged Shares as required by the Chargee and all such acts and things as may be required for the full exercise of the powers hereby conferred including any sale or other disposition by the Chargee or its nominee of the Charged Shares.

10. Purchasers of Collateral Upon any sale of the Collateral by the Chargee hereunder pursuant to the terms specified in Section 7.01 of the Loan Agreement, including without limitation the giving of the notice of Acceleration to the Borrowers at least five days prior to such sale, the receipt of the Chargee shall be sufficient discharge to the purchaser or purchasers. No purchasers or other person shall be bound or concerned to see or enquire whether the right of the Chargee to exercise any of the powers hereby conferred has arisen or not or be concerned with notice to the contrary or with the propriety of the exercise or purported exercise of such powers.
11. Continuing and Independent Security This Agreement is a continuing security which will not be considered discharged until all obligations and liabilities under the Loan Agreement to pay principal, interest and any other fees and costs have been satisfied or met in full.
- 11.1 This Agreement is binding upon the Chargor and upon its successors and permitted assigns and shall enure for the benefit of and be enforceable by the Chargee and its successor and assigns. Provided however the Chargor may not assign or transfer any of its rights or obligations hereunder without the written consent of the Chargee. The Chargee may transfer or assign all or any part of its rights hereunder without the consent of the Chargor.
- 11.2 The Chargee need not before exercising any right under this Agreement take or initiate any legal proceedings against the Chargor as a precondition thereto.
- 11.3 No failure or delay on the part of the Chargee in exercising any right or remedy shall operate as a waiver thereof nor will any right or remedy preclude its further exercise or the exercise of any other right or remedy.
- 11.4 Each of the provisions of this agreement is severable and distinct from the others and if at any time one or more of such provisions is or becomes invalid, illegal or unenforceable the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
12. Notices All notices and other communications provided for hereunder shall be in writing, and shall be delivered personally, by courier or by facsimile transmission addressed as follows:
- (a) The address of the Chargor:
Securities Development, S.A.
c/o Quijano & Associates
41 South Audley St.
London W1Y 5DH
Facsimile: 44-171-495-1433
- (b) The address of IFC.
International Finance Corporation

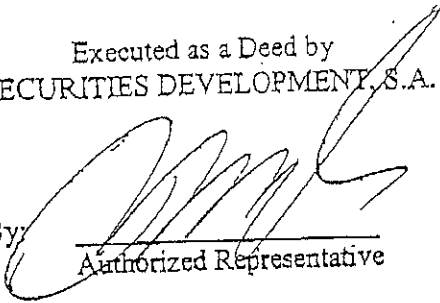
2121 Pennsylvania Avenue, N.W.
Washington D.C. 20433
United States of America

Facsimile:- (202) 974-4314
Attention:- Director, Central and Southern Europe Departments


13. Governing Law This Agreement shall be governed by and interpreted in accordance with the laws of the Cayman Islands and the Chargor agrees to submit to the non-exclusive jurisdiction of the Grand Court as regards any claims or matters arising under this Agreement. This Agreement however may be enforced in any court of competent jurisdiction.
14. Headings The Headings used in this Agreement are for convenience only and have no legal effect.
15. Execution of Counterparts This Agreement may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and shall together constitute but one and the same instrument.
16. Amendments No waiver, amendment, modification or termination of any provision of this Agreement shall be effective unless it is in writing and signed by the Chargee.

IN WITNESS whereof this Deed has been executed on the date first above written.

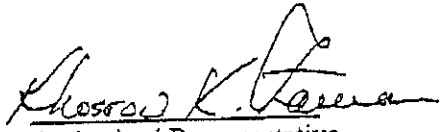
Executed as a Deed by
SECURITIES DEVELOPMENT, S.A.

By: 
Authorized Representative

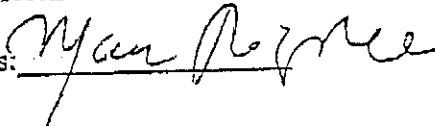
In the presence of:

Witness: 

Executed as a Deed by
INTERNATIONAL FINANCE CORPORATION

By: 
Authorized Representative

In the presence of:

Witness: 

SHARE TRANSFER FORM

We Securities Development S.A., a company organized and existing under the laws of Panama (hereinafter call the "Transferor") in consideration of the International Finance Corporation (IFC) agreeing to advance certain sums by way of loan to Baku Hotel Company, a company incorporated in the Cayman Islands and having its registered office at Caledonian Bank and Trust Limited, P. O. box 1043 G.T. Caledonian House, Grand Cayman and pursuant to the Deed to Charge between the Transferor and IFC dated as of March 17, 2000 (the "Charge").

do HEREBY TRANSFER to _____ (Transferee) 1816 shares, represented by certificate number 13, in the undertaking called Baku Hotel Company to hold unto the Transferee, to its successor and assigns subject to the several conditions set forth in the Deed of Charge and on which we hold the same.

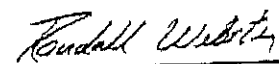
As WITNESS our hands the 17th day of March, 2000.

TRANSFEROR

By: 

Name: Julio A. Quijano U.
Authorized Representative

Witness to the signature of the Transferor:


Randall S. Webster

BAKU HOTEL COMPANY

IRREVOCABLE PROXY

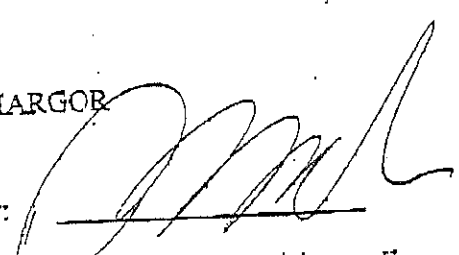
The undersigned being the owner of 1816 shares ("Shares") of Baku Hotel Company, a company incorporated under the laws of the Cayman Islands and having its registered office at Caledonian Bank and Trust Limited, P. O. Box 1043 G.T., Caledonian House, Grand Cayman hereby makes, constitutes and appoints INTERNATIONAL FINANCE CORPORATION (the "Chargee") as proxy of the undersigned with full power to appoint a nominee or nominees to act hereunder from time to time following upon any Event of Default which occurs and continues for a period of five (5) days after the date of any notice of Acceleration given to the Borrowers, to vote all or any of the Shares at all annual and extraordinary general meetings of shareholders of Baku Hotel Company, with the same force and effect as the undersigned might or could do and the undersigned hereby ratifies and confirms all that the said proxy or its nominees or nominees shall do or cause to be done by virtue hereof.

The Shares have been charged to the Chargee pursuant to a Deed of Charge ("Charge") dated as of March 17, 2000. This proxy is irrevocable and shall remain irrevocable as long as the Charge is outstanding and in effect.

IN WITNESS whereof this instrument has been duly executed this 17th day of March, 2000.

CHARGOR

By:


Name: Julio A. Quijano U.
Authorized Representative

Signed and delivered by in the presence of:

Randall Webster
Witness - Randall S. Webster

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 2000

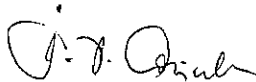
In the Matter of a Charge over Shares, dated 17th March 2000

And in the Matter of GCR Order 50, rule 11

District of Columbia) ss:

I, Sylvia P. Adricula, the undersigned Notary Public acknowledge that this is the exhibit "KZ2" to the affidavit of Mr. Khosrow Zamani, to me known and known by me to be the Director of the Southern Europe and Central Asia Department of International Finance Corporation.

Washington, D.C., this 28th day of March, 2000.



Sylvia P. Adricula

My commission expires July 31, 2003

STOP NOTICE

To: Baku Hotel Company
c/o Caledonian Bank & Trust Ltd
Caledonian House
Dr. Roy's Drive
P.O. Box 1043 GT
George Town
Grand Cayman
Cayman Islands



TAKE NOTICE that the securities comprised in and subject to the trusts of the settlement referred to in the affidavit to which this notice is annexed consist of the following:

Eight Thousand One Hundred Eight Four (8184) Ordinary shares of US\$1.00 each in the capital of Baku Hotel Company.

This notice is intended to stop:

- (i) the transfer of the said securities; and
- (ii) following receipt by you of written notice from International Finance Corporation (IFC) that the security constituted by the Charge over Shares dated 17th March 2000 between Settlement Investors Inc. and IFC has become enforceable, the voting and other rights, the payment of any dividend, interest or other income in respect of said securities.

for and on behalf
of International Finance Corporation

by:



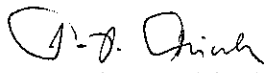
Mr. Khosrow Zamani
Director

Before me:

District of Columbia) ss:

I, Sylvia P. Adricula, the undersigned Notary Public acknowledge that Mr. Khosrow Zamani, to me known and known by me to be the Director of the Southern Europe and Central Asia Department of International Finance Corporation, duly empowered, executed the foregoing document in the name and on behalf of International Finance Corporation and acknowledged the signing thereof to be his voluntary act and deed.

Washington, D.C., this 28th day of March, 2000.



Sylvia P. Adricula

My commission expires July 31, 2003

NOTE

No transfer of the securities referred to above shall be registered nor shall such payment as is referred to above be made until 14 days after sending thereof to the following person (or whose behalf the stop notice has been filed):

International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, DC 20433
United States of America

Attention: Director of Southern Europe and Central Asia Department
Facsimile: 202-974-4312