

25th July, 1990.

Dear Secretary of State,

Allow me at the outset to state here that the Turkish Government is pleased with our bilateral economic relations, practically in all aspects, growing satisfactorily.

If we as Turkey can ameliorate the present problem areas in the Turkish economy and the British business circles could be a bit more enterprising and dynamic, the future in this context looks indeed very promising. In short, we would like to see a more forceful and active presence of the British business in our economy.

In this frame recently an unfortunate problem arose in the opening of a branch office by the British Midland Montague Bank in Istanbul. As you will kindly recall, this problem was brought to the attention at the highest level in various departments in Britain, including the Prime Minister Mrs. Thatcher. I am happy to inform you that the matter was settled a few weeks ago and the branch office has already started operation.

Only yesterday I have been informed of a new problem which emerged recently. I feel obligated to bring the matter to your kind and urgent attention:

Through sustained efforts over the last two years between the Turkish firm Ganmount located in London and the British Airport Services Ltd. (BASL), Bodrum International Airport joint venture has developed. The Turkish Government has confirmed in writing its full support to the project. In confirmation of this a memorandum of understanding and a protocol were arranged which were signed on the Turkish side by the highest responsible officials, including the Minister of Transport himself. While the project

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The Rt. Hon. Douglas Hurd, CBE, MP
Secretary of State for
Foreign and Commonwealth Affairs,
London SW1.

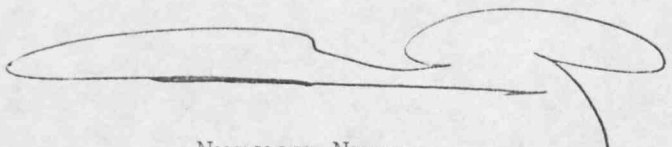
progressed on its normal course, the British Airport Authority (BAA), the parent company of BASL, informed the Turkish major partner Ganmount of its withdrawal from the project stating that it "had somewhat marginal economics and relied heavily upon the international leisure charter market for its viability". It is interesting that a reputable company as BAA should come to such a conclusion when the joint venture has reached its present advanced stage and the partners were practically at the threshold of implementation of the project.

Please note that while such development projects are traditionally subject to international tenders in Turkey, due to the growing economic cooperation between Britain and Turkey and the mutual trust entertained between our two Governments, the Turkish Government acted with special initiative and without resorting to any international tender decided to develop this project with Britain. When Turkey opted for this course outside of its normal practice, it was largely due to the trust the Turkish Government entertain for the British business circles. This I must emphasize.

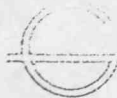
I should also like to add here that while this is a project of priority, it will be followed in the period ahead with many other development projects. If the Bodrum project developed with BASL is realised successfully, this will no doubt create a very favourable basis of operation for BAA in Turkey in relation to other forthcoming major projects. Needless to say, the opposite is equally valid also.

I am enclosing herewith various documents related to the said project. I already took this matter up with the Head of the Southern European Department, Mr. David Madden, from the esteemed Foreign and Commonwealth Office.

Thanking you for your indulgence and expecting your kind reply on this matter, I present to you, together with my warmest regards, the assurance of my highest esteem.



Nurver Nures
Ambassador



Notes on
"BODRUM INTERNATIONAL AIRPORT" - TURKEY

Please find below a short summary of the course of events with regards to the Bodrum International Airport.

The Bodrum Airport idea was developed by myself nearly three years ago. British Airport Services Limited (BASL) joined the project just over two years ago along with a Turkish construction company, upon my presentation of the project to them.

. Initially it was agreed to form a consortium with 33% equal shares with 1% share being given to the local Ganmount representative company.

. On 17 May 1989 a letter of intend was signed between the consortium and the Turkish Authorities (Ministry of Transport), in the presence of the British Ambassador and the Turkish Minister of Transport.

. On 13 September 1989 a presentation was arranged in Ankara where all government parties who could be involved with a project of this magnitude were invited. The cost of this project is in the region of US\$ 83 million.

. Upon a demand from BASL and at no cost to them, on 5th December 1989 I succeeded in rearranging the distribution of shares in the consortium to be 50.1% to BASL, with the rest of the shares to be arranged amongst the other parties involved. Also the operation of the airport would be given to BASL.

. As we had successfully obtained a letter of intend without a tender and performance bonds being involved, we decided to proceed and spend more money and time to bring the project to a final stage.

. On 2 May 1990 another and final presentation was given to the top government bodies involved in this project with the aid of a slide show and explanations etc.

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. On 4 May 1990 the final commitment agreement was given to us by the Turkish Government after lengthy meetings and negotiations between the parties involved.

The share distribution was agreed as below;

BASL	50.10%	
Ganmount	24.90%	
DHMI	15.00%	(DHMI is the Turkish Government Enterprise who own and operate 19 airports in Turkey)
NUROL	10.00%	(Turkish construction group)

	100.00%	

. Presently the Turkish Government is awaiting for our visit with finalised agreements in our hands. Work on such details as Finance Agreement, Airport Management Agreement, Management Agreement are now all complete.

. Privately and Confidentially I was called to a meeting at BASL, where I was told that BASL had decided to withdraw from this project.

Consequences:

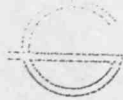
It seems that the only person who was not clear on this project was Sir Norman Payne. After 2½ years of negotiations, meetings and protocols between two countries and when everything had been concluded, he has ordered his Managing Director, Mr Michael Main, who with his team was an enthusiastic supporter of this project, to withdraw.

Needless to say that this decision will create a lot of negative opinions in the minds of the parties involved and will adversely affect the positive initiatives the Conservative Party has been making to increase the business relationships between the two countries.

Turkey has a population approaching 70 million and thus represents good business opportunities for any country.

Bodrum area is one of the most popular resorts for the British tourists and the tour operators were all looking forward to the construction of this airport.

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Turkish President had given his support to this project while he was Prime Minister and he continues to do so.

The shock decision of Sir Norman Payne has not been officially declared anywhere, except to me personally.

As I was requested by the Turkish Authorities to find out the response of BASL, I have passed on the news to the Chairman of the State Planning Organisation (SPO) and also to the President.

They are all extremely upset to the point of being speechless and have voiced their concern that there may be reasons behind this decision, either political or even economical.

Result:

This project will be completed one way or other by the Turkish Government.

Turkish Government and various other Turkish Investors may be reluctant to go into joint businesses.

Yours faithfully

Suay Umut
Chairman

BODRUM INTERNATIONAL AIRPORT
MEMORANDUM OF UNDERSTANDING

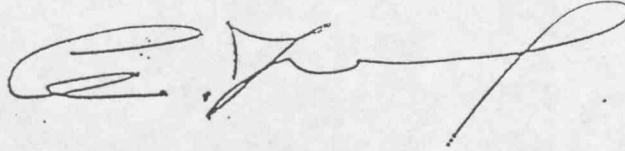
1. This Memorandum of Understanding confirms the approval of the proposal submitted by the Project Proponents (British Airports Services Limited, Ganmount Group of Companies, Nurol İnşaat ve Ticaret A.Ş.) for a BOT Bodrum-Güllük International Airport, in Muğla ("Project"), Republic of Turkey.
2. The Project Proponents, led by British Airports Services Limited and acting on behalf of the Joint Venture Company to be formed, have convinced the Government of Turkey, represented by the Ministry of Transportation, of their ability to structure and arrange sufficient financing necessary for the Project.
3. The Government of Turkey and the Project Proponents agree to use their best efforts to seek agreement on the Essential Documents by the respective completion dates specified on the attached Milestone Schedule.
4. The Project Proponents agree that they will immediately commence preparation of a master plan for Bodrum International Airport and continue such preparation throughout contractual negotiations.
5. Since the Government of Turkey and the Project Proponents mutually desire to proceed without delay to complete project documents and to commence arrangements for Project financing the Government of Turkey hereby confirms and directs:
 - a. that the Project has high priority in the Republic of Turkey's investment program,

- b. that the Project Proponents, together with the Government of Turkey, will devote the necessary manpower and resources to accomplish the activities described above in accordance with the attached milestone Schedule,
 - c. that the Government of Turkey shall proceed to issue the necessary authorisation for DHMI to participate as equity partner in the joint venture company mentioned in Article 2 and to permit the formation of the Jointe Venture Company in accordance with the attached Milestone Schedule,
 - d. that upon successful completion of all the activities described herein, the Government of Turkey shall proceed to assign the necessary land for the Project.
6. This memorandum of Understanding serves as letter of intent of the Ministry of Transportation for negotiating with the Project proponents till April 1990, and in any case expires any time before such date if no mutual agreement has been reached on any one of the agreements listed in part A of the milestone herewith attached.
7. This Memorandum of Understanding is made and entered into between the undersigned parties on this 13th of September 1989.

THE REPUBLIC OF TURKEY

By : The Ministry of Transportation

Signature



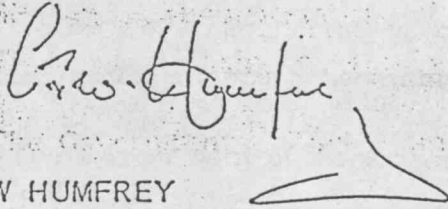
Name : CENGİZ TUNCER

Title : Minister of Transportation

PROJECT PROPONENTS

By : British Airports Services Limited

Signature

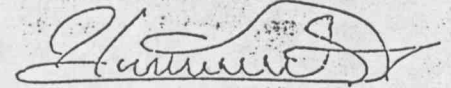


Name : C.T.W HUMFREY

Title : Counsellor of British Embassy,
Ankara
(for and on behalf)

By : Ganmount Group of Companies

Signature

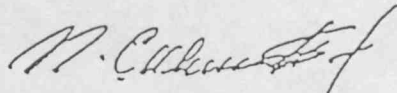


Name: SUAY UMUT

Title : Chairman

By: Nurol İnşaat ve Ticaret A.Ş.

Signature



Name : NURETTİN ÇARMIKLI

Title : Chairman

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PROTOCOL

In one hand SPO, DHMI, DLH, CAA and other related Government Authorities and at the other hand Consortium Members BASL, GANMOUNT, NUROL has agreed on the following principles after completing their negotiations at the SPO Offices between May 2 and May 4, 1990 regarding construction and management of private Bodrum International Airport.

1. The Government of Turkey will lease the site at the agreed place in GÜLLÜK to the Consortium for 49 years. The annual lease payments for this site are to be as follows:
 - a. From start of project until repayment of all senior debt: A symbolic amount to be mutually agreed.
 - b. After repayment of all senior debt until repayment of all equity: Five percent of gross profit before tax.
 - c. After repayment of all equity: A further five percent of gross profit before tax bringing the total payment to (ten) percent.

2. The parties agree to following shareholding in the Consortium.

BASL	50.1	%
GANMOUNT	24.9	%
NUROL	10.0	%
DHMI	15.0	%
	<hr/>	
	100.0	

The Government of Turkey will be responsible for providing the site as described as well as all land for construction of temporary permanent road connections to the airport, and certain Infrastructure works in return

Handwritten signatures of the representatives of the Government of Turkey and the Consortium members (BASL, GANMOUNT, NUROL, DHMI).

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for DHMI's shareholding. The works are

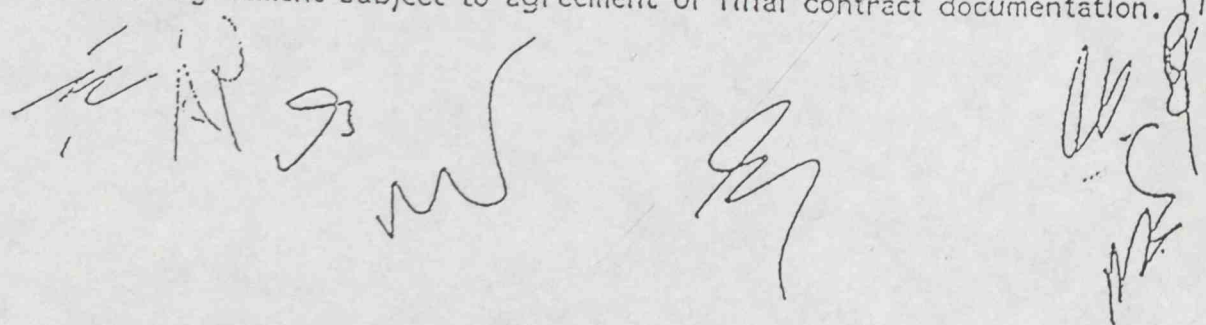
- Access road and bridges to be used as main highway to the airport
- Site drainage
- High voltage electricity supply
- Telephone communications services

3. The Consortium will be granted Investment Incentives as defined in the Foreign Investment Incentive programme. These include but are not limited to :

- 100 % Investment Allowances .
- Value Added Tax deferral as appropriate .
- Stamp Duty exemptions as allowable.
- Import and Customs Duties relief as allowable.

4. The Consortium will be given full freedom to operate the airport in compliance with Turkish CAA and other Government regulations (ICAO) and will be free to set tariffs levels for all services provided.

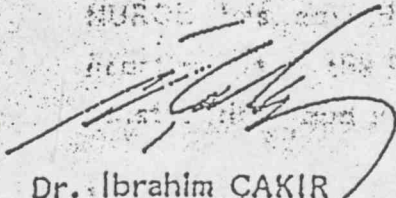
5. The Consortium will develop the Airport in accordance with the Master Plan and Cost Plan (dated March 1990) as proposed and modified by mutual agreement subject to agreement of final contract documentation.

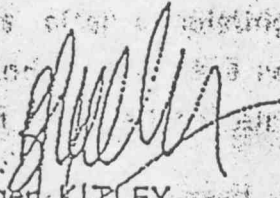


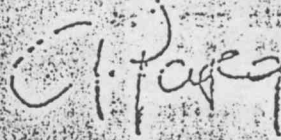
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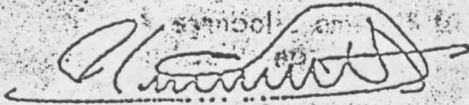
This Protocol has been prepared and signed on 4th May, 1990 in Ankara, Turkey and will be null and void if within three months of this date, the investment permit is not obtained from SPO Foreign Investment Department.

MUROL has agreed on the following principles of an existing state agreement between Turkey and the Republic of the United Kingdom regarding the management of private aviation

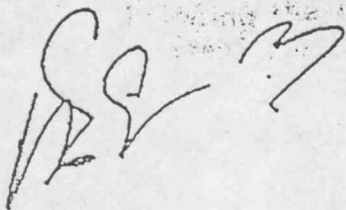

Dr. Ibrahim ÇAKIR
Director of Foreign Investment
Department, SPO


Roger KITLEY
Director, BASL


Atilla PARLA
General Manager
Civil Aviation Authority

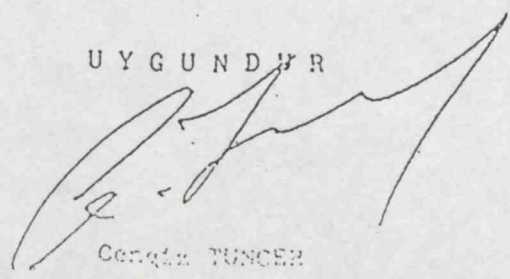

Suay UMUT
Chairman, GANMOUNT


Mustafa ÖZATAMER
General Manager, DHMI


Erdal EREN
General Manager, NUROL


Dr. Aytekin AKAGÜN
General Manager, DLH

UYGUNDUR


Cengiz TUNÇER