**DRAFT MASTER LEASE AGREEMENT**

**THIS AGREEMENT** is made as of the day of 2004

**BETWEEN:**

**……………..** a limited liability company incorporated in Kenya of Post Office Box Number ……………..00100-Nairobi (hereinafter called the "Lessor" which expression shall, where the context so admits, include the Lessor's successors in title and assigns); and

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a company incorporated with limited liability in the Republic of Kenya for the purposes hereof of Post Office Box Number \_\_\_\_\_\_\_\_\_\_\_\_\_ Nairobi (hereinafter called the "Lessee" which expression shall, where the context so admits, include the Lessee's successors in title and permitted assigns).

**WHEREAS:**

The Lessor and the Lessee propose to enter into Lease Agreements for the leasing of Motor Vehicles by the Lessor to the Lessee.

To facilitate such transactions, the Lessor and the Lessee are entering into this Agreement, the terms and provisions of which shall be incorporated by reference into each Lease Agreement.

**IT IS HEREBY AGREED AND DECLARED AS FOLLOWS:**

# **DEFINITIONS AND INTERPRETATION**

## In this Agreement (including the recitals and the Schedules hereto), unless the context otherwise requires, the following expressions shall have the following meanings:

### "**Act**" means the Companies Act (Chapter 486, Laws of Kenya);

### "**Assumed Base Rate**" means, in respect of each Lease Agreement, the latest published average interest rate for 91-day Treasury Bills prior to the date of such Lease Agreement, as set out in such Lease Agreement and referred to as the "Assumed Base Rate”;

### "**Business Day**" means a day on which banks are generally open for the conduct of normal banking business in Kenya;

### "**Commencement Date**" means the date indicated in a Lease Agreement as the commencement date for the leasing of Motor a Vehicle(s) leased pursuant to such Lease Agreement;

### "**Competent Authority**" means the Government of the Republic of Kenya, municipal or other local authorities and parastatal and other bodies having statutory competence to promulgate rules and regulations governing or touching and concerning matters, transactions and issues contained or relating to this Agreement;

### "**Dealer**" means, in respect of a Motor Vehicle, the motor vehicle dealer duly authorized and appointed by the manufacturer and as specified in the Lease Agreement;

### "**Default Rate**" has the meaning ascribed to it in sub-clause 3.1.4;

### "**Delivery Note**" has the meaning ascribed to it in sub-clause 3.2.1;

### "**Early Termination Date**" means, for purposes of the provisions of clause 11.1, the date on which the notice to terminate a Lease Agreement pursuant to the provision of clause 10.5 expires or, for purposes of clause 11.2, the date on which the leasing of the motor Vehicles is terminated pursuant to the provisions of clauses 10.1 or, for purposes of clause 11.3, the date on which a Total Loss is deemed to have occurred;

### "**Encumbrance**" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest, title retention, trust arrangement or other encumbrance securing or any right conferring a priority of payment in respect of any obligation of any person;

### "**Event of Default**" means any of the events specified in clauses 10.1 and 10.2;

### "**Insurance Policies**" means the policies of insurance issued by the Insurer in respect of the Motor Vehicles and the term "Insurance Policy" shall be construed accordingly;

### "**Insurer**" means ……… Limited or such other insurance company of good repute nominated by the Lessor;

### "**Lease Agreements**" means the lease agreements entered into from time to time by the Lessor and the Lessee for the leasing of the Motor Vehicles by the Lessor to the Lessee and which incorporate this Agreement by reference and set forth the particulars regarding each such transaction, in the form of the lease agreement set out in Schedule 1 (or in such other form as may from time to time be agreed in writing between the Lessor and the Lessee) and the term "Lease Agreement" shall be construed accordingly;

### "**Motor Vehicles**" means the motor vehicles leased by the Lessor to the Lessee pursuant to the provisions of this Agreement and the Lease Agreements (in respect of such motor vehicles) including each and every component, part, record, manual and handbook in respect of such motor vehicles together with all replacements, renewals, additions and substitutions made from time to time to such motor vehicles and the term "Motor Vehicle" shall be construed accordingly;

### "**Net Present Value**" means, in respect of each Lease Agreement, the net present value as at the Commencement Date of such Lease Agreement of the total sum of the Periodic Rent, as set out in such Lease Agreement and referred to as the "Net Present Value";

### "**Net Rate of Return**" has the meaning given to it in clause 19.2.2;

### "**Nominated Dealers**" has the meaning given to it in clause 4.6 and "Nominated Dealer" shall be construed accordingly;

### "**Payment Dates**" means the first Business Day of each month during the Term and the term "**Payment Date**" shall be construed accordingly;

### "**Periodic Rent**" means, in respect of each Motor Vehicle, the rentals (increased or decreased by the Rent Adjustments) for the lease of such Motor Vehicle payable by the Lessee to the Lessor in an amount specified in the relevant Lease Agreement (in respect of such Motor Vehicle);

### "**Potential Event of Default**" means any event or circumstance which would with the giving of notice, lapse of time, the making of a determination or any combination thereof become an Event of Default;

### "**Purchase Agreement**" means, in respect of a Motor Vehicle, the agreement between the Dealer and the Lessor whereby the Lessor agrees to purchase from the Dealer such Motor Vehicle;

### "**Residual Value**" means, in respect of each Motor Vehicle, the amount indicated in each lease Agreement as being the "Residual Value";

### "**Return Conditions**" means the conditions specified in Schedule 3 being those to which the Motor Vehicles should comply at all times during the Term and upon their delivery to the Lessor at the expiry of the Term or upon earlier termination of this Agreement and/or the relevant Lease Agreements;

### "**Specifications**" means, in respect of a Motor Vehicle, the specifications stipulated by the Lessee in respect of such Motor Vehicle, as set out in the Lease Agreement in respect of such Motor Vehicle and referred to as the "Specifications";

### "**Tax**" includes any tax, levy, impost, assessment, duty or other charge of a similar nature (including, without limitation, value added tax, stamp duty and any penalty or interest payable in connection with any failure to pay or any delay in paying the same) and the term "Taxes" shall be construed accordingly;

### "**Term**" means, in respect of any Lease Agreement, the period beginning on the Commencement Date and ending on the Termination Date;

### "**Termination Date**" means the date indicated in a Lease Agreement as the termination date on which the leasing of a Motor Vehicle will be terminated by effluxion of time;

### "**Total Loss**" has the meaning ascribed to it in clause 6.1; and

### "**Total Rent**" means, in respect of any Motor Vehicle, the total Periodic Rent payable by the Lessee to the Lessor during the Term.

## In this Agreement (including the recitals and the Schedules hereto), unless the context otherwise requires:

### references to any statute or statutory provision shall include any statute or statutory provision which amends or replaces or has amended or replaced it and shall include any subordinate legislation made under the relevant statute;

### words denoting the singular number shall include the plural and vice versa and reference to the masculine gender includes a reference to the feminine gender and neuter and vice versa;

### references to Sections, clauses, sub-clauses and Schedules, unless otherwise provided, are to be construed as references to the Sections, clauses and sub-clauses of and Schedules to this Agreement;

### the expression "person" includes a natural person, body corporate, unincorporated body, state, state agency, governmental authority or firm;

### costs, charges, expenses or remuneration shall be deemed to include, in addition, references to any value added tax or similar tax charged or chargeable in respect thereof;

### "tax" shall be construed so as to include any tax, levy, impost, duty or other charge of a similar nature (including, without limitation, value added tax, stamp duty and any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

### references to the expression "month" mean a calendar month;

### references to indemnifying any person against any circumstances include indemnifying and keeping him harmless from all actions, claims and proceedings from time to time made against that person and all loss or damage and all payments, costs and expenses made or incurred by that person as a consequence of or which would not have arisen but for that circumstance; and

### reference to "Agreement" shall mean this Master Lease Agreement (as the same may from time to time be amended in accordance with the provisions hereof).

## Section and clause headings are for convenience only and shall not affect the interpretation of this Agreement.

## Words and expressions defined in this agreement shall, unless the context otherwise requires, have the same meaning in the Lease Agreements.

# **MASTER LEASE AND REQUEST TO LEASE**

## If the Lessee wishes to lease a Motor Vehicle and the Lessor agrees to lease to the Lessee such Motor Vehicle, the Lessee and the Lessor shall execute a Lease Agreement in respect of such Motor Vehicle. In the absence of a duly executed Lease Agreement, this Agreement shall not constitute a lease or a commitment by either party to enter into a lease.

## Prior to execution of any Lease Agreement, the Lessee shall be required to deliver to the Lessor any documents, instruments and certifications that the Lessor may require, including without limitation, all the constitutional documents of the Lessee, relevant shareholders and/or directors resolutions authorizing the Lessee to enter into such transactions, all the necessary financial information of the Lessee and any other information or documents required by the Lessor. The Lessee shall also be required to deliver to the Lessor prior to execution of any Lease Agreement details in respect of the Motor Vehicle it wishes to lease from the Lessor, including, without limitation, the Dealer in respect of such Motor Vehicle, the choice of Motor Vehicle and the Specifications.

## It is hereby agreed that the Lessee shall assume full responsibility with respect to the selection of the Dealer, the choice of Motor Vehicle and the Specifications and the Lessor shall have no liability or responsibility in respect thereof. It is hereby acknowledged by the Lessee that each Motor Vehicle will be acquired by the Lessor from the Dealer at the request of the Lessee and solely for purposes of leasing the Motor Vehicle to the Lessee;

## The Lessor shall only execute a Purchase Agreement after the provisions of clauses 2.1 to 2.3 have been fulfilled.

# **LESSEE’S CONVENANTS**

## PAYMENT

### The Lessee shall pay to the Lessor monthly in advance via an irrevocable standing order from a local bank and without demand the Periodic Rent (together with all Taxes whether now in force or hereinafter imposed) on each Payment Date provided that, in respect of any Lease Agreement, should the Commencement Date not be a Payment Date the Lessee shall pay to the Lessor the first Periodic Rent and the first Maintenance Charge (for the period from the Commencement Date to the next following Payment Date) calculated in accordance with the provisions of clause 3.1.2 on the Commencement Date and thereafter Rentals shall be paid on the Payment Dates.

### Periodic Rent for any period less than a month shall be calculated on a proportionate basis by reference to the actual number of days for which Periodic Rent is required to be paid and on the basis of a thirty (30) day month.

### The Lessee's liability to pay Periodic Rent for each Motor Vehicle shall accrue from the relevant Commencement Date.

### Without prejudice to the provisions of sub-clause 3.1.5 and any other rights or remedies that the Lessor may have against the Lessee, if in breach of the terms of this Agreement any Periodic Rent, or any other sum due and owing under this Agreement and/or any Lease Agreement shall not be paid when due, the Lessee shall pay to the Lessor interest calculated on a daily basis from (and including) the date payment is required to be made until the date of payment in full (together with all accrued interest) at the rate of two percent (2%) per annum over the Agreed Rate (the "Default Rate") (or such other rate as the Lessor's financiers may from time to time charge the Lessor in respect of payments made by the Lessor in default of agreed terms), but in no event at a rate greater than that permitted by any applicable law. Interest shall accrue from day to day and shall be debited monthly by way of compound interest. The Lessee acknowledges and agrees that the aforesaid rate of interest represents a reasonable pre-estimate of the loss to be suffered by the Lessor in funding the aforesaid breach by the Lessee.

### Time shall be of the essence in respect of any sums payable under this Agreement and/or any Lease Agreement.

## DELIVERY AND INSPECTION

### The Lessor shall arrange for the delivery of all Motor Vehicles to the Lessee in Nairobi (at such location notified by the Lessee to the Lessor) and immediately upon delivery of the Motor Vehicles by the Dealer to the Lessee, the Lessee shall sign a delivery note (the "Delivery Note") confirming the Specifications and the date, time and place of delivery of such Motor Vehicles. The Lessee shall be required to immediately provide the Lessor with a copy of such Delivery Note. Risk in such Motor Vehicles shall pass to the Lessee immediately upon delivery,

### Upon execution of the Delivery Note by the Lessee, it shall be conclusively presumed that the Motor Vehicles are in accordance with the Specifications, in good order and condition, fit for the purpose for which they are required and in every way satisfactory to the Lessee.

### The Lessee shall allow the Lessor and/or its authorized agents or representatives upon reasonable notice at any time during ordinary business hours on Business Days to inspect the Motor Vehicles for any reason whatsoever, including without limitation, for purposes of examining the odometers of the Motor Vehicles to determine the number of kilometres that the Motor Vehicles have been driven. The Lessor shall not be liable to the Lessee in any manner for any loss of profit, use or otherwise howsoever as a result of such inspections being undertaken by the Lessor.

## USE OF THE MOTOR VEHICLES

The Lessee hereby undertakes with the Lessor that:

### the Motor Vehicles will at all times be used and operated solely in the conduct of the Lessee's business for the purpose for which it was designed and intended and under and in compliance with all relevant laws and regulations of any Competent Authority having the power and authority to regulate or supervise the use of motor vehicles;

### it shall take all reasonable steps to safeguard the Motor Vehicles;

### it will keep the Motor Vehicles in its possession and control and will not take the Motor Vehicles or permit the same to be taken outside the Republic of Kenya without the prior written consent of the Lessor;

### it will notify the Lessor in writing of the address of the premises where the Motor Vehicles are kept and any change in the same forthwith upon any such change occurring;

### it shall not sublet, assign or create any Encumbrance over or otherwise dispose of any of the Motor Vehicles or any component part thereof and will not remove, change or interfere with any identification number, trade mark or other identification mark upon the Motor Vehicles or anyone or more of them or any part thereof and will not, without prejudice to the generality of the foregoing, create or permit to exist any lien on the Motor Vehicles or pledge over the Motor Vehicles either in the event of such Motor Vehicles being taken for repairs or otherwise howsoever and further it shall protect the Motor Vehicles against distress, execution, seizure or any other similar legal process;

### it shall ensure that the Motor Vehicles are operated in a skilful, safe and proper manner and not in a negligent manner by the Lessee's authorised personnel and in accordance with any operating instructions issued by the manufacturers of such Motor Vehicles for the use of the Motor Vehicles including, without limitation any instructions with regard to over-loading;

### it shall ensure that the Motor Vehicles are only driven by the Lessee's authorised personnel who shall at all times hold valid and current driving licences in the appropriate classes;

### it shall ensure that the Motor Vehicles are not used for any purposes for which they are not designed and, in particular, that the Motor Vehicles are not used for hire, driving tuition, towing, racing, pace making, competing in any rally or any other form of motor sport, for any illegal purposes whatsoever or for any purpose which shall contravene the terms and conditions of the Insurance Policies or the provisions of the Traffic Act (Chapter 403, Laws of Kenya) or the Transport Licensing Act (Chapter 404, Laws of Kenya), including without limitation, the provisions of these acts governing the use of public service vehicles;

### it shall not (without the prior written consent of the Lessor):

#### effect any modifications, alterations or additions to any Motor Vehicle and any such modifications, alterations of additions shall become part of the Motor Vehicle and shall belong to the Lessor; -

#### fit non-standard tyres;

#### replace or alter the number plates fitted on any Motor Vehicle;

#### intentionally deface the paintwork or bodywork of any Vehicle; or

#### use non-standard fuel additives.

## GENERAL

### The Lessee hereby warrants and covenants with the Lessor that it shall:

#### be responsible for costs relating to fuel, parking fines and towing expenses for illegall parking;

#### keep the Motor Vehicles in its sole possession and shall comply with the Insurance Policies;

#### deliver to the Lessor the Motor Vehicles in good repair and working order, allowing for fair wear and tear as provided for in this Agreement and the Lease Agreements and in accordance with the Return Conditions at the expiration of the Term or upon earlier termination of this Agreement and/or the Lease Agreements (howsoever occurring);

#### in respect of each Motor Vehicle, if the amount of road licence fees, inspection charges, Public Service Vehicle taxes and Public Service Vehicle passenger charges shall be increased beyond those payable at the relevant Commencement Date or if any new Tax of whatever nature is imposed by any Competent Authority on the operation or use of motor vehicles (and whether payable by the owner or user thereof) after the date hereof, to pay to the Lessor forthwith upon demand the amount of such increase or imposition (as the case may be) but the Lessor shall on demand by the Lessee produce for inspection the receipt or receipts or other proof of payment of such increase or imposition (as the case may be);

#### not, for purposes of Kenyan taxation, claim capital allowances on the Motor Vehicles irrespective of the accounting policies and treatment adopted by the Lessee.

# **INSURANCE**

## The Motor Vehicles shall be insured to their full replacement value against all risks on a comprehensive policy without excess or restriction. The interest of the Lessor's financiers shall be noted on the Insurance Policy.

## The Lessor shall duly pay all premiums and other sums of money payable from time to time in accordance with the Insurance Policies therewith and will upon the request in writing by the other party furnish the Lessee with copies of such Insurance Policies. The Lessor shall take all the steps necessary to maintain the Insurance Polices in full force and effect and neither the Lessor nor the Lessee shall not do anything whereby such insurance policies may be voided or vitiated (in whole or in part).

## If the Insurance Policies provide for the payment of any excess, the Lessee shall be responsible for the payment of such excess.

## The Lessee shall in Writing notify the Lessor and the Insurer of any damage to or accident or theft involving any Motor Vehicle within such period as specified in the Insurance Policies and thereafter deal with the Motor Vehicle as directed by the Lessor. The Lessee shall also report any accident to the police as required by law and obtain all relevant abstracts as required by the Insurer.

## If the Lessee wishes to take a Motor Vehicle out of Kenya, the Lessee shall obtain from the insurer, in respect of such Motor Vehicle and for the period such Motor Vehicle is out of Kenya, a comprehensive insurance policy together with a PT A insurance policy. The premiums in respect of the comprehensive insurance policy and the PTA insurance policy shall be borne by the Lessee. The Lessee shall further provide the Lessor with not less than two Business Days notice of its intention to remove such Motor Vehicle out of Kenya together with any other relevant information to enable the Lessor to provide the Lessee with the relevant documents, consents and authorisations provided that the Lessee shall not be entitled to take a Motor Vehicle other than to Uganda or Tanzania save with the prior written consent of the Lessor.

## The Lessee shall at all times be responsible for the payment of the excess under any Insurance Policy.

## Subject to the provisions of clause 5.6, if any Motor Vehicle shall be damaged as a result of the negligence and/or willful misconduct of the Lessee and/or its agents and/or its servants the cost of repairing such Motor Vehicle shall be the Lessee's responsibility, save to the extent that such cost may be recovered under the Insurance Policies.

# **TOTAL LOSS AND OTHER LOSS**

## If there is a total loss, constructive total loss, or arranged total loss (including, for the avoidance of doubt and without limitation, theft) ("Total Loss") of any of the Motor Vehicles, the Lease Agreement in respect of such Motor Vehicles shall be deemed to be terminated.

## On the expiry of thirty (30) days after the occurrence of an event giving rise to such Total Loss, the Lessee shall pay to the Lessor an amount equal to the sum calculated in accordance with clause 11.3. Such sums shall be paid together with interest (calculated in accordance with the provisions of sub-clause 3.1.4) at the Default Rate from (and including) the date of such Total Loss until payment (together with all accrued interest) in full by the Lessee to the Lessor.

## Without prejudice to the generality of clause 8.1, the Lessee shall be solely responsible for and shall indemnify the Lessor (on a full and unqualified indemnity basis) against all loss or damage to any Motor Vehicles howsoever caused occurring at any time before the expiry of the relevant Lease Agreements in respect of such Motor Vehicles insofar as the Lessor is not reimbursed by the insurance proceeds in respect thereof as result of the Lessee's willful misconduct or default of any/of the provisions of this Agreement.

# **CONDITIONS, WARRANTIES AND EXCLUSIONS**

## The Lessor agrees that, provided the Lessee is not in default under this Agreement, it will upon request and at the cost and expense of the Lessee assign to the Lessee (so far as the same are capable of being assigned) the benefit of all express warranties granted in favour of the Lessor by the Dealer pursuant to the Purchase Agreements including but not limited to the warranty for the good and proper performance of each of the Motor Vehicles for and limited to, the Time period or Distance usage stipulated by the Dealer for each vehicle model, provided that the Lessee shall first fully indemnify the Lessor to the satisfaction of the Lessor against all costs, claims, damages and expenses incurred or to be incurred in connection with the enforcement thereof or the making of any claim thereunder, and provided that upon the expiration of the Term or upon the earlier termination of the hiring hereunder and/or under the relevant Lease Agreements, the Lessee agrees to reassign such warranties to the Lessor and for that purpose hereby irrevocably appoints the Lessor as its attorney and in its name to execute in favour of the Lessor any such assignment in such form as may then be necessary to give effect to this clause.

## The Lessor does not let or supply the Motor Vehicles with any representation or warranty (express or implied) concerning the design, compliance with Specifications, condition, performance, quality, workmanship, suitability, adequacy, operation, use or performance of the motor Vehicle or with or subject to any condition or warranty express or to be implied by statute, description, at common law or otherwise and all such representations, conditions and warranties whether relating to the capacity, age, quality, description, condition, leasing, possession, transportation or use of the Motor Vehicles or to the merchantability or suitability or fitness of the Motor Vehicles for a particular or any purpose are excluded save for the warranties and conditions provided for in clause 6.1.

## The Lessee understands and agrees that neither the Dealer nor any of its agents or servants is an agent of the Lessor and no representations, warranties or conditions by the Dealer shall in any way affect the Lessee's obligation to pay the Lessor and perform all its obligations set out in this Agreement and the Lease Agreements.

## The Lessor shall not be liable to the Lessee:

### in contract or in tort for loss, injury or damage arising by reason of any defects in the Motor Vehicles whether such defects be latent or apparent on examination;

### for any statement, condition, warranty or representation made by the Dealer or any other person through whom this transaction may have been introduced, negotiated or conducted and persons other than those in the employ of the Lessor have no authority, express or implied, to act as agent for the Lessor;

### in any manner including, without limitation, for any incidental or consequential losses or any damages (direct or indirect) or for any act, neglect, omission, breach or default by the Dealer or any other third party; and

### or any loss or damage incurred or sustained by the Lessee in consequence of the Lessor terminating the hiring under Section 10 or in retaking possession of the Motor Vehicles.

# **INDEMNITY**

## The Lessee shall indemnify the Lessor on a full and unqualified indemnity basis against:

### all duties, fees, Taxes, levies, registration charges, insurance premiums, expenses of any nature and other outgoings arising out of the hiring, insurance or use of the Motor Vehicles by the Lessee;

### all losses, liabilities, damages, actions, claims, proceedings (whether civil or criminal), penalties, fines or other sanctions, judgments, legal costs and other costs and expenses suffered or incurred by the Lessor arising directly or indirectly in any manner out of the insurance, possession, management, use, misuse and operation of the Motor Vehicles or the transportation or repossession of the Motor Vehicles by the Lessor whether or not the Motor Vehicles are in the possession or control of the Lessee; and

### all losses, liabilities, actions, claims, demands, proceedings (whether criminal or civil) costs, penalties, fines or other sanctions, legal costs, insurance premiums and calls, liabilities, judgments, damages or other sanctions arising (whether directly or indirectly) from the Lessee's failure or alleged failure to perform its obligations under this Agreement and/or any Lease Agreement.

# **INTEREST**

## If any sums payable by either party under this Agreement and/or the Lease Agreements shall not be paid when due, such sums shall be paid together with interest on it (calculated in accordance with the provisions of sub-clause 3.1.4) at the Default Rate from (and including) the date such sums are payable until payment (together with all accrued interest) in full.

# **TERMINATION BY DEFAULT, BREACH OR NOTICE**

## Without prejudice to the Lessor's right to arrears of the Periodic Rent, Maintenance Charges or other sums due or for damages for breach of this Agreement and/or any of the Lease Agreements, the Lessor may terminate the hiring under this Agreement and/or all or any (at the Lessor's discretion) of the Lease Agreements immediately on the occurrence of any of the following events:

### if the Lessee fails to pay within seven (7) days of the due date any money (including, without limitation, the Periodic Rent and/or the Maintenance Charges) or to discharge any liability payable by the Lessee to the Lessor hereunder or under any of the Lease Agreements or if the Lessee commits a material breach of any of its other obligations under this Agreement and/or any Lease Agreements provided that in respect of such breach, if capable of remedy, a notice in writing has first been served on the Lessee by the Lessor setting out the nature of the breach and the Lessee fails within 30 Days to remedy such breach to the reasonable satisfaction of the Lessor, or if any representation, warranty or undertaking from time to time made to the Lessor by the Lessee is or becomes incorrect or misleading in a material respect; or

### if the Lessee shall do or allow to be done any act or thing which may prejudice or endanger the Lessor's property or rights in any of the Motor Vehicles; or

### if the Lessee shall abandon any of the Motor Vehicles; or

### if any material part of the property, assets or revenues of the Lessee is sold or disposed of or threatened to be sold or disposed of (otherwise than in the normal course of trading) whether in a single transaction or a number of transactions or is nationalised, compulsorily acquired, seized or appropriated; or

### if any licence, authorization, consent or registration at any time necessary or desirable to enable the Lessee to comply with its obligations to the Lessor hereunder or to carry on its business in the normal course shall be revoked, withheld or materially modified or shall fail to be granted or perfected or shall cease to remain in full force and effect.

## The Lessee may terminate the hiring under this Agreement and/or all or any (at the Lessee's sole discretion) of the Lease Agreements immediately on the occurrence of any of the following events:

### if the Lessor commits a material breach of any of its other obligations under this Agreement and/or any Lease Agreements provided that in respect of such breach, if capable of remedy, a notice in writing has first been served on the Lessor by the Lessee setting out the nature of the breach and the Lessor fails within thirty (30) days to remedy such breach to the reasonable satisfaction of the Lessee or if any representation, warranty or undertaking from time to time made to the Lessor by the Lessee is or becomes incorrect or misleading in a material respect; or

### if any material part of the property, assets or revenues of the Lessor is sold or disposed of or threatened to be sold or disposed of (otherwise than in the normal course of trading) whether in a single transaction or a number of transactions or is nationalised, compulsorily acquired, seized or appropriated; or

### if any licence, authorization, consent or registration at any time necessary or desirable to enable the Lessor to comply with its obligations to the Lessee hereunder or to carry on its business in the normal course shall be revoked, withheld or materially modified or shall fail to be granted or perfected or shall cease to remain in full force and effect.

## The parties hereby covenant with each other to immediately notify the other party in writing of the occurrence of any of the Events of Default specified in clauses 9.1 or 9.2 (as the case may be) or of a Potential Event of Default.

## Upon the occurrence of an Event of Default, the Lessor's consent to the Lessee's possession of the relevant Motor Vehicles (in respect of which the Lease Agreements have been terminated) shall determine immediately and the Lessor may take possession of such Motor Vehicles wherever they may be. The Lessor shall allow the Lessee and/or its employees' reasonable time to remove from such Motor Vehicles any goods or possessions belonging to Lessee and/or its employees.

## Either party shall in respect of any Lease Agreement be entitled after the expiry of twelve (12) months from its Commencement Date to terminate such Lease Agreement upon the giving of Six(6) months prior written notice to the other, or payment in lieu thereof.

# **CONSEQUENCES OF TERMINATION**

## Immediately upon the hiring of any of the Motor Vehicles being determined upon the expiry of any of the Lease Agreements on the Termination Date or pursuant to the provisions of clause 9.5, the Lessee shall, immediately upon demand being made by the Lessor to the Lessee, pay to the Lessor in respect of each relevant Lease Agreement:

### all arrears of the Periodic Rent and the Maintenance Charges for periods up to the Termination Date or the Early Termination Date (as the case may be) (together with all interest accrued thereon); and

### all other payments due by the Lessee to the Lessor pursuant to the provisions of this Agreement and the relevant Lease Agreements.

## Immediately upon the hiring of Motor Vehicles being terminated pursuant to the provisions of clause 10.1, the Lessee shall, immediately upon demand being made by the Lessor to the Lessee, pay to the Lessor in respect of each relevant Lease Agreement:-

### all payments due and payable in accordance with the provisions of sub-clauses 10.1.1 and 10.1.2; and

### damages for breach of this Agreement and/or any of the Lease Agreements.

## Upon the hiring of any of the Motor Vehicles being determined pursuant to the provisions of clause 5.1:-

### the Lessee shall, immediately upon the expiry of the period referred to in clause 5.2, pay to the Lessor in respect of each relevant Lease Agreement:

#### all arrears of the Periodic Rent and the Maintenance Charges for periods up to the Early Termination Date (together with all interest accrued thereon); and

#### all other payments due by the Lessee to the Lessor pursuant to the provisions of this Agreement and the relevant Lease Agreements.

# **RETURN OF MOTOR VEHICLES**

## The Lessee hereby covenants and agrees to deliver (at its sole cost and expense) the Motor Vehicles to the Lessor or its appointed agent in accordance with the Return Conditions and having fully complied with the other provisions of this Agreement and the relevant Lease Agreement on the Termination Date or upon earlier termination of this Agreement and/or the relevant Lease Agreements (howsoever terminated) at such address as the Lessor shall notify to the Lessee and if the Lessee is unable or unwilling to make such delivery, the Lessor or its agents may immediately thereupon or at any time thereafter without any previous or further notice or concurrence on the part of the Lessee enter upon any lands or premises whereon the Motor Vehicles for the time being may be and take possession thereof.

# **NOTICES**

## Any notice or demand to be made or given by one party hereto to the other shall be in writing and shall be deemed made and served:

### when left at the principal place of business of the Lessor on a Business Day or, in the case of the Lessee, at the principal place of business of the Lessee on a Business Day; and

### five (5) days after posting provided that proof is given that the notice or demand was properly addressed and adequately stamped and put into the post.

# **ASSIGNMENT**

## Both parties shall, subject to receiving written consent from the other (such consent shall not be unreasonably withheld), have a full and unfettered right to assign the whole or any part of the benefit of this Agreement and/or the Lease Agreements and the expression "the Lessor" or "the Lessee" wherever used herein shall be deemed to include the assignees and other successors, whether immediate or derivative, of the Lessor or the Lessee (as the case maybe) who shall be entitled to enforce and proceed upon this Agreement and/or the Lease Agreements in the same manner as if named herein. Both parties shall be entitled to impart any information concerning the other to any such assignee or other successor or proposed assignee or successor.

# **PAYMENTS FREE OF DEDUCTION**

## All payments to be made by the Lessee to the Lessor under this Agreement and the Lease Agreements shall be made free and clear of and without deduction for or on account of any Taxes, levies, imposts, duties, charges, fees or withholdings of any nature whatsoever now or hereafter imposed by any competent taxing authority. If the Lessee shall at any time be compelled by law to deduct or withhold any amount from any payment hereunder the Lessee will concurrently pay to the Lessor such additional result in payment to the Lessor of the full amount which would have been Lessor if such deduction or withholding had not been made.

# **GENERAL**

## The Lessor shall at all times retain the ownership of the Motor Vehicles shall have no interest in the Motor Vehicles save as is provided by this the applicable Lease Agreements.

## Any delay or failure of either party herein to exercise any right or remedy shall not constitute a waiver of it or them and any of their rights or remedies n separately or concurrently with any other right or remedy now or in the future accruing to them to the effect that such rights are cumulative and not exclusive of each other.

## Subject to the provisions of clause 6.1, the continuance of this Agreement or any of the Lease Agreements or the Lessee's liability for payment of rentals and payable hereunder shall not be affected in any way by the loss, Total Loss or damage to or any defect in the Motor Vehicles whether latent or patent.

## All the obligations of the Lessee under this Agreement and the Lease Agreements shall be discharged at the Lessee's cost and expense.

## 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.

## It is hereby certified by both parties that the execution of this Agreement does not contravene any of the provisions of their respective memorandum and articles of association.

## The rights, powers and remedies provided by this Agreement are cumulative, and, save as expressly provided herein, are not nor are they to be construed as exclusive of any powers and remedies provided by law.

## A certificate of any officer of the Lessor as to the amount of any monies or liabilities owing or incurred to the Lessor by the Lessee shall, save in the case of manifest error, be binding on the Lessee and conclusive for all purposes.

## Any liberty or power which may be exercised or any determination which may be made hereunder by the Lessor may be exercised and made in the absolute and unfettered discretion of the Lessor who shall not be under any obligation to give reasons thereof.

## Where the consent of the Lessor is required under any of the provisions of the Agreement or any of the Lease Agreements the Lessor may withhold consent in its sole discretion without giving reasons therefor or may grant consent upon and subject to such terms and conditions as the Lessor shall think fit. Where it is necessary to determine whether any act circumstance event matter or thing is "material" for the purposes of any provision hereunder the Lessor's opinion thereupon shall be final and binding on the Lessee.

## The Lessee hereby agrees that the Lessor may at any time without notice notwithstanding any settlement of account under any Lease Agreement or other matter whatsoever set-off or transfer any sum standing to the credit of anyone or more such accounts in respect of any such Lease Agreement in or towards satisfaction of any obligations and liabilities of the Lessee to the Lessor under other Lease Agreements. Where such set-off or transfer requires the conversion of one currency into another such conversion shall be calculated at the then prevailing buying rate of exchange of Standard Chartered Bank or such other bank in Kenya nominated by the Lessor (as conclusively determined by the Lessor) for purchasing the currency for which the Lessee is liable with the existing currency. The foregoing provisions of this clause 16.11 shall be in addition to and without prejudice to such rights of set -off, lien and other rights whatsoever conferred on the Lessor by law.

# **REPRESENTATIONS AND WARRANTIES**

## Each party represents and warrants to the other that:

### it is a private limited liability company duly incorporated and validly existing under the laws of the Republic of Kenya and has the corporate power to own its assets conduct its business as presently conducted and to enter into observe and perform its obligations under this Agreement and the Lease Agreements;

### the Agreement has been and the Lease Agreements will be duly authorised and executed by both the parties and this Agreement constitutes and the Lease Agreements will constitute valid and legally binding obligations enforceable in accordance with its terms;

### neither the entry into this Agreement or the Lease Agreements nor the compliance with their respective terms will conflict with or result in a breach of any of the terms, conditions or provisions of or constitute a default or require any consent under any indenture, mortgage, charge, agreement or other instrument or arrangement to which it is a party or by which it is bound or violate any of the terms or provisions of the Lessee's memorandum and articles of association or any judgement, decree or order or any statute, rule or regulation applicable to it or the businesses undertaken by it;

### it is not engaged in nor, to the best of its knowledge, threatened by any litigation, arbitration or administrative proceedings the outcome of which might materially affect its business prospects or financial condition or make it improbable that it will be able to observe or perform its obligations under this Agreement and/or the Lease Agreements

### it is not in violation of any statute or regulation of any competent authority in Kenya and no judgment or order has been issued which has or is likely to have any material adverse effect on its business prospects or financial conditions or make it improbable that it will be able to observe or perform its obligations under this Agreement and/or the Lease Agreements;

### no Event of Default or Potential Event of Default has occurred; and

### all information provided by or on its behalf in connection with this Agreement or to be presented to the Lessor in connection with the Lease Agreements or otherwise was (in the case of the Agreement) and will be (in the case of the Lease Agreements) true and complete in all material respects and it has not withheld or will not withhold disclosure of any material facts or circumstances which could affect the other party's decision to enter into this Agreement and the Lease Agreements (from time to time).

## The representations and warranties in clause 16.1 shall be deemed repeated by the parties on and as of each day that the Agreement and the Lease Agreements remains in force.

# **FORCE MAJEUR**

## If performance by either party of any of its duties or obligations under or pursuant to this Agreement and/or the Lease Agreements (other than the Lessee's payment obligations hereunder) is prevented, hindered delayed or otherwise made impracticable by reason of any strike, flood, riot, fire, explosion, war, (whether or not actually declared), labour dispute, shortage of labour, fuel raw material or machinery or as a result of any other cause beyond its control which cannot be overcome by reasonable diligence and without unusual expense, such party shall be excused from such performance to the extent that it is so prevented, hindered or delayed thereby during the continuance of any such happening or event and for so long as such event shall continue to prevent, hinder or delay such performance.

## If such conditions shall prevent, hinder or delay performance for a period in excess of six (6) months, either party may terminate this Agreement and/or the Lease Agreements.

# **PERIODIC RENT ADUSTMENTS**

## Interest rate variation

### In respect of each Lease Agreement, if on a Payment Date, the Base Rate on a Business Day immediately prior to such Payment Date exceeds the Assumed Base Rate, then the Periodic Rent shall be adjusted upwards by a sum equivalent to the factor (set out in the Lease Agreement (the "Factor")) per Kenya Shillings one thousand (Kshs. 1000/-) of the Net Present Value for each two percent (2 %) per annum by which the Base Rate exceeds the Assumed Base Rate.

### In respect of each Lease Agreement, if on a Payment Date, the Base Rate on a Business Day immediately prior to such Payment Date is less than the Assumed Base Rate, then the Periodic Rent shall be adjusted downwards by a sum equivalent to the Factor per Kenya Shillings one thousand (KShs. 1000/-) of the Net Present Value for each two percent (2 %) per annum by which the Assumed Base Rate exceeds the Base Rate and the Lessor shall make to the Lessee a rebate of rentals of an amount equal to such decrease in the Periodic Rent.

### For the purposes of clauses 18.1.1 and 18.1.2, if the Base Rate on a Business Day immediately prior to such Payment Date is not precisely a whole per cent different from the Assumed Base Rate, then the rentals shall be calculated pro-rata.

## Taxation

The Periodic Rent is calculated assuming:

### corporate income tax fixed in Kenya for companies generally is thirty percent (30%) for each financial year;

### the law and practice in Kenya at the date of this Agreement relating to taxation of companies will remain the same in all respects affecting this Agreement or all other matters relating to it including, without limitation, the leasing of motor vehicles; and

### the whole of the capital expenditure (exclusive of recoverable value added tax) incurred by the Lessor in purchasing the Motor Vehicles pursuant to the Purchase Agreements qualifies for capital allowances at such rates as specified as at the date hereof in the Income Tax Act (Cap 470, Laws of Kenya) and that other than upon the sale of the Motor Vehicles at the expiry or earlier termination of the leasing hereunder no balancing charge arises.

## If any of the assumptions contained in sub-clauses 18.2.1 to 18.2.3 proves not to be or ceases to be correct then in any such event and as many times as any such event shall occur, if the result is that the aggregate of the Periodic Rent to be paid during the Term would in such case as a whole (and apart from this clause) produce to the Lessor a different net of tax rate of return from the net of tax rate of return to the Lessor in the acquisition and leasing of the Motor Vehicles over the Term upon which the calculation of the Periodic Rent were based ("Net Rate of Return"), the Lessor may by notice in writing to the Lessee adjust the Periodic Rent payable during the Term by such amounts as may be determined by the Lessor as necessary to maintain the Net Rate of Return as if the event had not occurred.

# **LAW**

## This agreement and all the Lease Agreements shall be governed by the Laws of Kenya.

# **ARBITRATION**

## Any dispute, controversy or claim arising out of or relating to this Agreement or any Lease Agreement or the interpretation, breach or validity hereof, shall be referred to arbitration by a single arbitrator to be appointed by the Chairman of the Kenya Branch of the Chartered Institute of Arbitrators. The provisions of the Arbitration Act (1995) shall apply to such arbitration proceedings.

## The place of arbitration shall be Nairobi and the language of the arbitration shall be English.

## The award of the arbitrator shall be final and binding upon the parties and any party may apply to a court of competent jurisdiction for enforcement of such award. The award of the arbitrator may take the form of an order to pay an amount or to perform or to prohibit certain activities.

## Notwithstanding the provisions of clause 20.1, a party is entitled to seek preliminary injunctive relief or interim or conservatory measures from any court of competent jurisdiction pending the final decision or award of the arbitrator.

**IN WITNESS** whereof this Agreement has been duly executed by the Lessor and the Lessee as of the day and year first above written.

The Common Seal of **……………** )

Was affixed in the presence of: )

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Director )

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Director / Secretary )

The Common Seal of )

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was affixed in the presence of: )

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Director )

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Director / Secretary )