

**LAND RENT CONTRACTUAL AGREEMENT MADE BETWEEN  
MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT**

**AND**

**CLC INDUSTRIES PLC**

This Land Lease Agreement is made and entered by and between **Ministry of Agriculture and Rural Development** of FDRE having its principal office at Kirkos sub city , Addis Ababa, Ethiopia, [herein after referred to as the "Lessor"].

**and**

**CLC Industries PLC** is a Private limited company incorporated under Ethiopia Law and having its Registered Office at **CETU bld. ,Bole road ,Addis Ababa, Ethiopia** [herein after referred to as "lessee", which expression where the context admits shall also mean and include its successors and assigns.

**WHEREAS**, the lessee a business organization incorporated to engage in cotton farming and textile manufacturing industry under the relevant laws of Ethiopia; and requires sufficient land in Amhara & Beneshangul Gumuz regional States;

**WHEREAS**, the Lessor is willing to provide the required land lease basis in accordance with the terms and conditions provided hereunder;

**NOW THEREFORE**, the parties have executed this land lease agreement on the <sup>25<sup>th</sup></sup> of December 2009 under the terms and conditions indicated herein below.

**Article 1**


**Scope of Agreement**

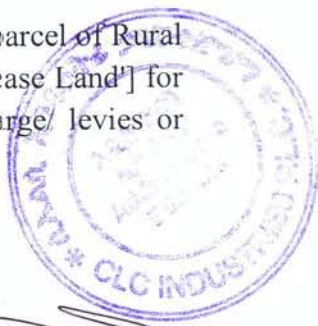
1.1 The scope of this lease Agreement is to establish a long term land lease of rural land for cotton farming and related activities on the land measuring **25,000** hectares, located in *Amhara and Benishangul gumuz* Regions, *Awi & Metekel* Zones, *Jawi and Pawe special* Weredas *Alkurand and Jabana legility & Ankwasha burzi* kebeles together with the lease certificate serial No ----- with all rights of easement, amenities, fittings, fixtures, structures, installations, property or other improvements standing thereon, to the ----- company to be incorporated for the purposes hereinafter mentioned by the lessee in the Federal Democratic Republic of Ethiopia.

1.2 This Lease Agreement shall be applicable to the full and exclusive use of that parcel of Rural land more particularly described in this lease [herein after referred to as the 'Lease Land'] for cultivation or development of cotton farming free of any other land use charge/ levies or

  
**Yaekob Yalla**  
State Minister



  
For CLC INDUSTRIES



(Authorised Representative)

Taxes directly imposed on the land and in the process of transfer of the land to the lessee other than the rent expressed under Article 2 of this agreement.

## Article 2

### Period of the land lease and payment rate of the land lease

- 2.1 This land lease agreement is made for period of 50 years but can be renewed for another additional years mutually agreed between the parties.
- 2.2 Land rental payment procedure
- 2.2.1 There shall be a five years grace period for the land rent, where the rent during this period will be prorated over the remaining years annually, commencing from the date of execution of this agreement .
- 2.2.2 Thereafter, the annual lease rate per hectare of land for use of agricultural investment referred to in article 1 on this contract ( per hectare ) shall be birr 665.85 ( birr Six hundred sixty five and eighty five Only ) , and total amount of contract shall be birr 832,312,500 ( birr Eight hundred thirty two million three hundred twelve thousand five hundred only). The annual lease payment will be birr 16,646,250(birr sixteen million six hundred forty six thousand two hundred fifty only)
- 2.2.3 Up on payment of the lease for the amount of land contracted, the receipt should be immediately issued to Lessee and a copy of which shall be submitted to district administrative office.
- 2.2.4 Irrespective of grace period of 5 years mentioned in terms of No 2.2.1 of this article, there shall be one year down payment for the land indicated herein above, which shall stand adjusted for the lease payment payable for the sixth year (and as such no further lease payment shall be payable for 6 year). Aforesaid down payment shall be made in 3 equal installments as per following Schedule:
- 1<sup>st</sup> Installment shall be payable within 30<sup>th</sup> June 2010.
- 2<sup>nd</sup> Installment shall be payable on December 30<sup>th</sup> 2010.
- 3<sup>rd</sup> installment shall be payable within July 30<sup>th</sup> 2011
- 2.2.5 The lessor reserves the right to revise the lease payment rate at most once after every 10 years as the need may arise in consultation with the lessee. However, if there might be an increment in the rate of the lease it shall not exceed10 % the existing rate.

## Article 3

### Rights of the Lessee

The lessee has the right to:

  
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State Minister



For CLC INDUSTRIES PLC

  
(Authorized Representative)

- 3.1 Develop the land for the major crop cotton farming and subsidiary crops of cereals (maize, sorghum), oil crops (sesame, nigger, safflower) , pulses for the optimum use of the land and such purposes that are agreed and administer the land, in accordance with the terms of this agreement.
- 3.2 Build infrastructure such as dams, water boreholes, power houses, irrigation system, roads, bridges, offices, residential buildings, fuel/power supply stations/out lets health/Hospitals/Dispensaries , educational facilities, at the discretion of Lessee upon consultation and submission of permit request with concerned offices subject to the type and size of the investment project whenever it deems so appropriate. Such requests shall be expeditiously allowed by the concerned government authority or the Lessor.
- 3.3 Develop or administer the leased land on his own or through a legally delegated person/ agency.
- 3.4 Develop and cultivate the land and harvest the crop and carry on all other activities by mechanization or such other means that the lessee shall in its own discretion deem fit and proper in the circumstances.
- 3.5 Get additional land based on the performance , accomplishment and need of the company.
- 3.6 Terminate the land lease agreement subject to at least six months prior written notice up on justified good cause.

#### Article 4

##### Obligations of Lessee

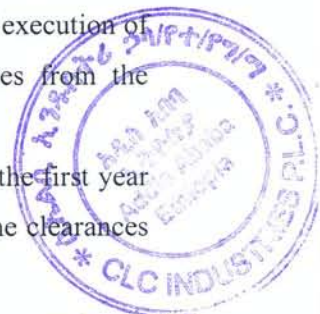
- 4.1 Lessee shall bear the obligation to provide good care and conservation of the leased land and natural resources thereon, with particular obligations to:
  - a) Conserve tree plantations that have not been cleared for earth works.
  - b) Apply appropriate working methods to prevent soil erosion in slopping areas.
  - c) Observe and implement the entire provision of legislations providing for natural resource conservation.
  - d) conduct environmental impact assessment and deliver the report with in three months of execution of this agreement.
- 4.2 The lessee should take over the leased land with in 30 days of execution of this agreement signed.
- 4.3 The lessee is expected to start to develop the land within in six months from the date of execution of the land lease Agreement or from the date of receipt of last of all the clearances from the government and other agencies are received by the lessee which ever is later.
- 4.4 Under the contract, the lessee shall develop one tenth of the leased plot of land within the first year from the date of signing of this land lease contract or from the date of receipt of all the clearances

  
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from the government and other agencies, as may be required are received by the lessee, whichever is later; accordingly, it shall develop the entire plot of leased land within a period of not more than seven years starting from the date as specified above.

- 4.5 Upon expiry or termination of land lease contract or revocation of investment license, lessee shall remove assets installed on the leased land in good order and hand over the leased land to lessor within a period not exceeding one year.
- 4.6 Lessee shall provide correct data and investment activity reports upon request by the ministry of Agriculture and Rural Development.
- 4.7 Once the annual land lease rent becomes payable up on completion of the grace period on the sixth year the lessee has the obligation to settle the current annual land rent including the prorated amount of the grace period to the Regions where the land is located during the months December up to June every year as per predetermined lease rate for rural lands.
- 4.8 Lessee shall, up on entering into the lease contract, submit an advance action plan as regards the use of the leased rural land accompanied by this contract document to the Ministry of agriculture and rural development.
- 4.9 The lessee shall in no way make any unauthorized use of the leased land beyond the predetermined purpose or objective or plan as stated in article 3 this agreement without expressed consent of the lessor in writing.
- 4.10 Unless 75% of the project land is developed the lessee has no right to transfer the land or properties developed on the land in favour of any other company or individual.
- 4.11 Up on developing 75 % of the land, the lessee can transfer the land or properties developed on the land in favour of any other company or individual only with the prior permit of the lessor. Lessor agrees to give such approval expeditiously, on confirming the basic condition is fulfilled.

## Article 5

### Right of Lessor

#### The lessor has exclusive right to:

- 5.1 Monitor and establish the fact that the lessee is discharging and accomplishing its obligations diligently.
- 5.2 Restore such lands, covered by this lease which are not developed by the lessee on the expiry of one year from the date specified for commencement of development in terms of clause 4.4 mentioned above, provided however that the lessee is given six months prior notice and fails to cure such failure with in such one year period.
- 5.3 The right of the lessor under article (5.1) above shall be exercised and performed in a manner that does not cause any hindrances to the work and activities of the lessee.

  
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5.5 Shall have a right to amend the land rent, in accordance with Article 2.2.5 of this Agreement.

## Article 6

### Obligations of Lessor

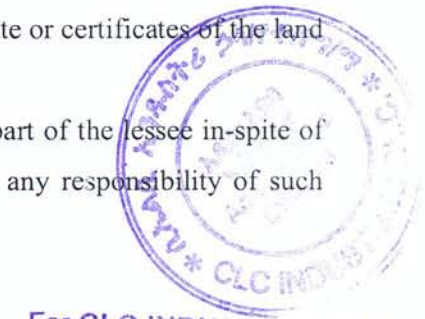
- 6.1 The lessor shall be obliged to deliver and hand over the vacant possession of leased land free of impediments to the lessee within thirty(30) days from the execution of this land Lease agreement.
- 6.2 In view of the importance of the proposed major investment, the lessor undertakes to provide or cause to provide special investment privileges such as exemptions from taxation and import duties of capital goods and repatriation of capital and profits granted under the investment laws of Ethiopia.
- 6.3 The lessor hereby covenants with and assures the lessee that there are no legal or other impediments whatsoever in the Lessee's clearing the land and using the same for the lessee's activities on the land covered by this Agreement, and purposes ancillary or incidental thereto.
- 6.4 To arrange access and use of facilities of the Federal government and the Regional State Research centers with fee for the purpose of soil testing and mapping.
- 6.5 The lessor shall issue 6 (six) month advance notice prior to termination of this contract on the grounds of failure to develop the land within the time limits in accordance with the contract obligation or any damage on the natural resources or non performance of due payment of lease charge and in the event of not addressing such issue, the Lessor may extend the time period for such compliance or terminate the agreement, in terms of this agreement .
- 6.6 The lessor shall ensure during the period of lease, Lessee shall enjoy peaceful and trouble free possession of the premises and it shall be provided adequate security, free of cost, for carrying out its entire activities in the said premises, against any riot, disturbance or any other turbulent time other than force majeure, as and when requested by the Lessee.

## Article 7

### Delivery of the lease land

- 7.1 The lessor shall, deliver to the lessees the site plan and the clear title certificate or certificates of the land within thirty days from the date of signing this contract with lessor.
- 7.2 If the delivery process cannot be effected due to and reason caused on the part of the lessee in spite of informing the Lessee in writing, to that effect the lessor shall not assume any responsibility of such failure.

  
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State Minister



For CLC INDUSTRIES PLC  
  
(Authorised Representative)

7.3 Land handing over shall be done within thirty days of the signing of this lease agreement and it shall come into into force immediately thereafter.

## Article 8

### Contract Amendment and Renewal

8.1 This land lease Agreement shall be renewed on the same terms and conditions.

8.2 If any of he parties wish to renew the agreement, it shall inform the other party at least six months before the expiration of the contract period.

## Article 9

### Grounds for contract termination

The land Lease Agreement may be terminated for the following reasons, namely:

9.1 Upon expiry of the Lease contract period, or such extended period as may be agreed by the parties.

9.2 Upon the failure of the lessor to deliver the land to the lessee due to causes other than 'Force majeure'.

9.3 Upon the failure of the lessor to fulfill or observe any of its obligations or covenants herein contained after the Lessee has given a written notice of six month and the Lessor fails to so observe and perform.

9.4 Upon the failure of the Lessee to settle the annual rental and other relevant tax payments for two consecutive years.

9.5 Upon the failure of the Lessee to perform its obligations, within its control under this contract after the Lessor has given to the lessee six months prior notice calling upon the lessee to observe and perform such obligations

9.6 Up on giving at least a six month advance notice by the lessor in writing to the lessee to terminate this lease contract for its own good reasons.

9.7 Up on giving at least a six month advance notice by the lessee in writing to the lessor to terminate this lease contract for its own good reasons as indicated on sub article 3.6.

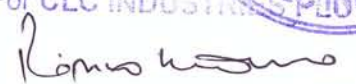
## Article 10

### Consequences of Contract Termination Procedure

10.1 On termination of this Land Lease Agreement, the Lessee shall surrender the leased land back to the Lessor within six month from the date of termination.

  
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- 10.2 If this Agreement is terminated by the Lessee for any of the reasons stated in Article 9 .3 and 9.6 the lessor shall pay to the lessee the value of improvement effected by the lessee on the land at then market price after setting off any dues on account of rental or taxes . .
- 10.3 If this agreement is terminated by the lessor for any of the reasons stated in article 9.4, 9.5 and 9.7 no payment shall be made by the Lessor to the Lessee on such termination.
- 10.4 Where the agreement is terminated up on the expiry of the term of the lease agreement for the reasons on article 9 the lessor has priority right to purchase properties over the land in negotiation with the lessee and, if not the lessee has the right to sale it to any interested third party up on written permit of the lessor. In doing So the lessor or any concerned government authority shall expeditiously allow the lessee to do so.

## Article 11

### Registration

This Land Lease Agreement shall not be subject to registration and approval by a notary office. However, the lessor as a representative and the highest authority of the Federal Democratic Republic of Ethiopian government with respect to this lease agreement, shall guarantee validity of this Agreement despite absence of the registration. Furthermore copies of the contract agreement shall be sent to the lessee, District administration, finance office, investment commission and other concerned bodies through lessor enclosed with covering letter of cooperation.

## Article 12

### Governing Law

The governing law for operations under the agreement shall be the laws of Ethiopia.

## Article 13

### Force Majeure

Conditions of force majeure shall be governed by the Ethiopian Civil code.

## Article 14

### Covenant of peaceful possession

The lessor warrants that it has full ownership and property rights in the leased area for granting this land lease Agreement and shall protect the right of the lessee to the peaceful possession, use and quiet enjoyment thereof.

## Article 15

### Controlling calendar

The Ethiopian calendar shall be used and shall be controlling for the purpose of this agreement.

  
Yaekob Yalla  
State Minister



  
For CLC INDUSTRIES  
  
(Authorised Representative)

## Article 16

### Annex to the Agreement

The documents listed below shall be annexed and considered as part and parcel of this Agreement.

16.1 The decision letter and minute for the land lease

16.2 The land development schedule

16.3 The site plan of the leased land

16.4 Photocopy of the ID or passport of the Lessee or duly authorized person by the lessee.

16.5 Photocopy of the Memorandum and Articles of Association of the Lessee.

## Article 17

### Settlement of Disputes

In the event of a dispute arising between the lessor and the lessee arising out of or in connection with this Land Lease Agreement, both parties will do their utmost to resolve the dispute amicably and to their mutual satisfaction through negotiation ; if the disputes has not been settled within a period of six months from the date of either to the dispute requested amicable settlement , the dispute may be submit for the settlement to the competent Ethiopian court or if the parties fail to agreed on the mentioned dispute settlement procedure then the dispute may be referred to the International Center for Settlement of Investment Dispute under the rule governing additional facilities for the administration of proceeding by the secretariat of the center.

## Article 18

### Language


This Agreement has been executed between parties in the English.

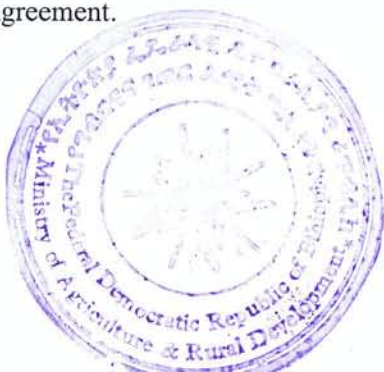
## Article 19

### Office and Notices

19.1 The Lessee shall establish and maintain an office in Ethiopia as may be necessary or convenient for carrying out operations.

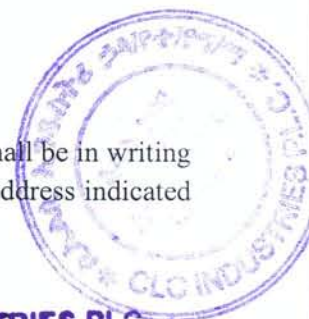
19.2 All communications and notice required to be sent from one party hereto to the other shall be in writing in the English or Amharic language and shall be delivered in person or sent by mail at address indicated in the preamble of this Agreement.

  
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State Minister



For CLC INDUSTRIES P.L.C

  
(Authorized Representative)





Article 20

Effective Date of the contract

This land lease Agreement shall remain effective for 50 years starting from the date of <sup>26<sup>th</sup></sup> ~~-----~~ of December 2009 and shall come to expiry as of the date of ~~25<sup>th</sup>~~ of December the year 2059.

LESSOR

LESSEE

SIGNED AND SEALED and DELIVERED

SIGNED, SEALED and DELIVERED

For and on behalf of the Ministry of  
Agriculture and Rural Development

For and on behalf of  
For **CLC INDUSTRIES PLC**  
CLC Industries Plc

Name-----

Name----- RIPIN SHOME

Position -----

Position <sup>(Authorised Representative)</sup> ----- GENERAL MANAGER

Signature-----

Signature----- Ripin Shome

Date----- Yaakob Yalla  
State Minister

Date----- 26/12/2009

26/12/2009

