

**Contractual agreement of land lease between
the Ministry of Agriculture and Rural Development
and
Adama Development PLC**

This land lease contractual agreement is made between the Ministry of Agriculture and Rural Development whose main office is located in Bole Sub-city, Addis Ababa, Ethiopia herein after referred as the “Lessor”

and

Adam Development Private Limited Company which is established according to the Companies Act of the Ethiopian law and whose office is located in Addis Ababa, Kirkos Sub city, Kebele 08/09, House No. 145, Tel: 011-64655477/6655452 henceforth referred as “Lessee”. The term Lessee may also include successors/beneficiaries and/or representatives assigned accordingly.

Whereas, the lessee, a business entity established to engage in cotton development under the laws of Ethiopia; demands sufficient land for production of the stated crops in the Southern Nation, Nationalities and Peoples Regional State;

Whereas, the lessor is willing to provide the needed land in accordance with the terms and conditions stated within this agreement;

Now therefore, the parties involved have executed this land lease contractual agreement on 17/12/2002 (Ethiopian Calendar EC or August 23, 2010) according to the terms and conditions indicated below.

Article 1

Scope of Agreement

- 1.1 The scope of this lease agreement is to establish a long term land lease for cotton, cereals, oil seeds and field crops farming on a 18,516 hectares of land located in Southern Nation, Nationalities and Peoples Regional State, South Omo zone, Gnangatom district, Kajamaken and Shenkora Kebele. The land is leased with all rights of easements of amenities, fittings, fixtures, structures, installations, property or establishments standing thereon to the lessee for the purposes mentioned below that are deemed necessary in order to carry out its duties;
- 1.2 This lease agreement shall be applicable to what is hereinafter referred as “lease land” which allows full and exclusive use of rural land and to make rental payments that is specifically stated in article 2 of this lease agreement.

Article 2

Period of the Land Lease and the rate

- 2.1 This land lease is made and shall be in effect for the period of 25 years. However, upon mutual agreement of the two parties, it can be renewed for additional year/s.
- 2.2 Payment procedure of the Land Lease:-
- 2.2.1 Starting from the day this land lease is signed, there shall be a three (3) years grace period (of payment). The unpaid rent during the grace period shall be prorated over the remaining years of the lease period and shall be paid along with the regular annual payment.
 - 2.2.2 Hereinafter, the lease rate shall be Birr 158 (Birr one hundred fifty eight only) per hectare of land for the purpose of agricultural investment that is stated on article 1 of this contract. Hence, the annual payment shall be Birr 2,925,528 (Birr two million nine hundred twenty five thousand five hundred twenty eight only) and the total amount of payment for the lease period shall be Birr 73,138,200 (Birr seventh three million one hundred thirty eight thousand two hundred only).
 - 2.2.3 In accordance with this lease agreement, up on payment of the rent for the land that is leased, a receipt shall be issued immediately to the lessee and the same copy shall be submitted to the district (*wereda*) administration office.
 - 2.2.4 While the statement on number 2.2.1 above is kept as it is, there shall be a prepayment (down payment) of one year rent of the land that is indicated above.
 - 2.2.5 The lessor reserves the right to revise and change the lease rate as deemed necessary and inform the lessee accordingly.

Article 3

Rights of the Lessee

The lessee shall have the right to:

- 3.1 Develop and administer the land in accordance with the terms of this agreement.
- 3.2 Build, whenever deemed appropriate, infrastructures such as dams, water boreholes, power houses, irrigation systems, roads, bridges, offices, residential buildings, fuel stations, health and educational institutions by submitting permit request to the concerned authorities with their consultation and subject to the type and size the investment project.
- 3.3 Develop or administer the leased land by himself or through a legally represented individual or entity. (A person or an institution with the power of attorney)
- 3.4 Develop, cultivate the leased land and collect the harvest by employing modern machineries (tools) and other appropriate methods.
- 3.5 Obtain additional land based on the performance, achievement and need of the company.

3.6 Terminate the land lease contractual agreement subject to at least six months prior written notice with convincing reason and good cause.

Article 4

Obligations of the Lessee

- 4.1 The lessee shall accept the obligation to provide good care and to conserve the leased land and natural resources thereon. The lessee shall also bear particular obligation to:
- a. Conserve trees that have not been cleared during the leased land preparation.
 - b. Utilize various methods that are appropriate to prevent soil erosion especially in sloppy areas.
 - c. Respect and implement legislations that are put into effect with regards to natural resource conservation.
 - d. Conduct an environmental impact assessment and provide a report within four months of the execution of this land investment contractual agreement.
- 4.2 The lessee shall start developing the land within six months from the signing of this land agreement provided that all licenses from the concerned governmental agencies are issued.
- 4.3 Pursuant to this contractual agreement, the lessee has an obligation to start developing 1/5th of the leased land within one year from the signing date of this lease. Accordingly, the lessee also has an obligation to develop the entire leased land within a period that is not more than five years from the date this agreement is signed.
- 4.4 Upon termination or expiry of the this land lease or cancellation of the investment license, within a period of time not exceeding six months, the lessee shall remove assets that are installed on the leased land in good order and hand over the leased land to the lessor.
- 4.5 Upon the request of the Ministry of Agriculture and Rural Development, the lessee shall provide accurate data and report investment activities.
- 4.6 When the grace period ends, the lessee shall settle the annual land rent in addition to the prorated amount that is not paid during the grace period to the regional (office) where the land is located every year between the months of December and June in accordance with the predetermined land lease rate for rural lands.
- 4.7 Up on entering into this land lease contractual agreement, the lessee shall submit, with this contract, an action plan regarding the utilization of the leased land to the Ministry of Agriculture and Rural Development.
- 4.8 Without a written consent of the lessor, the lessee, in any way, shall not use the land for any purpose or plan other than stated in article 3 of this agreement.
- 4.9 The lessee has no right to transfer the land to another company or individual unless 75% of the land is developed.
- 4.10 Up on developing 75% of the land and obtaining the permission of the lessor, the lessee can transfer the land to another company or individual. Once the request is submitted, the lessor shall respond promptly.

Article 5

Rights of the Lessor

The lessor has exclusive rights to:-

- 5.1 Control and follow up that the lessee is executing all of the obligations diligently.
- 5.2 Take over undeveloped areas of the leased land, in accordance with sub article 4.3, upon expiry of the one year limit from the date the land is handed over to the lessee. This will be implemented when the lessee fails to correct such a failure within one year period after a six month notice of warning is served.
- 5.3 Exercise the right mentioned under article 5.1 above without causing hindrances to the work and activities of the lessee.
- 5.4 Terminate (cancel) the lease agreement, with convincing and justifiable good reason, subject to six months prior notice.
- 5.5 Amend the land rent pursuant to this lease agreement.

Article 6

Obligations of the Lessor

- 6.1 The lessor shall be obliged to hand over the leased land to the lessee, within one month period of time from the date this lease agreement is signed, free from any obstructions and other impediments that may hinder the activities of the project.
- 6.2 The lessor, considering the fact that this is a major investment operation, shall be obliged to provide and execute special privileges, to the lessee, such as exemptions from taxation and import duties on capital goods, and repatriation of capital and profits in accordance with the laws of Ethiopia that are proclaimed for foreign companies.
- 6.3 The lessor shall ensure the lessee that there are no legal or other limitations whatsoever that may restrict the lessee from executing its duties as far as clearing the land or implementing the objectives or other appropriate auxiliary duties that are covered under this agreement.
- 6.4 The lessor shall arrange to the lessee to use facilities of federal government and regional state administration research centers with fee for the purpose of soil testing and surveying.
- 6.5 If the lessee, in accordance with the obligations of this contract, fails to develop the leased land within the time limits stated in this contract or causes damage to the natural resources or becomes unable to pay rental fees timely, the lessor may decide to terminate the lease contract due to the failures of the lessee stated above by providing a six month prior notice of warning. In the absence of such notice to the lessee, the lessor may extend the time limit for another six month period of time.
- 6.6 The lessor shall be obliged to cooperate (in providing adequate security), free of charge, so that the lessee may develop the land peacefully free from any trouble, riot, or disturbance other than force majeure.

Article 7

Delivery of the leased land

- 7.1 The lessor shall deliver to the lessee the land (site) plan, title certificate and other certificates within 30 days from the signing of this lease contract.
- 7.2 If the delivery of the land cannot be actualized due to the reasons caused by the lessor, even after the lessor was informed in writing, the lessor shall not assume any responsibility for such a failure.
- 7.3 Delivery of the leased land shall be effected once the one year prepayment is completed in accordance with article 2, sub-article 2.2.2 of this contract.
- 7.4 The land shall be handed over or the handing over shall become effective within 15 days of the signing of this lease agreement.

Article 8

Amendment and Renewal of the Contract

- 8.1 This land lease agreement shall be renewed on similar contractual words, (terms) and conditions.
- 8.2 If the lessee wishes to renew the agreement, it shall notify 6 months before the expiration of the contract period.

Article 9

Grounds for Termination of the Contract

This land lease agreement may be terminated for the following reasons:

- 9.1 When the land lease contract period expires.
- 9.2 When the lessor is unable to deliver the land to the lessee due to causes that are beyond any reasonable control (force majeure).
- 9.3 When the lessor fails to fulfill any of its obligations or covenants stated under this contract even after the lessee has submitted a six month prior written notice.
- 9.4 When the lessee fails to make annual rental and other tax payments for two consecutive years.
- 9.5 When the lessee fails to perform its contractual obligations even after the lessor has given a six month prior notice to the lessee.
- 9.6 When the lessor, by giving a six month prior notice to the lessee, has its own good reasons to terminate the lease contract as indicated on sub article 5.4.
- 9.7 When the lessor, by giving a six month prior notice to the lessee, has its own good reasons to terminate the lease contract as indicated on sub article 3.6.

Article 10

Results of Contract Termination Procedure

- 10.1 Upon termination of the land lease contract, the lessee shall return back the leased land to the lessor within six months period of time from the date of termination of the contract.
- 10.2 When this lease agreement is terminated for any reasons by the lessee in accordance to article 9.3 and by the lessor based on article 9.6, the lessor shall pay to the lessee the value of improvements made and expenses (expenditures) incurred on the land at the then market rate, after any outstanding dues that the lessee owes are deducted.
- 10.3 If this contractual agreement is terminated for any of the reasons stated in articles 9.4, 9.5 and 9.7, the lessor shall not be obliged to make any payments to the lessee.
- 10.4 When this land lease contract is terminated, the lessor will have priority to negotiate and purchase the properties over the land. If the lessor is not interested, the lessee has the right to detach and take what belongs to it.

Article 11

Registration

This land lease agreement shall not be subject to registration and approval by the designated entity to do so. Copies of this contract agreement and other carbon copies shall be sent to the lessor, the lessee, district (*wereda*) administration, finance office, investment commission and other concerned entities with a covering letter of cooperation provided by the lessor.

Article 12

Governing Law

The Ethiopian law shall be the governing law for operations under this agreement.

Article 13

Force Majeure

Regarding matters of conditions that pertain to forces of majeure, the Ethiopian Civil Code shall be applicable.

Article 14

Covenant for Peaceful possession/usage

The lessor guarantees that the lessee has full ownership and property rights in the land leased. Hence, the lessor confirms that the leased land continues to be under its possession peacefully and the lessee shall make use of it without any problem thereof.

Article 15

Calendar

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

Article 16

Annexes to the Agreement

The following items listed below shall be annexed and be considered as part of this agreement.

- 16.1 The site plan of the leased land.
- 16.2 Photocopy of ID card or passport of the lessee.
- 16.3 Photocopy of the memorandum and Articles of Association of the lessee.

Article 17

Settlement of Disputes

When dispute arises between the lessor and the lessee in connection with or arising out of this land lease agreement, both parties shall endeavor and do their utmost efforts to resolve the dispute peacefully and to the benefit of both parties. If the dispute cannot be resolved accordingly as stated above, then it shall be referred to the Ethiopian Federal Court.

Article 18

Language

This agreement has been signed between the contracting parties in Amharic.

Article 19

Notices and establishing offices

- 19.1 The lessee shall establish an office in Ethiopia in order to perform its duties as may be necessary or convenient for carrying out its operations and shall notify the lessor accordingly.

19.2 All communications and notices of warning sent to one party or another shall be in writing either in English or Amharic. Such notice shall be delivered in person or sent via mail at the address in the preamble of this agreement.

Article 20

Effective Date of this Contract

This land lease agreement shall remain in effect for 25 years starting from the date 12/17/2002 (according to the Ethiopian calendar – EC) or December 1st, 2010. It shall come to an expiry on 12/16/2027 or (August 22, 2035).

Lessor

Ministry of Agriculture and Rural Development

Name: Tefera Deribew, Minister

Signature: illegible

Date: 12/18/2002 EC or August 24, 2010

Lessee

Adama Development PLC

Name: Feleke Bekele, General Manager

Signature: illegible

Date: 12/18/2002 EC or August 24, 2010

Witnesses

Name

Signature

Date

- | | | |
|--------------------|-----------|-----------------------------|
| 1. Bizualem Bekele | illegible | 12/18/2002 EC or 08/24/2010 |
| 2. Selomie Argaw | illegible | 12/18/2002 EC or 08/24/2010 |
| 3. Dereje Abebe | illegible | 12/18/2002 EC or 08/24/2010 |

(**Note:** on each page of this contract there are two seals stamped – one that of the Ministry of Agriculture and Rural Development and the other of Adama Development PLC. Each page is also initialed by both parties.)