



DATED \_\_\_\_\_ 200

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**AGREEMENT FOR SALE OF SHARES**

- in -

**\_\_\_\_\_ LIMITED**

- between -

**AAAA**

**BBBB**

**CCCC**

**DDDD**

and

**EEEE**

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**THIS AGREEMENT** is made the \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand and

**BETWEEN:**

\_\_\_\_\_ of Post Office Box Number \_\_\_\_\_ (“**AAAA**”) of the first part;  
\_\_\_\_\_ of Post Office Box Number \_\_\_\_\_ (“**BBBB**”) of the second part;  
\_\_\_\_\_ of Post Office Box Number \_\_\_\_\_ (“**CCCC**”) of the third part;  
\_\_\_\_\_ of Post Office Box Number \_\_\_\_\_ (“**DDDD**”) of the fourth part;  
\_\_\_\_\_ of Post Office Box Number \_\_\_\_\_ (“**EEEE**”) of the fifth part; **AND**

**LIMITED** a limited liability company incorporated in Tanzania whose postal address is Post Office Box Number \_\_\_\_\_ (the “**Company**”) of the sixth part.

**WHEREAS:**

The Company has at the date hereof an authorised share capital of Tanzanian Shillings One Million (TShs. 1,000,000.00) divided into Ten Thousand (10,000) shares of Tanzanian Shillings One Hundred (TShs. 100.00) each.

The Shareholders and CCCC are the beneficial owners free of any charge lien encumbrance option or adverse interest of all the issued shares in the Company as per Schedule 1 hereof;

The Company operates and carries on both the Business at the premises located in Arusha aforesaid.

The Purchasers wish to purchase and the Shareholders have agreed to sell and transfer the Shares to the Purchasers for the Consideration and in accordance with the terms and conditions of this Agreement.

The Shareholders, CCCC and the Purchasers have agreed that they shall enter into a Shareholders Agreement with like terms and provisions to that in Schedule 2 hereof.

The Shareholders, CCCC and the Purchasers further agree that DDDD shall be employed as the general manager of the Company with effect from the Completion Date and that the Company shall enter into a service agreement with him with like terms and conditions to that contained in Schedule 3 hereof.

CCCC acknowledges he had originally been given his shares by the Shareholders and in consideration of being retained by the Company and provided to him by the Shareholders he agrees to enter into the First Option Agreement contained in the Shareholders Agreement.

EEEE agrees that in consideration of the Shareholders transferring some share to him as provided



herein he will enter into the First Option Agreement contained within the Shareholders Agreement and will also enter into a service agreement with like terms and condition to that contained in Schedule 4 hereof.

## Operative provisions:

### Interpretation

In this Agreement:

<b>“Business”</b>	means the business of distribution of agricultural seed, chemicals, irrigation services among other agricultural services distribution and related agro management support;
<b>“Completion Date”</b>	means 30 <sup>th</sup> September 2007 or such later date as shall be agreed between the parties hereto in writing;
<b>“Consideration”</b>	means the amount of Tanzanian Shillings Two Hundred and Fifty Thousand (TShs. 250,000.00) which amount is the par value of the Shares and being paid for the purchase of the Shares, and the parties entering into the Shareholders Agreement;
<b>“Open Market Value”</b>	means the value at which shares in the Company would have been sold to a third party at the time of the sale as determined by an independent auditor of recognised standing appointed by the parties or as appointed by an arbitrator as provided herein;
<b>“Purchasers”</b>	means DDDD and EEEE together;
<b>“Shares”</b>	means twenty-five per cent (25%) of the total issued and paid up share capital of the Company;
<b>“Shareholders”</b>	means AAAA and BBBB;
<b>“Warranties”</b>	means the agreements obligations warranties representations and undertakings of the Company and/or the Shareholders and CCCC respectively as provided in this Agreement.

In this Agreement, unless the context otherwise requires, any reference to:

The singular includes the plural and *vice versa*;

A person includes reference to a body corporate or other legal entity;

A clause is to the relevant clause of this agreement;

Any party includes that party's personal representatives, successors and assigns.



The Schedules hereto shall form part of this Agreement.

Clause headings are inserted for convenience only and shall be ignored in construing this Agreement.

### **Sale and purchase of the Shares**

Upon the Completion Date the Shareholders shall sell as beneficial owners and the Purchasers shall purchase the Shares for the Consideration free from all liens, pledges, charges and encumbrances and with all rights attaching to them including dividends and distribution of any nature whatsoever subject always to the provisions of the Shareholders Agreement;

It is hereby agreed that while DDDD shall acquire 2,000 shares on completion, the shares shall be transferred to him over a period of four years as follows:

Five Hundred (500) shares by the Thirtieth day of September Two Thousand and Four (now past); then

Five Hundred (500) shares by the Thirtieth day of September Two Thousand and Four;

Five Hundred (500) shares by the Thirtieth day of September Two Thousand and Five; then

Five Hundred (500) shares by the Thirtieth day of September Two Thousand and Six; then

Five Hundred Shares by the Thirtieth day of September Two Thousand and Seven;

It is further agreed that DDDD shall have the first option to acquire a further Five Hundred (500) shares once he has acquired the aforesaid Two Thousand (2,000) shares in the manner provided in sub-clause 2.2 above. For the avoidance of doubt, the Five Hundred shares referred to herein shall be transferred to DDDD at the prevailing Open Market Value of the Shares;

Each of the Shareholders and CCCC hereby waives any pre-emption rights, rights of first refusal, tag along or drag along rights they may have in relation to any of the Shares under the Articles of Association of the Company or otherwise;

The Consideration shall be paid to the Shareholders in accordance with the figures provided in Schedule 1 hereof.

### **Completion of the Sale of the Shares**

Completion shall be at the offices of Shareholders Advocates being .....Kenya and upon the Completion Date the Purchasers and the Shareholders shall attend at the Shareholders said Advocates offices and shall pay the Consideration by way of a banker's cheque to the said Advocates against which the Shareholders shall deliver to the Purchasers the following:

The Shareholders' original share certificates for their Shares;

The Shareholders' written confirmation that they has returned their original share certificate to the Company



for cancellation and in order to be issued with a new share certificates for their remaining sixty-five per cent (65%) shareholding in the Company;

Share Transfer forms from the Shareholders' transferring the Shares to the Purchasers in such proportions as shall be notified by the Purchasers to make DDDD a twenty per cent (20%) shareholder and CCCC a five per cent (5%) shareholder in the Company respectively;

Duly completed Forms D by the Company's auditors in respect of said Share Transfers;

Duly signed Form 203A as filed at the Companies Registry appointing DDDD as a new director of the Company;

Written confirmation that DDDD has been added on as a signatory to the Company's bank account with  
;

The Shareholders, CCCC and the Company shall execute and perform or procure the execution and performance of such other acts deeds documents and things as may be necessary effectually to vest the beneficial ownership of the Shares in the Purchasers free from all charges, liens, encumbrances, options or other adverse interests.

Upon the Completion Date it is hereby agreed that the Shareholders, CCCC and the Purchasers shall:

enter into a shareholders agreement with like terms to that in Schedule 2 hereof to govern their future relationship and the management and operation of the Company;

procure that the Company enters into a service agreement with DDDD as general manager of the Company with like terms to that contained in Schedule 3 hereof.

Procure that the Company enters into a service agreement with EEEE as an employee of the Company with like terms to that contained in Schedule 4 hereof.

The said Shareholders Advocates shall undertake to hold the Consideration in escrow pending the stamping of the Share Transfers transferring the Shares to the Purchasers. Upon the successful stamping of the said Share Transfers and registration of the Purchasers as members in the Company's members register the said Advocates shall be entitled to release the full Consideration to the Shareholders.

### **Shareholders' Warranties**

The Shareholders jointly and severally warrant to the Purchasers that the Warranties set out in this clause and all accompanying documents are true and accurate in all respects and fully, clearly and accurately disclose every matter to which they state save for any matters disclosed in a disclosure letter prior to Completion:

The Shares constitute twenty-five per cent (25%) of the total and whole of the issued and allotted and fully paid up share capital of the Company as owned by the Shareholders and there are no other agreements in force which grant any person the right to call for the issue, allotment or transfer of any share or loan capital of the Company;



The register of members and other statutory books of the Company have been properly kept and contain an accurate and complete record of the matters which they should deal and all returns, particulars, resolutions and documents required by any legislation to be filed in respect of the Company have been duly filed and were correct and are up to date;

### **Agreement concerning the Business**

The Shareholders warrant to the Purchasers that:

There have been no arrangements and understandings (whether legally enforceable or not) between the Company and any person who is directly or indirectly a Shareholder or the beneficial owner of any interest in the Company or any Company in which the Company is interested relating to the management of the Business or the ownership or transfer of ownership or the letting of any of the assets of the Company used in connection with the Business or the provision of services or other facilities to or by the Company or otherwise in any way relating to the Business;

Compliance with the terms of this Agreement does not and will not conflict with result in the breach of or constitute a default under any of the terms conditions or provisions of any agreement or instrument to which the Company is now a party relating to the Business;

### **Effect of Completion**

Any provision of this Agreement which is capable of being performed after but which has not been performed at or before Completion and all Warranties and indemnities and other undertakings contained in or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Completion.

### **Creditors and Liabilities**

The Purchasers hereby agree and accept that they are accepting the Company with all its creditors and debtors as of the Completion Date and as disclosed in the Company's Accounts and the Management Accounts as of that date;

### **Entire Agreement**

This Agreement supersedes all previous agreements or negotiations, whether written or oral, between the parties relating to the sale of the Shares and constitutes the entire agreement and understanding between the parties with respect to all matters which are referred to.

### **Invalidity**

If any term or provision in this Agreement shall in whole or in part be held to any extent to be illegal or unenforceable under any enactment or rule of law that term or provision or part shall to the extent be deemed not to form part of this agreement and the enforceability of the remainder of this Agreement shall not be affected.

### **Communications**



All communications and notices between the parties in respect of this Agreement shall be delivered by hand or sent by facsimile transmission to the addressee's address as herein provided or such other address as may be communicated to the other parties hereto (with confirmation posted within 24 hours).

Communications and notices shall be deemed to have been received:  
if delivered by hand, on the day of delivery;  
if sent by facsimile transmission, at the time of transmission;  
if sent by registered post, Ten (10) days after posting.

In proving such service it shall be sufficient to prove that the letter or facsimile (as the case may be) containing the notice was properly addressed and posted or (as the case may be) transmitted. Any notice given by hand shall be deemed to have been served at the time of delivery.

### **Legal costs**

Each party shall pay its own legal costs in relation to the negotiations leading up to the sale of the Shares and to the preparation, execution and carrying with effect of this Agreement and of all other documents referred to in it. The Purchasers shall be liable to pay the stamp duty payable on the transfer of the Shares and other disbursements in respect thereof.

### **Arbitration and Proper Law**

Any dispute arising out of or in connection with this Agreement shall be referred to one arbitrator to be agreed upon by both parties. If the parties fail to reach an agreement within fourteen (14) days after any party has first put forward the name of the proposed arbitrator the dispute shall be referred to a single arbitrator to be appointed by the Chairman for the time being of the Chartered Institute of Arbitration (Kenya Branch). Such arbitrator shall be nominated by the Chairman within fourteen (14) days of the date when the notice was first delivered to him. The Arbitration Act 1995 or any other existing statutory modification or re-enactment thereof shall apply to the arbitration hereof;

This Agreement shall be governed by and construed in all respects in accordance with the Laws of Kenya and each party hereby submits to the jurisdiction of the Kenyan Courts.

## **SCHEDULE 1**

### **Present Shareholders**

	<b>No of Shares</b>
AAAA	(      %)
BBBB	(      %)
CCCC	(      %)



The Consideration shall be payable to the respective Shareholders as follows:

	No of Shares	Amount of payable
BBBB	(     %)	TShs.

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**SCHEDULE 2 – SHAREHOLDERS AGREEMENT  
HEREINBEFORE REFERRED TO IN THE SALE OF SHARES AGREEMENT**

**THIS AGREEMENT** is made the                      day of                      Two Thousand and

**BETWEEN:**

- of Post Office Box Number                      (“**AAAA**”) of the first part;
- of Post Office Box Number                      (“**BBBB**”) of the second part;
- of Post Office Box Number                      (“**CCCC**”) of the third part;
- of Post Office Box Number                      (“**DDDD**”) of the fourth part;
- of Post Office Box Number                      (“**EEEE**”) of the fifth part; **AND**

**LIMITED** a limited liability company incorporated in Tanzania whose postal address is Post Office Box Number                      (the “**Company**”) of the sixth part.

**WHEREAS:**

The Company was incorporated in August 1993 and at the date hereof has an authorised share capital of Tanzanian Shillings One Million (TShs. 1,000,000.00) divided into Ten Thousand (10,000) shares of Tanzanian Shillings One Hundred (TShs. 100.00) each of which Nine Thousand Five Hundred (9,500) shares are issued and fully paid.

Pursuant to an Agreement dated \_\_\_\_\_ DDDD and EEEE purchased twenty-five per cent (25%) of all the issued and paid up Shares in the Company.

The shares in the Company have been issued and fully paid or credited and fully paid as follows:

AAAA	shares	(55%)
BBBB	shares	(10%)





CCCC	shares	(5%)
DDDD	shares	(20%)
EEEE	shares	(5%)

The Company is the beneficial owner free of any charge lien encumbrance option or adverse interest of one third (1/3) of all the issued shares in **ZZZ LIMITED** a limited liability company incorporated in Tanzania and whose postal address is Post Office Box Number 2750, Arusha in the Republic of Tanzania ("**ZZZ**").

The parties have agreed for the purposes of this Agreement to jointly manage and continue operating the Business via the Company.

The Shareholders have agreed to enter into this Agreement to govern their relationship and regulate the shareholdings and affairs of the Company in accordance with the terms hereof.

**NOW IT IS AGREED** as follows:

## **DEFINITIONS AND INTERPRETATION**

In this Agreement and the Recitals, where the context so admits, the following words and expressions shall have the following meanings:

**"Articles of Association"** means the Articles of Association of the Company as amended from time to time;

**"Board"** means the Company's board of Directors or the Directors present (personally or by their alternates) at any meeting of the Directors duly convened and held;

**"Business"** means the business of the Company as described in clause 3;

**"Business Plan"** means the business plan from time to time adopted by the Board for the development and operation of the Business;

**"Completion"** means completion of the matters referred to in clause 2;

**"Effective Date"** means (or such later date as the parties may agree in writing for Completion to take place);

**"Director"** means any director of the Company (or his duly appointed alternate);

**"Open Market Value"** means the value at which shares in the Company would have been sold to a third party at the time of the sale as determined by an independent auditor of recognised standing appointed by the parties or as appointed by an arbitrator as provided herein;

**"Relevant Proportion"** means in relation to a Shareholder, the proportion which the voting rights attaching to the Shares in issue at that time, excluding any that may be subject to an option notice at that time;



“**Shares**” means the ordinary voting shares of TShs. 100 in the share capital from time to time of the company;

“**Shareholder**” means any registered holder(s) of one or more Shares from time to time or his personal representatives;

“**Shareholders Loans**” means the loans to the Company by the respective Shareholders in such proportions as shall be agreed in accordance to this Agreement;

In this Agreement, unless the context otherwise requires, any reference to:

the singular includes the plural and vice versa;

a person includes reference to a body corporate or other legal entity;

any written law includes that law as amended or re-enacted from time to time;

any agreement or other document includes that agreement or other document as varied or replaced from time to time;

a clause is to the relevant clause of this Agreement;

any party includes that party’s personal representatives and/ or successors and assigns.

The Schedules hereto shall form part of this Agreement.

Clause headings are inserted for convenience only and shall be ignored in construing this Agreement.

## **COMPLETION**

As soon as possible hereafter and in any case prior to the Effective Date unless otherwise mutually agreed by the parties:

the parties will procure that a meeting of the Board shall be held to approve and pass resolutions necessary to put into effect these agreements;

the parties will procure that an Extraordinary General Meeting of the Company shall be convened and that the necessary resolutions specified by the Directors to put this Agreement into effect shall be proposed and passed at such meeting;

Prior to the Effective Date the parties shall procure that:

The accounting reference date of the Company shall be 30<sup>th</sup> September 2003;

DDDD shall be immediately appointed or confirmed (as required) as Director;

The respective share transfers from AAAA and BBBB to DDDD and EEEE shall be duly stamped and DDDD and EEEE registered as members in the register;



The Company shall enter into a service contract with DDDD in the form in Schedule 3 of the Sale of Shares Agreement;

Either one of AAAA or BBBB, together with DDDD (until further notice) shall be the joint signatories to the Company's bank accounts with \_\_\_\_\_ Tanzania and with a bank as agreed by them in Nairobi, Kenya and the same shall be operated by any two of them;

The Board shall meet and appoint the Auditors of the Company;

If in any respect any of the foregoing provisions is not complied with on the Effective Date by any of the parties, the remaining parties (other than the Company) may (acting unanimously) at their option defer Completion (and so that the provisions of this clause shall apply to Completion as so deferred). Unless such remaining parties so defer Completion, the provisions of the clause shall terminate on the Effective Date, but without prejudice to any claim which any party may have against any other party for breach of contract.

## **THE BUSINESS**

The parties shall procure that the business of the Company shall be that of distribution of agricultural seed, chemicals, irrigation services among other agricultural services distribution and related agro management support in the form presently undertaken and carried on by the Company;

The Business shall be conducted in accordance with good and commercial business practice and subject thereto, in accordance with the Business Plan from time to time adopted by the Board.

## **MANAGEMENT OF THE COMPANY**

The Board shall comprise a minimum of three (3) Directors and shall initially consist of any three of AAAA, BBBB, DDDD, EEEE and CCCC, and AAAA shall be the Chairman of the Board.

No meeting of the Board may proceed to business or transact any business unless a quorum is present at such a meeting. For these purposes a quorum of the Board shall be at least AAAA and one other Director being either BBBB or DDDD.

Throughout the term of this Agreement DDDD shall act as General Manager of the Company and shall use his best skill and knowledge to manage, administer, and develop the Business as his duties may require and to efficiently conduct the same to the best of his ability in the interests of the Company and its Shareholders and in a proper and businesslike manner, always subject to the overall direction and control of the Board;

Without derogation from the provisions of sub-clause 4.3 above, but subject to the provisions of clause 6, it shall be the duty of DDDD to:

direct and supervise the and be responsible for the day to day management and administration of the Business;

discuss all new and continuing contracts and proposed investments of the Company with AAAA and BBBB. Where the value of the contracts or proposed investment exceeds United States Dollars Ten Thousand (USD



10,000) a board resolution shall be required prior to committing the Company to the same;

submit to the Board a Business Plan before the commencement of each financial year which shall include, inter alia, estimates of capital and revenue expenditure and income for the next ensuing financial year;

arrange for monthly financial meetings to be held by the relevant parties and for quarterly financial audits for the Company to be performed;

on behalf of the Company engage staff at such remuneration as shall be agreed by the Board and dismiss such staff and to arrange suitable training course for such staff;

on behalf of the Company purchase or otherwise acquire on the most advantageous terms procurable all materials and equipment needed for the development and operation of the Business;

promote and market the Business for and on behalf of the Company in accordance with the strategies agreed from time to time with the Board.

## **PROCEEDINGS OF SHAREHOLDERS**

No general meeting of the Shareholders may proceed to business unless a quorum is present at the meeting. A quorum at a general meeting shall comprise AAAA, DDDD and any one of BBBB, CCCC and EEEE, each present either in person or by their respective proxies.

The chairman of the Board from time to time shall preside as chairman at every Shareholder's meeting as more particularly set out in the Articles of Association. Subject to clause 6, questions arising at any Shareholder's meeting shall be decided by a simple majority of votes except where a greater majority is required by the Articles of Association, any agreement between the Shareholders or by the Companies Act. In the case of an equality of votes, the chairman shall have a casting vote.

## **MATTERS REQUIRING APPROVAL**

Following Completion, the Shareholders shall exercise all voting rights and other powers of control available to them in relation to the Company to procure that the Company and/or the Board shall not, without prior written approval of all the Shareholders [which shall not be withheld without good reason];

incur any borrowings either from the Shareholders or from a third party institution or bank whether or not the interest charge would be claimed as a deduction for tax purposes when computing the Company's taxable income except as provided for herein;

create or issue any fixed or floating charge, debenture, lien (other than a lien arising by operation of law) or other mortgage, encumbrance or security over the whole or any part of the undertaking, business, property or assets (tangible or intangible) of the Company;

subscribe for, or otherwise acquire, whether by formation or otherwise, any interest in the share capital of any other company or body corporate, nor permit the disposal or dilution of its interest directly or indirectly in any company or body corporate;



enter into any partnership or profit sharing agreement or joint venture with any person;

make or permit any material change to the nature of the Business;

make any composition or arrangement with its creditors, move for insolvency, or receivership or do or suffer to be done any act or thing whereby the Company may be wound up (whether voluntarily or compulsorily);

appoint more than three (3) persons as Directors, except as otherwise provided herein;

make any change to the Company's Memorandum or Articles of Association;

agree or make any change in the amount of fees or expense payable by the Company to any company associated with a Shareholder for services rendered or to be rendered to the Company;

agree to enter into any guarantee of security to secure the indebtedness of the Company;

approve a new Business Plan, or a budget and capital expenditure programme or make any substantial alterations to the Business Plan; and/or

make any decision as to the requirements for, and the raising of, further finance or working capital for the Company in excess of the equivalent of Tanzanian Shillings Five Hundred Thousand (TShs. 500,000/-) per year;

enter into any material transaction, arrangement, or agreement with or for the benefit of any director of the company or of any subsidiary;

commence any material litigation or arbitration proceedings other than in the ordinary course of business or for the purpose of collecting book or trade debts owing to the Company or any subsidiary;

appoint new auditors as auditors of the Company;

As separate and independent undertaking, the Company agrees with each Shareholder that, so far as it is legally able to do so it shall observe and comply with the prohibitions and restrictions in clause 6.1.

## **FINANCE**

The initial capital and cash requirements of the Company shall be satisfied by utilisation of the proceeds of such amounts as were contributed by the Shareholders prior to the Effective Date (if any);

All future requirements of the Company exceeding its own resources from time to time shall in the first instance be procured so far as possible by borrowing, save that no third party shall thereby be or become entitled to acquire the right to participate in the share capital or profits of the Company without the consent of all Shareholders;

If the Board shall determine at any time or from time to time that the Company's resources are insufficient to satisfy its working capital requirements, then the Board shall notify each Shareholder accordingly and the Shareholders may provide the funds to the Company in the form of additional equity subscription or



Shareholder Loans, on such terms and conditions as may be agreed at the time;

If any Shareholder is unwilling or unable to provide its share of additional equity subscription or Shareholder Loans in accordance with the foregoing provisions, then the other Shareholder not providing its Relevant Proportion of the capital requirement shall suffer a dilution of its shareholding in the Company by means of the issue of new shares to the other shareholders so that the respective shareholdings of all the members bear the same proportions to each other as their respective participations in share and loan capital combined;

If it becomes necessary to borrow money then the Shareholders agree that for the purposes of compliance with the thin capitalisation rules of Section 16(2) (j) of the Income Tax Act the Board may require (and the shareholders shall consent thereto) the capitalisation of that part of their Shareholders Loan (if any) into ordinary share capital as shall be necessary to ensure that the ratio of debt-to-equity in the capital of the Company is sufficient allow interest charges on borrowings of the Company to be deducted for tax purposes when computing the taxable income of the Company.

### **AAAA'S FIRST OPTION TO ACQUIRE OR PURCHASE SHARES**

For the avoidance of doubt the Shareholders hereby agree that for the purpose of this clause, all the Shareholders except AAAA, hereby waive any pre-emption rights, rights of first refusal, tag along and drag along rights they may have in relation to any of the Shares held by any of them under the Articles of Association of the Company or otherwise.

In the event CCCC dies, AAAA shall have the first option to acquire all the Shares held by CCCC and for the purpose of this clause:

the transfer of such Shares shall be at the prevailing Open Market Value of the Shares;

for the purposes of clause 8.2 the value of one third (1/3) shareholding of the Company in ZZZ shall be expressly excluded from the overall value of the Company when determining the prevailing Open Market Value of the Shares.

In the event that EEEE dies or ceases to be employed by the Company (whichever is earlier):

during the first year of this Agreement, then AAAA shall have the first option to acquire all the shares held by EEEE at their par value and the transfer of such Shares shall be at par value of such Shares;

during the commencement and continuance of the second year of this Agreement, then AAAA shall have the first option to acquire the shares held by EEEE, the consideration payable being one third (1/3) of the prevailing Open Market Value of the Shares;

during the commencement and continuance of the third year of this Agreement, then AAAA shall have the first option to acquire the shares held by EEEE, the consideration payable being one third (2/3) of the prevailing Open Market Value of the Shares;

during the commencement and continuance of the fourth year of this Agreement and thereafter, then AAAA shall have the first option to acquire the shares held by EEEE, the consideration payable being the full amount of the prevailing Open Market Value of the Shares;



for the purposes of clause 8.3 the value of one third (1/3) shareholding of the Company in ZZZ shall be expressly excluded from the overall value of the Company when determining the prevailing Open Market Value of the Shares.

In the event that DDDD ceases to be employed by the Company by virtue of his death or otherwise (whichever is earlier, then AAAA shall have the first option to acquire all the Shares held by DDDD at the time and for the purpose of this clause:

the transfer of such Shares shall be at the prevailing Open Market Value of the Shares;

for the purposes of clause 8.4 the value of one third (1/3) shareholding of the Company in ZZZ shall be expressly **included** in the overall value of the Company when determining the prevailing Open Market Value of the Shares.

The parties further agree that, subject to the provisions under the service agreement set out in Schedule 3 of the Sale of Shares Agreement, DDDD shall be restricted for a period one (1) year after ceasing to be a Shareholder either alone or jointly with others as a manager agent consultant advisor or executive of ZZZ or any person firm or company from directly or indirectly carrying on or being engaged in any activity or business which shall be in competition with the Business.

## **TRANSFER OF SHARES**

The Directors in their absolute discretion and without assigning any reason therefore may decline to register any transfer of Shares on which the Company has a lien or which are not fully paid. The Directors shall not register a transfer to a person who is known to them to be an infant, bankrupt or person of unsound mind provided that the Directors shall not be bound to enquire into the age or soundness of mind of any transferee or whether or not he is bankrupt.

No transfer of any Share to a third party shall be registered unless:

the proposed transferee has entered into a legally binding agreement by which the transferee agrees to be bound by all the terms and conditions contained in this agreement as if an original party hereto apart from clause 2 hereof: and

such transfer is made in compliance with Schedule 1 hereof provided always that this is subject to the provisions of clause 8 hereof; or

it is a transfer to which 9.3 applies; or

it is a transfer made as a result of the application of the provisions of clause 9;

and no Shareholder shall otherwise sell, transfer or dispose of any Shares or Shareholder Loans or any interest therein.

The Shareholders will procure that the Directors shall register any transfer of Shares which complies with Schedule 1 or with the provisions of clause 9.2.



## ISSUE OF ADDITIONAL SHARES

Subject to the provisions of this Agreement, any allotment of Shares shall be made so that at all times the percentage of the ordinary share capital of the Company held by each Shareholder shall remain the same as that immediately prior to such allotment and so that such new Shares shall be of the same class as that held by the allottee at the time of any allotment.

## TERMINATION

This Agreement shall continue in force unless or until the Shareholders have sold all of their Shares or the Company has been wound up, by whatever means.

Other than in respect of the provisions of this and the following parts of this clause which shall remain in full force and effect, the remainder of this Agreement shall forthwith terminate (but without prejudice to the Shareholders rights and remedies for any prior breach of this agreement) with respect to a Shareholder (in this clause referred to as the "Defaulter") upon written notice ("Termination Notice") to it by Shareholders whose Relevant Proportions constitute one Hundred per cent (100%) of the voting rights attaching to all Shares other than those held by the Defaulter (the "Other Shareholders") after the Other Shareholders have become aware of the occurrence of any of the following events:

A petition being presented or a proceeding commenced (and such petition or proceeding not being discharged or dismissed with thirty (30) days of presentation thereof) or an order being made for the bankruptcy of the Defaulter (or equivalent proceedings in another jurisdiction);

If the Defaulter is in material breach of its obligations hereunder and such breach, if capable of remedy, has not been remedied to the satisfaction of the Other Shareholders at the expiry of thirty (30) days following written notices to that effect having been served on the Defaulter by the Other Shareholders indicating the steps required to be taken to remedy the failure;

The Defaulter withholding its consent in relation to any matter set out in clause 7 without reasonably justifiable reason and so as to jeopardise the business or operations of the Company substantially.

If this Agreement is terminated pursuant to clause 13.2 the Other Shareholders shall (without prejudice to their rights and remedies) have the right (jointly but not severally) to require the Defaulter to sell all of the Defaulter's shares and Shareholder Loans to the Shareholders not in default (together the "Beneficiaries") at any time during the period of three (3) months from the date of the Termination Notice. Upon expiry of such three (3) month period this "call" option (the "Call Option") shall lapse if not previously exercised and the Termination Notice shall be void and cease to have the effects referred to in 13.2. A further Termination Notice may not be submitted within twelve (12) months thereafter in respect of the continuance of or renewal of the same circumstances.

The Call Option in favour of the Beneficiaries shall be exercised by the Other Shareholders serving on the Defaulter written notice (an "Option Notice") in respect of all the Shares and Shareholder Loans then held by the Defaulter. The price at which the sale shall take place shall be determined in accordance with the provisions of Schedule 1 hereof as if the Defaulter were the Shareholder referred to therein and the date of





the Option Notice were the date of the Notice from a Shareholder requiring the purchase of this Shares and Shareholder Loans referred to therein but provided that the valuation shall also take into account the effect (if any) on the Business of the event of default which has entitled the Other Shareholders to serve the Option Notice.

The Shares and Shareholder Loans subject to the Option Notice shall be allocated amongst the Beneficiaries as they shall agree and in default of agreement within fourteen (14) days of the date of the Option Notice, in the Relevant Proportions as at the date of the Option Notice as shall be determined by the Company which shall give Notice of such allocation (“the Allocation Notice”) within fourteen (14) days of the determination of the price.

Completion of the purchase pursuant to an Option Notice shall take place in accordance with the provisions of Schedule 1 as if the defaulting Shareholder was the Vendor referred to therein.

## **MUTUAL CO-OPERATION**

Each of the Shareholders agrees that it will use all reasonable endeavours to promote the business and profitability of the Company.

Each of the parties shall do and execute or procure to be done and executed all such acts, deeds, documents and things as may be within its power including in relation to the Shareholders (without prejudice to the generality of the foregoing) the passing of resolutions (whether by the board or in general meeting or any class meeting of the Company) to give full effect to this Agreement and to procure that all provisions of this Agreement are observed and performed.

Each of the Shareholders agrees with each of the others that this Agreement is entered into between them and will be performed by each of them in a spirit of mutual co-operation, trust and confidence and that it will use all means reasonably available to it (including its voting power whether direct or indirect, in relation to the Company) to give effect to the objectives of this Agreement and to ensure compliance by the Company with its obligations.

Each Shareholder undertakes with each of the other that whilst they remain a Shareholder, he will not (except as expressly provided for in this Agreement) agree to cast any of the voting rights exercisable in respect of any of the Shares held by them in accordance with directions or subject to the consent of any other person (including any other Shareholder).

## **NO PARTNERSHIP**

Nothing contained or implied in the Agreement shall constitute a partnership between the parties (or any of them) and none of the parties shall have any authority to bind or commit any other party in any way.

## **CONFLICT WITH ARTICLES OF ASSOCIATION**

For the avoidance of doubt the Shareholders hereby agree that if and to the extent that the Articles of Association conflict with the provisions of this Agreement, this Agreement shall prevail for so long as it is in force and that they will exercise their respective voting rights as Shareholders and take all such further steps as may be necessary or requisite to ensure that the provisions of this Agreement shall prevail.



## **COUNTERPARTS**

This Agreement may be entered into on separate engrossments, each of which when executed and delivered shall be an original, but each engrossment shall together constitute one and the same instrument and shall take effect from the time of execution of the last engrossment.

## **COMPLETION**

All of the provisions of this Agreement shall remain in full force and effect notwithstanding Completion (except insofar as they set out obligations which have been fully performed at Completion).

## **NO WAIVER OF RIGHTS**

The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents the further exercise of the right or remedy or the exercise of another right or remedy. The rights and remedies provided by this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

## **VARIATION**

This Agreement shall not be varied or cancelled, unless such variation or cancellation as may be proposed in writing by any Shareholder in a Notice to the Company shall be expressly agreed in writing by each party which agreement shall not be withheld without good reason.

## **SEVERABILITY**

If any of the provisions of this Agreement is found by an arbitrator, court, or other competent authority to be void or unenforceable, such provision shall be deemed to be deleted from this agreement and the remaining provisions of this agreement mutatis mutandis shall continue in full force and effect. Notwithstanding the foregoing, the parties shall thereupon negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted for the provision so found to be void or unenforceable.

## **ENTIRE AGREEMENT**

The Agreement constitutes the entire Agreement between the parties about its subject matter and any previous agreements, undertakings, representation, warranties and negotiations ("prior representations") on that subject cease to have any effect. Each party confirms that it has not relied upon any prior representations and waives any rights which it may have in respect of such reliance if it in fact occurred.

## **ARBITRATION**

All claims and disputes whatsoever arising under this Agreement shall be referred to arbitration in accordance with the provisions of the Arbitration Act 1995 or any amendments or superceding acts replacing the same



by a single arbitrator being an Advocate of not less than ten (10) years standing assisted by other professionals as he or she deems necessary such arbitrator to be appointed by agreement between the parties or, failing agreement within 14 days of the notification by either party to the other of the existence of a dispute or claim, to be appointed by the Chairman for the time being of the Institute of Arbitrators, Kenya Branch, Nairobi on the application of either party. The arbitration shall be conducted in Nairobi and all parties agree to be bound by the decision of the said Arbitrator.

## NOTICES

Any notice or communication under or in connection with this Agreement shall be in writing and shall be delivered by hand or sent by post or fax to the addresses given below or such other address as the recipient may have notified to the other parties in writing. In the absence of evidence of earlier receipt, any notice or communication shall be deemed to have been received, if delivered by hand, at the time of delivery or, if sent by post 96 hours after posting or, if sent by fax, 24 hours after transmission.

The Company at its Registered Office

- AAAA P O Box .....-Nairobi, Kenya
- BBBB P O Box .....-Nairobi, Kenya
- CCCC P O Box ....., Tanzania
- DDDD P O Box ....., Tanzania
- EEEE P O Box ....., Tanzania

## GOVERNING LAW

The construction, validity and performance of the Agreement shall be governed in all respects by the law of Kenya.

## SUBMISSION TO JURISDICTION

The parties agree that any legal action or proceedings arising out of or in connection with this Agreement may be brought before any competent court in the Republic of Kenya and irrevocably submits to the jurisdiction of such court.

## SCHEDULE 1 TO THE SHAREHOLDERS AGREEMENT HEREINBEFORE REFERRED TO



## PRE-EMPTION RIGHTS

1. 1.1 Every Member ("the Vendor") who wishes to transfer any Shares and/or the corresponding Shareholder's Loan shall give to the Company at the Office notice in writing ("the Transfer Notice").
- 1.2 The Transfer Notice shall constitute a binding irrevocable instruction appointing the Company the Vendor's agent on the terms herein set out for the sale of the Shares specified therein ("the Transfer Shares") and/ or for the corresponding Shareholder's Loan ("the Transfer Loans") specified therein to the members other than the Vendor at or above the price for the shares and the nominal value of the corresponding Shareholder's Loan (together the "Transfer Price") specified in the Notice, or as otherwise may be agreed as provided for herein.
- 1.3 The Transfer Notice may contain a provision that, unless all the Transfer Shares and Transfer Loans comprised therein are sold by the Company at or above the price specified therein pursuant to this Schedule, then none shall be sold and any such provision is binding on the Company unless released by the Vendor in writing as provided elsewhere herein.
2. The Board shall within seven (7) days of receipt of the Transfer Notice either approve the proposed Transfer Price and give notice to each Shareholder in accordance with clause 5 below or if the said Transfer Price is not so approved requires the auditor for the time being for the relevant Company to certify, in his opinion, the fair values of the Transfer Shares and Transfer Loans as between willing buyer and willing seller.
  3. 3.1 If an auditor's certificate is required, the Company upon receipt of such certificate, shall serve a copy of the same on the Vendor and require the Vendor, within seven (7) days of such service to approve or reject the value as certified by the auditor as the price for the Transfer Shares and the Transfer Loans and to confirm or cancel the Company's authority to sell the same.
  - 3.2 The costs of obtaining the certificate shall be borne by the Company unless the Vendor shall cancel the sale, in which case, he shall bear the cost.
4. 4.1 In the event the Vendor agrees to the auditor's valuation the Company shall give notice to each Shareholder in accordance with clause 5 below.
- 4.2 In the event the Vendor rejects the value as certified by the auditors the Company's authority shall be cancelled and the Vendor shall remain with the Shares and/or the corresponding Shareholder's Loan as if the process had not been commenced.
5. Within seven (7) days of approval of the price for the Shares and corresponding Shareholder's Loan by the Board or the Vendor (as the case may be) the Company shall give notice in writing to all Members with a copy to the Vendor, informing them of the number and price for the Shares and amounts of the corresponding Shareholder's Loans and inviting each of them to apply in writing to the Company within fourteen (14) days of the date of service of the notice (the



“Application Period”) for all or any of the Shares and the corresponding Shareholder’s Loans.

6. 6.1 Within seven (7) days of the expiry of the Application Period, the Board shall allocate the Shares and/or the corresponding Shareholder’s Loans (or, unless the Transfer Notice contains a condition to the contrary, so many of them as may be applied for) to or amongst the applicants and, in case of competition, pro rata (as nearly as possible) to the number of shares in the Company of which they are registered or unconditionally entitled to be registered as holders; Provided that no applicant shall be allocated more than the maximum number of Shares specified in his application.

6.2 Within seven (7) days of the allocation, the Company shall give notice of the allocations (“Allocation Notice”) to the Vendor and the applicant Members specifying the place and time (being not earlier than fourteen (14) and not later than twenty-eight (28) days after the date of the notice) at which the sale of the Shares and/or Shareholder’s Loan so allocated shall be completed.

7. 7.1 The Vendor shall be bound to transfer the Shares and/or corresponding Shareholder’s Loan comprised in an Allocation Notice as specified in the notice and, if he shall fail to do so, the Chairman of the Company or some other person appointed by the Board shall be deemed to have been appointed attorney of the Vendor with full power to execute, complete and deliver, in the name and on behalf of the Vendor, transfers of the Shares and/or the Shareholder’s Loan to the purchasers against payment of the price to he Company.

7.2 The Company shall forthwith pay the price into a separate bank account in the Company’s name and shall hold the price in trust for the Vendor.

8. 8.1 If any purchaser fails to complete the purchase of any Shares as specified in an Allocation Notice, he shall be deemed to have forfeited his right to those Shares and/or corresponding Shareholder’s Loan which shall be re-allocated by the Board to the applicants (other than any defaulting purchaser) in accordance with clause 6.

8.2 If, in any such case, the Transfer Notice was subject to the condition that all the Shares be sold, completion of the sale of all the Shares shall be deferred until such time as may be specified in the notice of re-allocation.

9. Time shall be of the essence for all purposes of these Articles.

**IN WITNESS WHEREOF** all the parties hereto have duly executed this Agreement the day and year first hereinabove written.

**SIGNED by AAAA** )  
in the presence of: )



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**SIGNED by BBBB** )

in the presence of: )

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**SIGNED by CCCC** )

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**SIGNED by EEEE** )

in the presence of: )

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**SEALED** by the Common Seal of )  
**LIMITED** )  
in the presence of: )  
)  
)  
Director )  
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)  
Director/Secretary )