

CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made and entered into on thisday of 200... between CAPITAL ALLIANCE SECURITIES (PVT) LIMITED, a company duly incorporated under the laws of Sri Lanka and having its registered office at Colombo (hereinafter referred to as the “Company” which term or expression shall as herein used where the context so requires or admits mean and include the said Capital Alliance Holding Limited, its successors and assigns), of the ONE PART

....., bearer of national identity card no, of(herein after referred to as the “Client”), which term or expression shall as herein used where the context so requires or admits mean and included the said, his heirs, executors and administrators of the OTHER PART¹

(hereinafter sometimes collectively referred to as the “Parties” and individually as the “Party”.)

WHEREAS the Company is licensed under the Securities and Exchange Commission of Sri Lanka Act No 36 of 1987 as a stock broker and is also a member of the Colombo Stock Exchange (“CSE”) a body established under the Securities and Exchange Commission of Sri Lanka Act No 36 of 1987, and

WHEREAS the Client is a client of the Company on whose instructions the Company purchases and sells securities listed on the CSE, and

WHEREAS the Client has requested the Company to make available credit facilities with regard to its purchases of securities listed on the CSE, and

WHEREAS the Company has agreed to provide to the Client such credit facilities subject to certain terms and conditions, and

WHEREAS in terms of Circular No 02/2007 issued by the Securities and Exchange Commission of Sri Lanka and the rules promulgated by the CSE and set out in Circulars No 05-05-2007 and 07-10-2007 dated 17th May 2007 and 10th October 2007 respectively, a licensed stockbroker who proposes to extend credit to its clients is required to set out in a written agreement the entire agreement relating to the provisions and availing of credit facilities between the stockbroker and its client, and

¹ Delete what is inapplicable

WHEREAS the Parties are entering into this agreement in satisfaction of the aforesaid requirement.

NOW THIS AGREEMENT THEREFORE WITNESSETH AS FOLLOWS:

1. CREDIT FACILITY

- 1.1 The Company may at its discretion, pay and settle a **part or all** of the sums of monies due from the Client for and with regard to the purchase of securities listed on the CSE by the Company for and on behalf of the Client, including all government taxes and levies and other charges that may be payable in respect of the securities purchased on the CSE. (“credit facilities”).²
- 1.2 The quantum of the credit facilities provided by the Company and the specific purchases of securities listed on the CSE (“the Securities”) in relation to which such credit facilities shall be provided may be agreed by the Company and the Client on a case by case basis.
- 1.3 The credit facilities shall be provided by the Company only in accordance with the applicable CSE member rules promulgated by the CSE, from time to time.

2. OBLIGATIONS OF THE CLIENT

- 2.1 The Client shall pay and settle the credit facilities provided by the Company within a reasonable time period or as and when so demanded by the Company.
- 2.2 The Client shall pay interest in respect of the credit facilities provided by the Company, payable and outstanding by the Client to the Company at any given time. The rate of interest may vary from time to time at the discretion of the Company. The Company shall **forward monthly statements to the Client** setting out the credit facility together with the said interest thereon payable and outstanding by the Client.
- 2.3 Until the credit facilities and interest in respect thereof are paid and settled in full to the Company by the Client, the Company shall have a lien on the Securities in terms hereof.
- 2.4 In the event that the Client fails to pay and settle the credit facilities and the interest in respect thereof, in a timely manner, the Company shall and is hereby authorised to sell the Securities and recover all sums of money due and payable by the Client to the Company.
- 2.5 For the purpose thereof, the Client hereby irrevocably nominates, constitutes and appoints the Company as its lawful attorney to sell and convert into money the Securities or any part thereof and to pay and settle all monies whatsoever due and outstanding to the Company with regard to the credit facilities and the interest payable thereon from and out of such monies.
- 2.6 The Client hereby undertakes to maintain a securities account at the Central Depository Systems (Private) Limited (“CDS”) in its own name styled “.....” and bearing no..... and lodge the Securities **into** this CDS account.

² Please note that by circular dated 10th October 2007 issued by the Colombo Stock Exchange, with effect from 1st January 2008, the percentage of credit extended by broker firms shall be limited to 50% and not 75% of a client’s securities portfolio.

- 2.7 The Client hereby **may** take up any rights that it may be entitled to including by way of a bonus or rights issue in respect of the Securities and agrees to lodge the securities so obtained, if any, in the CDS account bearing no Such securities shall be deemed to fall within the definition of the term “Securities” for the purpose of clauses 2.4 and 2.5.
- 2.8 The Client hereby undertakes not to create any mortgage, charge, lien and/or encumbrance over the Securities ranking in priority to or *pari passu* to the Securities or to give instructions to the CDS or to any third party to create any mortgage, charge, lien and/or encumbrance over the Securities ranking in priority to or *pari passu* without the prior written consent of the Company.
- 2.9 The Client recognizes the irrevocable right of the Company to sell the Securities without prior notice to the Client and shall not take any action by seeking injunctive relief from a court of competent jurisdiction or otherwise to prevent the Company from exercising their right to Sell the Securities in terms of clauses 2.4 and 2.5 above.
- 2.10 The Client shall indemnify the Company in full and keep the Company indemnified at all times against any losses, expenses and liabilities that may be incurred by the Company arising out of a sale of the Securities.

3. REPRESENTATIONS AND WARRANTIES

- 3.1 The Company represents and warrants that:
- 1) it has full legal right, power and authority to enter into, execute and deliver this agreement and to undertake and perform the obligations set out herein;
 - 2) this agreement has been duly and validly executed and delivered and constitutes a legal and binding obligation, enforceable against it, in accordance with the terms hereof;
 - 3) neither the execution nor the delivery of this agreement by the Company nor the fulfillment nor compliance by the Company with the terms and conditions set out herein (i) will conflict with or result in a breach of, term or condition or provision of, or constitute a default under or result in any violation of its Articles of Association or any agreement or arrangement to which the Company is a party or any laws, regulations or order to which the Company is or has been subject to, or (ii) require any consent, approval or other action by any court or administrative or governmental body including the Securities and Exchange Commission of Sri Lanka;
 - 4) it shall in performing its obligations under this agreement, comply with all applicable laws, rules and regulations.
- 3.2 The Client represents and warrants that:
- 1) it has full legal right, power and authority to enter into, execute and deliver this agreement and to undertake and perform the obligations set out herein;
 - 2) this agreement has been duly and validly executed and delivered and constitutes a legal and binding obligation, enforceable against it, in accordance with the terms hereof;

- 3) neither the execution nor the delivery of this agreement by the Company nor availing of the credit facilities, the fulfillment nor compliance by the Company with the terms and conditions set out herein (i) will conflict with or result in a breach of, term or condition or provision of, or constitute a default under or result in any violation of its Articles of Association or any agreement or arrangement to which the Company is a party or any laws, regulations or orders to which the Company is or has been subject to, or (ii) require any consent, approval or other action by any court or administrative or governmental body;
- 4) it shall in performing its obligations under this agreement, comply with all applicable laws, rules and regulations;

4. TERM

This Agreement shall commence on the ... day of 200.. and shall end on the date the clients CDS account mentioned in clause 2.6 is closed and all sums of money due and payable to the Company by the Client hereunder is settled in full.

5. MODIFICATIONS TO THE AGREEMENT

No agreement varying, adding to or deleting from or canceling this agreement shall be valid and affective unless it is reduced to writing and signed by both Parties hereto.

6. ENTIRE AGREEMENT

This agreement cancels, supersedes and replaces any and all prior agreements between the parties hereto whether written or oral. This agreement constitutes the entire understanding between the parties hereto and shall not be modified, amended or varied except by a written document signed by the parties hereto. None of the parties hereto shall rely on any representations other than those expressly set forth in this agreement.

7. NOTICES

Any notice given hereunder shall be in writing by letter and shall be deemed to have been delivered or given in the case of hand delivered letter on delivery and in the case of a letter sent by registered post on the next day of delivery of mail after posting provided always that if the deemed delivery date is not on a normal business day at the address of the addressee then delivery shall be deemed to take place on the first normal business day then following the notice shall be given or made at the address of the addressee stated at the commencement of this Agreement or at such other address as such party shall have designated by notice in writing to the other party hereto.

8. NON ASSIGNABILITY

The Client shall not assign or attempt to assign any right or obligation under this agreement to any other without the express prior written consent of the Company.

IN WITNESS WHEREOF the authorised signatory of the Company has set his/her hand hereunto and has placed his/her signature hereunto and to one other of the same tenor at the respective places and dates hereinafter mentioned.

Signed for and on behalf of Capital Alliance Securities)
(Pvt) Limited by.....)
the authorised signatory, on the ...day of)
200..... at)

Witnesses:

1.

2.

.....)
..... has placed his/her)
signature on the ...day of200....)
at)

Witnesses:

1.

2.