Information Memorandum

Acorn Project (Two) Limited Liability Partnership

Medium Term Note Programme of up to KES5,000,000,000

The International Securities Market is a market designated for professional investors. Securities admitted to trading on International Securities Market are not admitted to the Official List of the UKLA. London Stock Exchange has not approved or verified the contents of the Admission Particulars.

Application has been made to the London Stock Exchange plc (the “London Stock Exchange”) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (the “ISM”). The ISM is not a regulated market for the purposes of Directive 2014/65/EU (as amended, “MiFID II”)
10 Description of the Issuer ........................................... 110
  10.1 Incorporation and Status ........................................... 110
  10.2 Capital Structure .................................................. 110
  10.3 Background and History .......................................... 110
  10.4 Principal Activities ............................................... 110
  10.5 Governance and management ...................................... 110
  10.6 Rating ............................................................... 111
  10.7 Description of the Project Entities ............................. 111

11 Risk Factors .......................................................... 113
  11.1 Risk factors related to the country and industry .................. 113
  11.2 Risk factors related to the Issuer and the Project Entities .... 115
  11.3 Risk factors related to the Issue ................................ 124
  11.4 Risk factors related to the Guarantees ............................ 127

12 Credit Enhancement .................................................. 129
  12.1 GuarantCo Guarantee .............................................. 129
  12.2 Acorn Holdings Limited Guarantee ............................... 136

13 Environmental and Social Impact .................................. 138
  13.1 Green Bond Status ................................................. 138
  13.2 IFC Edge .................................................................. 139

14 Description of the Note Transaction Documents ................... 140
  14.1 Trust Deed .............................................................. 140
  14.2 Agency Agreement .................................................. 140
  14.3 Deed of Guarantee .................................................... 140

15 Taxation ..................................................................... 141

16 Subscription and sale .................................................... 143

17 Statutory and general information ..................................... 147
  17.1 Authorisation .......................................................... 147
  17.2 Incorporation .......................................................... 147
  17.3 Conduct of a meeting or consent solicitation .................... 147
  17.4 Ownership .............................................................. 148
  17.5 Borrowings .............................................................. 148
  17.6 Distribution Policy ................................................... 148
  17.7 Capital Markets Authority .......................................... 148
  17.8 Dematerialised Security ............................................. 149
  17.9 Allotment ............................................................... 149
  17.10 Significant or Material Changes .................................. 149
  17.11 Material Litigation .................................................. 150
  17.12 Material contracts ................................................... 150
  17.13 Conflicts of interest ................................................ 150
  17.14 Auditors ............................................................... 150
  17.15 Consents ............................................................... 150
  17.16 Summary of Costs and Expenses ............................... 151
Appendix A: Legal opinions ................................................................. 154
Appendix B: Form of Pricing Supplement ......................................... 198
Appendix C: Form of Application Form ............................................ 202
Appendix D: Form of Technical Advisor Certificate .......................... 206
Appendix E: Advisers to the transaction ........................................... 213

Table 1: Definitions and abbreviations ............................................. 15
Table 2: Summary of the Programme ................................................ 21
Table 3: Parties to the Project ............................................................ 59
Table 4: Top 10 PBSA providers in South Africa ................................ 79
Table 5: County Share of GDP (Average 2013-2017) ......................... 83
Table 6: Kenya population growth ................................................... 83
Table 7: Use of credit ................................................................. 85
Table 8: Tertiary student numbers ................................................... 86
Table 9: Rural vs urban areas .......................................................... 87
Table 10: Qwetu Pricing ............................................................. 107
Table 11: Qwetu and Qejani brands ................................................ 108
Table 12: GuarantCo shareholding structure .................................... 129
Table 13: GuarantCo Portfolio ...................................................... 131
Table 14: GuarantCo credit rating .................................................. 133
Table 15: GuarantCo Management Team ....................................... 133
Table 16: Advisers and Bankers ..................................................... 148
Important notices and disclaimers

This Information Memorandum (the “Information Memorandum”) is issued by Acorn Project (Two) Limited Liability Partnership (the “Issuer”) in relation to the proposed listing by introduction of the Notes issued under the Medium Term Note Programme described in this Information Memorandum on the Fixed Income Securities Market of the Nairobi Securities Exchange and on the International Securities Market of the London Stock Exchange ("Listing").

The Issuer made the offer for the Notes through Stanbic Bank Kenya Limited, SBG Securities Limited, KCB Capital Limited and Standard Investment Bank (each a “Placing Agent”) as the Issuer’s authorised placing agents, by way of a restricted public offer within the meaning of Section 30B of the Capital Markets Act (Chapter 485A, Laws of Kenya). Consequently, the Notes were offered under the following conditions: (a) to a restricted circle of sophisticated investors or (b) directly communicated to a prescribed category and number of persons.

The Capital Markets Authority (“CMA”) approved:

(a) on 31 July 2019, a restricted public offer of the Notes for subscription and sale in Kenya; and

(b) on 13 January 2020, the listing of the Notes on the Fixed Income Securities Market Segment ("FISMS") of the Nairobi Securities Exchange ("NSE").

As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval to issue of the Notes and the Listing is not to be taken as an indication of the merits of Notes or the Issuer.

Pursuant to the CMA approval referred to above, the NSE has authorised the Issuer to list the Notes on the FISMS. The NSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission to the FISMS of the NSE is not to be taken as an indication of the merits of the Notes or the Issuer.

Simultaneously with the listing on the NSE, the Notes will be listed on the International Securities Market of the London Securities Exchange.

A copy of this Information Memorandum has also been delivered to the Registrar of Companies.

The Board of Representatives and the Partners of the Issuer approved the Listing on 27 November 2019.

The Notes are issued in dematerialized book-entry form under section 24 of the Central Depositories Act in denominations of Kenya Shillings one million (KES 1,000,000) and integral multiples of Kenya Shillings one hundred thousand (KES 100,000) in excess thereof (the Specified Denomination(s)).

The Notes will be freely transferable subject to the terms of the Notes Transaction Documents. The sale or transfer of Notes by Noteholders will be subject to the rules of the NSE, and where applicable, the Central
Depository and Settlement Corporation ("CDSC") Rules, the Terms and Conditions of the Notes and the provisions of the Agency Agreement. The register for the Notes will be the record of depositors maintained by the CDSC in accordance with the Central Depositories Act. There are currently no restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Kenya.

**Listing mechanics for the Notes**

At the date of this Information Memorandum, the Issuer has:

(a) received from eligible investors commitments to invest in the Programme by subscribing for Notes of KES 4,262,000,000; and

(b) drawdown commitments of KES 786,000,000 from committed investors and issued the Initial Tranche of Notes.

It is expected that the Listing of the Initial Tranche of Notes will become effective and that dealings in fully paid up Notes will commence on the NSE on 13 January 2020.

The Issuer will list subsequent Notes upon issue of subsequent Notes following approval by the CMA of the relevant Pricing Supplements. The Issuer may, with the written approval of the CMA, consolidate the Listing of several Tranches or Series of Notes.

Further, the Issuer may, upon seeking the prior written approval of the CMA and subject to the terms of the Notes Transaction Documents, reopen the offer for the unsubscribed portion of the Programme in the sum of KES 738,000,000 ("Unsubscribed Portion of Notes") for subscription by eligible investors.

The Notes will be listed on the FISMS of the NSE and there will be a reporting listing at the International Securities Market ("ISM").

**The International Securities Market is a market designated for professional investors. Securities admitted to trading on International Securities Market are not admitted to the Official List of the UKLA. London Stock Exchange has not approved or verified the contents of the Admission Particulars.**

This Information Memorandum and its contents, and any other documents, materials or other information provided by the Issuer or a Placing Agent relating to the sale of Notes may not be reproduced in whole or in part and are solely for the purposes of evaluation by the recipient and such of its employees, agents and consultants as have a need to know its contents, and by accepting this Information Memorandum, the recipient agrees that all information contained herein shall be treated confidentially and will not be disclosed to any other person or entity without the specific prior written approval of the Issuer.

An invitation to acquire Notes may not be circulated or otherwise marketed or re-marketed, or advertised or re-advertised, in any form or manner within or outside Kenya by the recipient.

The Notes will not be available to the general public in Kenya, or elsewhere. The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other information memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the
Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons who are in possession of this Information Memorandum are cautioned to inform themselves and observe any such restrictions.

This Information Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Information Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Information Memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Information Memorandum does not constitute an offer of securities to the public in the United Kingdom. Consequently, this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Information Memorandum may come are required by the Issuer and the Lead Arrangers to inform themselves about and to observe such restrictions.

This Information Memorandum and the accompanying Application Form are presented to you to enable you to make an informed decision with respect to the Notes and Listing. The procedures for Application and the Application Form with respect to the Unsubscribed Portion of the Notes are contained therein.

Copies of this Information Memorandum will be available on the website of Acorn Holdings Limited www.acornholdingsafrica.com and free of charge at the registered offices of the Issuer and the Placing Agents on any business day during the hours of 8:30 a.m. and 5:00 p.m. from the date of this Information Memorandum until the date of Listing.

The managing partner of the Issuer accept responsibility for the information contained in this Information Memorandum, other than the information relating to GuarantCo, AHL, Ernst & Young, Anjarwalla & Khanna LLP, Trinity International LLP, BLC Robert and Mace YMR having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of GuarantCo, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to GuarantCo is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of AHL, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to AHL is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.
To the best of the knowledge of Ernst & Young, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to Ernst & Young is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of Anjarwalla & Khanna LLP, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to Anjarwalla & Khanna LLP is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of Trinity International LLP, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to Trinity International LLP is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of BLC Robert, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to BLC Robert is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge of Mace YMR, having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars relating to Mace YMR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Any projections with respect to the Issuer contained herein have been prepared by representatives of the Issuer and are based on their estimates and assumptions about circumstances and events that have not yet taken place. Accordingly, there can be no assurance that any forecasted results will be attained. The opinions, assumptions, intentions, projections and forecasts expressed in this Information Memorandum with regard to the Issuer are honestly held by the Issuer, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Information in this Information Memorandum that is based on or incorporated by reference to third party sources has been accurately reproduced and, as far as the Issuer, GuarantCo and AHL are aware and are able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The delivery of this Information Memorandum does not, at any time, imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or that any other information supplied in connection with the Offer is correct as of any time subsequent to the date indicated in the document containing the same.

Enquiries concerning this Information Memorandum or the Application Form may ONLY be made to any Placing Agent whose contact details are set out in Section 10 of this Information Memorandum.

The Placing Agents have not separately verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Placing Agents, any of them, or any other member of the group of companies of which any Placing Agent forms part, as to the accuracy or completeness of the
information contained in this Information Memorandum or any other information provided by the Issuer in connection with the Notes or their distribution.

Prospective investors should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with such advisers as they deem necessary to determine the appropriateness, effect, risks and consequences of an investment in the Notes. Any decision by prospective investors to make an investment in the Notes should be based upon their own judgement and upon any advice from such advisers, and not upon any view expressed by the Issuer or the Placing Agents. Investors should have careful regard to the factors described under the section headed “Risk Factors” in the Information Memorandum.

By purchasing the Notes to which this Information Memorandum relates, you are deemed to represent and warrant and acknowledge or, as agent on behalf of the investor (as applicable), that the investor represents and warrants and acknowledges, to each of the Placing Agents that (i) the investor has sufficient knowledge, sophistication and experience in financial and business matters and has conducted its own investigation and has had access to all necessary information to make an assessment regarding an investment in the Notes; (ii) the investor has not relied on, and should not rely on, any investigation that the Placing Agents may have conducted with respect to the Issuer or the Notes and no representation, express or implied, is made with respect to the accuracy, completeness or adequacy of the information disclosed in the Information Memorandum, and (iii) the investor will not hold any Placing Agent or any of their affiliates responsible for the accuracy, completeness or adequacy of any information disclosed in the Information Memorandum and waives any claim against the Placing Agents or any of their affiliates arising from or relating to the investor’s investment in the Notes and agree not to pursue, commence, initiate any action, suit, claim or other legal, equitable or arbitration proceeding against the Placing Agents or any of their affiliates.

Each of the Placing Agents and their respective affiliates are financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Placing Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer. Each of the Placing Agents and their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Information Memorandum relates.

Prospective investors should carefully consider the matters set forth under the caption “Risk Factors” in Section 10 of this Information Memorandum.

FORWARD-LOOKING STATEMENTS
Some statements in this Information Memorandum may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Information Memorandum, the words "anticipates", "estimates", "believes", "intends" "plans", "may", "will", "should" and any similar expressions are used to identify forward-looking statements. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These views reflect the best judgement of the Issuer's management but involve uncertainties and are subject to certain risks the occurrence of which could cause actual results to differ materially from those predicted in the Issuer's forward-looking statements and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Information Memorandum, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements apply only as at the date of this Information Memorandum. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligations or undertaking to disseminate after the date of this Information Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based. A prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Issuer's control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "Risk Factors," as well as those included elsewhere in this Information Memorandum. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- political, social and economic instability;
- changes in laws, regulations or governmental policy
- changes in taxation regulation;
- disputes and legal, tax and regulatory proceedings;
- inefficiencies and corruption in the judicial systems;
- the ability to obtain licenses, permits or other authorizations required;
- competition in the markets the Issuer operates;
- inflation risks;
- downgrading of Kenya’s debt rating;
- risks associated with the group structure, the Notes, the guarantees, the security structure and any other indebtedness;
- the other factors discussed in more detail under “Risk Factors”; and factors that are not known at this time.

The list of important factors and the other factors discussed in the section entitled “Risk Factors” is not exhaustive. Other sections of this Information Memorandum describe additional factors that could
adversely affect the Issuer’s results of operations, financial condition, liquidity and the development of the industry in which the Issuer operates. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

DOCUMENTS INCORPORATED BY REFERENCE

This information memorandum should be read and construed in conjunction with the following:

GuarantCo’s Financial Statements

(i) GuarantCo’s audited consolidated financial statements as at, and for the year ended, 31 December 2017, together with the Independent Auditor’s Report thereon; and

(ii) GuarantCo’s audited consolidated financial statements as at, and for the year ended, 31 December 2018, together with the Independent Auditor’s Report thereon; and

AHL’s Financial Statements

(iii) AHL’s audited consolidated financial statements as at, and for the year ended, 31 December 2017, together with the Independent Auditor’s Report thereon; and

(iv) AHL’s audited consolidated financial statements as at, and for the year ended, 31 December 2018, together with the Independent Auditor’s Report thereon.

Copies of documents listed at (i) and (ii) have been published and are available in electronic format on GuarantCo’s website at: http://www.guarantco.com/about-us/disclosures.

Copies of documents listed at (iii) and (iv) have been published and are available in electronic format on AHL’s website at: http://www.acornholdingsafrica.com.
<table>
<thead>
<tr>
<th>ADVISORS INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
</tr>
</tbody>
</table>
| ![acorn Logo](acorn.png) Acorn Project (Two) Limited Liability Partnership  
97 James Gichuru Rd,  
P.O. Box 13759 – 00100,  
Nairobi, Kenya |
| **Sponsor**           |
| ![acorn Logo](acorn.png) Acorn Holdings Limited  
97 James Gichuru Rd,  
P.O. Box 13759 – 00100,  
Nairobi, Kenya |
| **Guarantor**         |
| ![GuarantCo Logo](GuarantCo.png) GuarantCo Ltd  
Alexander House,  
35 CyberCity, Ebene, Mauritius |
| **Lead Arrangers**    |
| ![Stanbic Bank Logo](Stanbic.png) Stanbic Bank Kenya Limited  
Stanbic Centre,  
Chiromo Road, Westlands  
P.O. Box 30550 - 00100  
Nairobi, Kenya |
| ![SBG Securities Logo](SBG.png) SGB Securities  
Stanbic Centre,  
Chiromo Road, Westlands  
P.O. Box 30550 - 00100  
Nairobi, Kenya |
| ![KCB Logo](KCB.png) KCB Capital Limited  
Kencom House, 2nd Floor, Moi Avenue  
P.O Box 48400-00100  
Nairobi, Kenya |
| ![Standard Investment Bank Logo](Standard.png) Standard Investment Bank  
16th Floor, JKUAT Towers, Kenyatta Avenue  
P.O Box 13714-00800  
Nairobi Kenya. |
| **Placing Agents**    |
| ![A&K ALN Logo](A&K.png) Anjarwalla & Khanna LLP  
ALN House,  
Eldama Ravine Close, off Eldama Ravine Road  
Westlands,  
P.O Box 200-00606, Sarit Centre  
Nairobi, Kenya |
| ![A&K ALN Logo](A&K.png) Anjarwalla & Khanna LLP  
ALN House,  
Eldama Ravine Close, off Eldama Ravine Road  
Westlands,  
P.O Box 200-00606, Sarit Centre  
Nairobi, Kenya |
| **Legal Advisors**    |
| ![Anjarwalla Logo](Anjarwalla.png) Anjarwalla & Khanna LLP  
ALN House,  
Eldama Ravine Close, off Eldama Ravine Road  
Westlands,  
P.O Box 200-00606, Sarit Centre  
Nairobi, Kenya |
<table>
<thead>
<tr>
<th><strong>Issuer Listing Legal Counsel for Nairobi Stock Exchange</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>DLA Piper UK LLP</td>
</tr>
<tr>
<td>160 Aldersgate Street</td>
</tr>
<tr>
<td>Barbican</td>
</tr>
<tr>
<td>London</td>
</tr>
<tr>
<td>EC1A 4HT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Registrar</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>CDSC Registrars Limited</td>
</tr>
<tr>
<td>Occidental Plaza, 1st Floor</td>
</tr>
<tr>
<td>Muthithi Road, Westlands</td>
</tr>
<tr>
<td>P.O. Box 6341-00100 GPO</td>
</tr>
<tr>
<td>Nairobi, Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Issue and Paying Agent</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanbic Bank Kenya Limited</td>
</tr>
<tr>
<td>Stanbic Centre,</td>
</tr>
<tr>
<td>Chiromo Road, Westlands</td>
</tr>
<tr>
<td>P.O. Box 30550 - 00100</td>
</tr>
<tr>
<td>Nairobi, Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Note and Security Trustee</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ropat Trust Company Limited</td>
</tr>
<tr>
<td>Kenya-Re Towers, Off Ragati Road,</td>
</tr>
<tr>
<td>P.O. Box 1243 – 00100</td>
</tr>
<tr>
<td>Nairobi, Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Auditors</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernst and Young</td>
</tr>
<tr>
<td>Kenya Re Towers, Upper Hill,</td>
</tr>
<tr>
<td>Off Ragati Road,</td>
</tr>
<tr>
<td>P.O. BOX 44286-00100,</td>
</tr>
<tr>
<td>Nairobi; Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Technical Advisor</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>MaceYMR</td>
</tr>
<tr>
<td>4th Floor Lion Place, Karuna Close off Waiyaki Way, Westlands,</td>
</tr>
<tr>
<td>P.O. Box 2403-00606,</td>
</tr>
<tr>
<td>Nairobi, Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Rating Agency</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody's Investors Service South Africa (Pty) Ltd</td>
</tr>
<tr>
<td>The Forum, 2 Maude Street, 2196 Sandton</td>
</tr>
<tr>
<td>Johannesburg</td>
</tr>
<tr>
<td>South Africa</td>
</tr>
</tbody>
</table>
Definitions and abbreviations

In the Information Memorandum, unless a contrary indication appears, the following expressions shall have the meanings indicated in the table below. Words in the singular shall include the plural and vice versa, references to a person shall include references to a body corporate, and reference to a gender includes any other gender.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Affiliate”</td>
<td>means, in relation to AHL, a Subsidiary, or a Holding Company, or any other Subsidiary of that Holding Company, a company, partnership or other entity from time controlled by AHL and any nominee or trustee for AHL;</td>
</tr>
<tr>
<td>“Agency Agreement”</td>
<td>means the agreement dated 16 August 2019 between Acorn Project (Two) Limited Liability Partnership and Stanbic Bank Kenya Limited appointing Stanbic Bank Kenya Limited as the Issue and Paying Agent and CDSC Registrars Limited as the registrar (“Registrar”) in respect of the Issue;</td>
</tr>
<tr>
<td>“AHL or Acorn”</td>
<td>Acorn Holdings Limited;</td>
</tr>
<tr>
<td>“AHL Guarantee”</td>
<td>means the guarantee issued by AHL in favour of the Note Trustee for the obligations of the Issuer under the Note Transaction Documents;</td>
</tr>
<tr>
<td>“AMLS”</td>
<td>Acorn Management Services Limited;</td>
</tr>
<tr>
<td>“Board of Directors” or “Directors”</td>
<td>means members of the board of directors of Acorn Holdings Limited;</td>
</tr>
<tr>
<td>“Business Day”</td>
<td>means a day on which banks are open for business in Nairobi, Kenya;</td>
</tr>
<tr>
<td>“CAGR”</td>
<td>Compounded Annual Growth Rate;</td>
</tr>
<tr>
<td>“Capital Markets Authority” or “CMA”</td>
<td>means the Capital Markets Authority established under the Capital Markets Act (Chapter 485A of the Laws of Kenya) and includes any successor thereto;</td>
</tr>
<tr>
<td>“CDSC”</td>
<td>Central Depository and Settlement Corporation;</td>
</tr>
<tr>
<td>“DFI”</td>
<td>Development Finance Institution;</td>
</tr>
<tr>
<td>“DFID”</td>
<td>Department for International Development;</td>
</tr>
<tr>
<td>“FDI”</td>
<td>Foreign Direct Investment’</td>
</tr>
<tr>
<td>“Issue and Paying Agent”</td>
<td>means Stanbic Bank Kenya Limited;</td>
</tr>
<tr>
<td>“FMO”</td>
<td>Dutch Development Bank;</td>
</tr>
<tr>
<td>“GDP”</td>
<td>Gross Domestic Product;</td>
</tr>
<tr>
<td>“Government”</td>
<td>Government of Kenya;</td>
</tr>
<tr>
<td>“Group”</td>
<td>means Acorn Holdings Limited and its Affiliates;</td>
</tr>
<tr>
<td>“GuarantCo”</td>
<td>GuarantCo Ltd</td>
</tr>
<tr>
<td>“GuarantCo Guarantee”</td>
<td>means the guarantee issued by GuarantCo in favour of the Note Trustee for the obligations of the Issuer under the Note Transaction Documents subject to the Maximum Guaranteed Amount (being US$30,000,000);</td>
</tr>
<tr>
<td>“Guarantees”</td>
<td>means together the GuarantCo Guarantee and the AHL Guarantee and Guarantee shall mean either of them;</td>
</tr>
<tr>
<td>“Helios”</td>
<td>Helios Investment Partners Limited;</td>
</tr>
<tr>
<td>“HoldCo”</td>
<td>means Acorn Holdings Limited;</td>
</tr>
<tr>
<td>“Holding Company”</td>
<td>means in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;</td>
</tr>
<tr>
<td>“HSSE”</td>
<td>Health, safety, security and environment;</td>
</tr>
<tr>
<td>“ICT”</td>
<td>Information and Communications Technology;</td>
</tr>
<tr>
<td>“IFC”</td>
<td>International Finance Corporation;</td>
</tr>
<tr>
<td>“IFC EDGE”</td>
<td>International Finance Corporation, Excellence in Design for Greater Efficiencies;</td>
</tr>
<tr>
<td>“Interest Amount”</td>
<td>means in relation to a Tranche of Notes and an Interest Period, the amount of interest payable in respect of that Tranche of Notes for that Interest Period;</td>
</tr>
<tr>
<td>“Interest Commencement Date”</td>
<td>means the first date from which interest on the Notes will accrue as specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Interest Determination Date”</td>
<td>means the date specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Interest Payment Date”</td>
<td>means in relation to a Tranche of Notes, the dates indicated in the applicable Pricing Supplement commencing on the date specified in the applicable Pricing Supplement until the Principal Amount of each Note is repaid in full;</td>
</tr>
<tr>
<td>“Interest Period”</td>
<td>means the period beginning on and including the Issue Date, to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date;</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>“Interest Rate”</td>
<td>means the rate of interest applicable to the Notes as specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Introduction” or “Listing”</td>
<td>means listing of the Notes by Introduction on the NSE;</td>
</tr>
<tr>
<td>“Issue Date”</td>
<td>means the date specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Issue Price”</td>
<td>means the prices specified as such, being the price at which the Issuer issues the Notes referred to in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Issue”</td>
<td>means the issue by Acorn Project (Two) Limited Liability Partnership of medium term notes of an aggregate amount of up to Kenya Shillings Five Billion (KES5,000,000,000) as specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Issuer”</td>
<td>means Acorn Project (Two) Limited Liability Partnership;</td>
</tr>
<tr>
<td>“Issuer Group”</td>
<td>means the Issuer and each Project Entity;</td>
</tr>
<tr>
<td>“IT”</td>
<td>means Information Technology;</td>
</tr>
<tr>
<td>“Kenia”</td>
<td>means the Republic of Kenya and “Kenyan” shall be construed accordingly;</td>
</tr>
<tr>
<td>“KES” or “Shillings”</td>
<td>means Kenya Shillings, the lawful currency of Kenya;</td>
</tr>
<tr>
<td>“KNBS”</td>
<td>means Kenya National Bureau of Statistics;</td>
</tr>
<tr>
<td>“LLP”</td>
<td>means Limited Liability Partnership;</td>
</tr>
<tr>
<td>“Moody’s”</td>
<td>means Moody’s Investor Services;</td>
</tr>
<tr>
<td>“Note and Security Trustee”</td>
<td>means Ropat Trust Company Limited;</td>
</tr>
<tr>
<td>Note Transaction Documents</td>
<td>means the Trust Deed, the Agency Agreement, Placing Agreement, Intercreditor Agreement, each Guarantee, the Transaction Security Documents, each Subscription Agreement, each Pricing Supplement and any other document that may designated as such in writing by the Note Trustee;</td>
</tr>
<tr>
<td>“Noteholder”</td>
<td>means the person in whose name a Note is registered, or in the case of joint holders, the first-named thereof;</td>
</tr>
<tr>
<td>“Notes”</td>
<td>means the medium term notes of the aggregate Principal Amount of up to Kenya Shillings Five Billion (KES5,000,000,000) to be issued by the Issuer in accordance with the terms of the Trust Deed;</td>
</tr>
<tr>
<td>“NSE”</td>
<td>means Nairobi Securities Exchange Limited;</td>
</tr>
<tr>
<td>“OECD”</td>
<td>means The Organisation for Economic Co-operation and Development;</td>
</tr>
<tr>
<td>“PBSA”</td>
<td>means Purpose Built Student Accommodation;</td>
</tr>
<tr>
<td>“PIDG”</td>
<td>means the Private Infrastructure Development Group;</td>
</tr>
<tr>
<td>“Placing Agents”</td>
<td>means the Placing Agents appointed from time to time in accordance with the Placing Agreement dated 16 August 2019 between Acorn Project (Two) Limited Liability Partnership and Stanbic Bank Limited, SBG Securities Limited, KCB Capital Limited and Standard Investment Bank;</td>
</tr>
<tr>
<td>“PPP”</td>
<td>means Public Private Partnership;</td>
</tr>
<tr>
<td>“Pre-funded Project Costs”</td>
<td>means the prefund of any amounts incurred by any member of the Issuer Group, including without limitation, the advance or surplus Equity payments and Projects Costs prior to the commencement of the Programme. The Pre-funded Project Costs shall be limited to any amounts that are over and above thirty five percent (35%) of the equity contribution to the Project Costs;</td>
</tr>
<tr>
<td>“Pricing Supplement”</td>
<td>means a pricing supplement approved by the Issuer which is supplemental to the Information Memorandum containing the relevant details of individual Tranches or Series of the Notes;</td>
</tr>
<tr>
<td>“Principal Amount”</td>
<td>means in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>“Professional Investor”</td>
<td>refers to (i) any person licensed under the CMA Act; (ii) an authorised scheme or collective investment scheme; (iii) a bank or subsidiary of a bank, insurance company, cooperative, statutory fund, pension or retirement fund; or (iv) a person including a company, partnership, association or a trustee on behalf of a trust which, either alone, or with any associates on a joint account subscribes for Notes with an issue price of at least one million shillings or equivalent in another currency;</td>
</tr>
<tr>
<td>“Programme”</td>
<td>means the medium term note programme established by the Issuer pursuant to the Trust Deed;</td>
</tr>
<tr>
<td>“Project”</td>
<td>means the various student housing real estate projects in Kenya to be undertaken by the Project Entities using proceeds of the Notes which shall be sixty-five per cent (65%) of the Project cost;</td>
</tr>
<tr>
<td>“Project Development”</td>
<td>means each development under the Project undertaken by a Project Entity;</td>
</tr>
<tr>
<td>“Project Entities”</td>
<td>means the following partnerships: Mahogany Creek Limited Liability Partnership, Linden Properties Limited Liability Partnership, Rowan Properties LLP, Spruce Properties LLP, Hemlock Properties LLP, Juniper Properties LLP, Scotphine Properties LLP, Beech Properties LLP, Ashvale Properties LLP and Acacia Vale Properties LLP;</td>
</tr>
<tr>
<td>“Properties”</td>
<td>means the property owned by or to be acquired by a Project Entity for the Project Development and “Property” shall mean either of them;</td>
</tr>
<tr>
<td>“Register”</td>
<td>means the register established by the Registrar pursuant to the Agency Agreement;</td>
</tr>
<tr>
<td>“Registrar”</td>
<td>means CDSC Registrars Limited;</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
</tr>
<tr>
<td>&quot;REIT&quot;</td>
<td>Real Estate Investment Trust;</td>
</tr>
<tr>
<td>&quot;Secured Parties&quot;</td>
<td>means collectively the Security Trustee, the Note Trustee, the Noteholders, the Note Agents, the Placing Agents, any receiver or delegate (or any one or more of them) and if GuarantCo has pursuant to the GuarantCo Guarantee paid the Note Trustee and the Note Trustee has received in cleared funds any amount due under the GuarantCo Guarantee, but not further or otherwise, GuarantCo.</td>
</tr>
<tr>
<td>&quot;Series&quot;</td>
<td>means a series of Notes in respect of the Project Development comprising one or more Tranches;</td>
</tr>
<tr>
<td>&quot;SKP&quot;</td>
<td>Simon-Kucher &amp; Partners;</td>
</tr>
<tr>
<td>&quot;Specified Denomination&quot;</td>
<td>means the amount specified as such in the applicable Pricing Supplement;</td>
</tr>
<tr>
<td>&quot;Specified Office&quot;</td>
<td>means the specified office of the Issue and Paying Agent and Registrar as specified in the Information Memorandum;</td>
</tr>
<tr>
<td>Subscriber</td>
<td>means such persons, being Professional Investors, as may be procured by the Placing Agents as subscribers and who apply for the Notes under a valid application form as required by the Information Memorandum and whose application is accepted by the Issuer (to the extent accepted);</td>
</tr>
<tr>
<td>&quot;TA&quot;</td>
<td>Technical Advisor;</td>
</tr>
<tr>
<td>&quot;TIVET&quot;</td>
<td>Technical Industrial and Vocational Educational Training;</td>
</tr>
<tr>
<td>&quot;Tranche&quot;</td>
<td>means, in relation to a Series those Notes of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical;</td>
</tr>
<tr>
<td>&quot;TTC&quot;</td>
<td>Teacher Training Colleges;</td>
</tr>
<tr>
<td>&quot;UK&quot;</td>
<td>United Kingdom;</td>
</tr>
<tr>
<td>&quot;UKLA&quot;</td>
<td>United Kingdom Listing Authority;</td>
</tr>
<tr>
<td>&quot;USD or US$&quot;</td>
<td>United States Dollars;</td>
</tr>
<tr>
<td>&quot;USIU&quot;</td>
<td>United States International University-Africa;</td>
</tr>
<tr>
<td>&quot;WHO&quot;</td>
<td>World Health Organization;</td>
</tr>
</tbody>
</table>
1 Executive Summary

1.1 Issuer

The Issuer is a limited liability partnership established under the Limited Liability Partnerships Act, 2011 of the laws of Kenya with Registration Number LLP-EL1BLM and whose registered office is at Acorn House, 97 James Gichuru, Nairobi, Kenya, Post Office Box number 13759 - 00100. The partners of the Issuer are AHL (99%) and AMSL (1%).

The managing partner of the Issuer is AHL. AHL is jointly owned by Acorn Investments Limited (50%) and Accord Holdco (50%), owned respectively by the original shareholders of Acorn Group, one of Kenya’s leading property developers and project managers, and Helios Investment Partners Limited, one of the largest and most successful Africa focused private equity funds.

The project manager of the Issuer is AMSL. AMSL is responsible for all project and property management and administrative services of the Group.

1.2 AHL

Acorn Holdings Limited is a company incorporated on 29 September 2015 under the laws of the Republic of Mauritius and registered under number 133392 with the Registrar of Companies, with a registered office at Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius. AHL is one of the largest and most successful developers in Kenya. AHL has delivered over 50 projects, valued in excess of US$550 million. These include some of the most iconic projects in the region over the last decade such as the Coca-Cola Regional Head Office, Deloitte Regional Head Office, Equity Centre, UAP Tower, Nakawa Business Park, Tiara Office Park and Acorn House.

AHL has recruited a strong, competent and experienced management team to deliver on its strategy.

AHL is in the process of structuring a Development Real Estate Investment Trust (“REIT”) with AHL as the promoter. AHL’s current development pipeline will be sold to the Development REIT. It is intended that the Development REIT will purchase the partnership interests of AHL in the Issuer. AHL intends to retain a 30% stake in the proposed Development REIT.

1.3 Helios Investment Partners

Helios was founded in 2004 to focus exclusively on private investment in Africa. Since its establishment, Helios has raised over USD 2.3 billion through three private equity funds. Helios also took over the Modern Africa Fund in 2004, rationalizing and fully exiting the portfolio by 2007. Helios’ diverse LP base comprises a broad range of the world’s leading investors, including sovereign wealth funds, corporate and public pension funds, endowments and foundations, funds of funds, family offices and development finance institutions across the US, Europe, Asia and Africa.

Helios through its 100% ownership in Accord Holdco Limited has a 50% stake in AHL. It is Helios intention to fund the equity requirement of the Project Entities in the programme. The equity requirement is 35% of total costs.

Some of the current and previous equity stake investments Helios has made in Kenya include;
- Equity Bank: Kenya’s largest bank by number of accounts and among the top 3 in market capitalization and assets.
- Vivo Energy: a leading pan-African downstream oil business which distributes and markets Shell-branded fuels and lubricants across 15 African countries.
- Wananchi Group Holdings: the leading East African broadband-led cable triple play (internet, TV and voice) provider.
- Telkom Kenya: the third largest mobile communications company in Kenya

### 1.4 Project Overview

The Issuer is registered under the Limited Liability Partnerships Act, 2011 for the purpose of issuing the Notes under the Project.

The Issuer has established ten special purpose LLPs which are wholly owned by the Issuer, to acquire and hold the Properties (and other assets) described under “Project Developments” below for the purpose of the Project (each a Project Entity and together, the Project Entities). The Project Entities are Mahogany Creek Limited Liability Partnership, Linden Properties Limited Liability Partnership, Rowan Properties LLP, Spruce Properties LLP, Hemlock Properties LLP, Juniper Properties LLP, Scotchpine Properties LLP, Beech Properties LLP, Ashvale Properties LLP and Acacia Vale Properties LLP.

The net proceeds of the Notes (after the deduction of certain Project expenses) will be used by the Issuer to advance funds to the Project Entities. The funds will (together with the proceeds from the equity subscription from AHL) provide the Project Entities with sufficient funds to:

a) commence and complete the construction of the Project Developments;

b) pay costs associated with the Project; and

c) reimburse any Pre-funded Project Costs as confirmed by the Technical Advisor (where applicable). The Pre-funded Project Costs shall be limited to any amounts that are over and above thirty five percent (35%) of the equity contribution to the Project Costs.

The Notes will benefit from, among other things:

(i) A first ranking charge on land and a floating charge over all the assets of the Issuer;

(ii) 50% guarantee from GuarantCo on principal and interest payments;

(iii) A funded debt service reserve account covering forward looking 3 months of interest;

(iv) An assignment of rental income; and

(v) Corporate guarantee from AHL

The Issue is rated B1/AA2.ke by Moody’s Investor Services and will be certified as a green bond given that the underlying properties will be IFC EDGE certified.

### 1.5 PBSA Sector

The demand for student accommodation across the world continues to grow, and whilst PBSA is a relatively new sector of real estate investment, it has established itself as a significant asset class in many developed countries.
The Group has rolled out three PBSA properties with over 1,500 beds. Demand for the Group’s product has outstripped management expectations, with its first 2 properties on Jogoo Road and Ruaraka, achieving over 90% occupancy levels in 15 months and less than 12 months respectively. The third property in Parklands opened in March 2019.
# 2 Summary of the Programme

The following summary does not purport to be complete and is taken from, and is qualified by, this Information Memorandum and the Note Transaction Documents

<table>
<thead>
<tr>
<th>Table 2: Summary of the Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
</tr>
<tr>
<td><strong>Guarantor</strong></td>
</tr>
<tr>
<td><strong>Project Entities</strong></td>
</tr>
<tr>
<td><strong>Obligors</strong></td>
</tr>
<tr>
<td><strong>Arrangers</strong></td>
</tr>
<tr>
<td><strong>Placing Agents</strong></td>
</tr>
<tr>
<td><strong>Note and Security Trustee</strong></td>
</tr>
<tr>
<td><strong>Issue and Paying Agent</strong></td>
</tr>
<tr>
<td><strong>Registrar</strong></td>
</tr>
<tr>
<td><strong>Model Auditor</strong></td>
</tr>
<tr>
<td><strong>Legal Counsel</strong></td>
</tr>
<tr>
<td><strong>Issuer Listing Legal Counsel for the Nairobi Stock Exchange</strong></td>
</tr>
<tr>
<td><strong>Issuer Listing Legal Counsel for the International Securities Market</strong></td>
</tr>
<tr>
<td><strong>Technical Advisor</strong></td>
</tr>
<tr>
<td><strong>Rating Agency</strong></td>
</tr>
<tr>
<td><strong>Green Bond Certifier</strong></td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td><strong>Notes</strong></td>
</tr>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Programme Amount</strong></td>
</tr>
<tr>
<td><strong>Issuance of Notes</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Currency</strong></td>
</tr>
<tr>
<td><strong>Form of Notes</strong></td>
</tr>
<tr>
<td><strong>Early Redemption</strong></td>
</tr>
<tr>
<td><strong>Denomination of Notes</strong></td>
</tr>
<tr>
<td><strong>Type of Notes</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Rate of Interest
Such period(s), date(s) or rate(s) as indicated in the relevant Pricing Supplement.

Pricing Mechanism
Each note will be priced off the Kenya treasury bond yield curve plus a margin. The yield to maturity of the Kenya government treasury bond will match the duration left in the Tranche at the point of issue.

Status and Characteristics of Notes
Unless otherwise specified in the relevant Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and will rank pari passu among themselves and (save for certain debt preferred by law) equally with all other secured obligations (other than subordinated obligations (if any)) of the Issuer outstanding from time to time.

Terms and Conditions
The Terms and Conditions shall, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, be applicable to the Notes in definitive form representing each Series.

Other Terms and Conditions and Documentation

Transaction Security Documents:
1. A composite debenture and guarantee over all the assets of the Issuer and the Project Entities;
2. A legal charge over each Property over which the Project Development will be constructed;
3. 3 months debt service account to cover interest;
4. An assignment of rental income in respect of each Project Development;
5. 50% guarantee from GuarantCo on principal and interest payments;
6. Corporate guarantee from AHL;
7. Pledge in respect of the partnership interest of AHL in the Issuer and the partnership interest of the Issuer in each of the Project Entities including various subordination agreements;
8. Charge over each collection account and the debt service reserve account;

Drawdown Conditions
Conditions for drawdown of the initial Tranche of the Initial Series:

a) Constitutional documents:
1) Certified true copies of the certificate of registration of a limited liability partnership, the partnership deed and any amended partnership deed in respect of each member of the Issuer Group.
2) Certified true copies of the certificate of incorporation and the constitutional documents and any amendments thereto in respect of AHL.

b) Authorisations:

Certified true copies of:

1) appropriate resolutions and other authorisations required to be passed or given, and evidence of any other action required to be taken, on behalf of the Issuer authorising the establishment of the Programme, and the issue of Notes thereunder, the execution and delivery of the Note Transaction Documents and the Notes and the performance of the Issuer's obligations thereunder and the appointment of the persons named in the lists referred to in paragraph c below; and

2) in respect of every other member of the Issuer Group, all authorizing board and/or partner resolutions required to be passed or given, and evidence of any other action required to be taken, on behalf of that party in connection to the Programme; and

3) in respect of AHL, all authorising board resolutions required to be passed or given, and evidence of any other action required to be taken, on behalf of AHL in connection to the Programme.

c) List of authorised officers:

1) In respect of any member of the Issuer Group a list of the names, titles and specimen signatures of each person authorised:

   (i) by resolution to sign on its behalf the Note Transaction Documents to which they are a party;

   (ii) to sign on its behalf all notices and other related documents to be delivered pursuant thereto; and

   (iii) to take any other action on its behalf in relation to the Programme.

2) In respect of AHL a list of the names, titles and specimen signatures of each person authorised:

   (i) by resolution to sign on its behalf the Note Transaction Documents to which it is a party;

   (ii) to sign on its behalf all notices and other related documents to be delivered pursuant thereto; and
(iii) to take any other action on its behalf in relation to the Programme.

d) **Executed Note Transaction Documents:***

(i) the duly executed and stamped Note Transaction Documents and, where necessary, completion of any applicable formalities under the law governing each Note Transaction Document;

e) **Partnership interest:** the documents listed in Clause 3.2 and Clause 3.3.2 of the Partnership Interest Pledge Deed;

f) **Legal opinion:** legal opinions each addressed to the Security Trustee and the Note Trustee substantially in the form provided to the Arrangers, the Security Trustee and the Note Trustee from (a) Anjarwalla & Khanna LLP as Kenyan legal counsel, (b) Trinity LLP as English legal counsel and (c) BLC Robert & Associates as Mauritian legal counsel confirming capacity, authority and enforceability in respect of each member of the Issuer Group established in their respective jurisdictions and in connection with the Programme;

g) **Regulatory approval:**

(i) each member in the Issuer Group (as applicable) shall have obtained all authorizations, consents and approvals of any court or governmental or other regulatory agency including CMA (if applicable) or body required in connection with the issuance and sale of the Notes and the performance of its obligations hereunder and under the Notes and the Note Transaction Documents; and

(ii) each member in the Issuer Group (as applicable) shall have obtained all authorizations, consents and approvals in connection with the Project Development including the requisite approval from NEMA and all planning permissions and other permits and consents that may be required under the planning acts or other laws to enable lawful construction of the Project Development.

h) **Accounts:** each member of the Issuer Group shall have opened the Accounts, including copies of the necessary Account opening mandates with the Account Bank and confirmation that each relevant Account is open and in good standing;

i) **Insurance:** each member of the Issuer Group shall have obtained sufficient insurance cover from an insurance company licenced under the Insurance Act (Chapter 487 laws of Kenya) to such an extent and against such risks as companies/limited liability partnerships engaged in a similar
business normally insure and shall ensure a loss payee clause is included in respect of the Security Trustee in each relevant insurance policy.

The insurance will include but will not be limited to:

*Construction phase:* Construction risks based on full contract value including but not limited to: (i) strike, riots and civil commotion; (ii) extra expenses; (iii) extended maintenance period; and (iv) third party liability, coverage.

*Operational phase:* (i) fire and named perils or property all risks insurance, based on new replacement cost of assets; (b) machinery breakdown insurance e.g. generator (c) business interruption; and (d) third party liability.

j) *Principal and Interest cover:* the Note Trustee being satisfied that the Issuer shall have funded the DSRA to cover at all times at least three (3) months’ interest payment (the DSRA Limit) for the Notes to be issued in respect of the proposed Tranche.

k) *Fees:* Evidence satisfactory to the Note Trustee of payment of all fees, costs and expenses then due from any member of the Issuer Group under the Note Transaction Documents;

l) *Valuation:* Valuation by an Approved Valuer in respect of the land assets of each member of the Issuer Group under the Transaction Security Documents;

m) *Survey report:* A survey report (by a surveyor acceptable to the Note Trustee) in respect of each of the Project Entity’s land that is subject to the Transaction Security Documents;

n) *Technical advisor:* Confirmation of appointment of a Technical Advisor;

o) *Financial Information*

   (i) a comfort letter duly executed by the Auditor confirming the Financial Model; and

   (ii) evidence satisfactory to the Note Trustee that the relevant Project Entity is subject to a services management agreement with AMSL.

p) *Certificate from the Technical advisor:* For each Tranche, a certificate from the Technical Advisor in respect of a Project Development for which the initial Notes issuance is required in the form set out in Appendix D: Form of Technical Advisor Certificate (Form of Technical Advisor Certificate Prior to first issue of each Series);
Bank Mandates: copies of the bank mandates for the Accounts with the Account Bank and confirmation that each relevant Account is open and in good standing.

Representations and warranties: the Obligors have furnished the Note Trustee an accurate certificate, signed by an Authorised Officer or the Chief Financial Officer as applicable of each of them, to the effect that, to the best of his or her knowledge after having made due and careful inquiry the representations and warranties of the Obligor in this Trust Deed are true and correct in all material respects on and as of the date of the certificate and the Obligor has performed all its obligations and satisfied all the conditions on its part to be satisfied at or prior to the date of the certificate;

Property: confirmation that all title documents relating to each Project Entity’s ownership of properties already acquired by the relevant Project Entity have been delivered to the Security Trustee.

Events of Default: No event has occurred or circumstance arisen or would occur as a result of the issue of Notes, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under “Events of Default” in the Conditions.

No Material Adverse Effect: confirmation that no event or circumstance has occurred which, in the reasonable opinion of the Note Trustee, has or is reasonably likely to have a Material Adverse Effect.

Certificate from the authorised officers: A certificate of an authorised officer or director of AHL certifying that each copy document relating to it specified in this Schedule is correct, complete and in full force and effect as at a date no earlier than the date of the certificate.

A copy of any other authorisation or other document, opinion or assurance which the Note Trustee considers to be necessary or desirable (if it has notified the Issuer Group) in connection with the entry into and performance of the transactions contemplated by any Note Transaction Documents or for the validity and enforceability of any Transaction Security Document.


Consent: consent duly executed by Accord HoldCo Ltd giving its consent for AHL to enter into this Trust Deed and the Note Transaction Documents to which it is a party.
z) **Authorisation Letter:** duly executed letter authorising Anjarwalla & Khanna LLP as Kenyan legal counsel to date and insert the relevant title numbers in the Replacement Charges once the change of user process is complete.

**Conditions for drawdown of the Initial Tranche for each subsequent Series:**

To the extent not already provided under the Conditions for drawdown of the Initial Series above.

a) **Authorisations:** appropriate resolutions and other authorisations required to be passed or given, by the relevant Project Entity undertaking the relevant Project Development for which the proceeds of the issuance of the additional Notes are required.

b) **Legal charge:** legal charge in substantially the same form as the Charge with such variations as may be necessary to reflect any changes in the law or lands registry processes at that time in respect of the land on which the Project Development is proposed and over any property acquired or proposed to be acquired and developed by the relevant Project Entity.

c) **Assignment of rental income:** assignment of rental income in respect of the Project Development which is the subject of the legal charge referred to in paragraph 1.2.2 of the Trust Deed.

d) **Legal Opinion:** legal opinion opining on among others, the capacity of the Project Entity to provide additional security by way of legal charges over any property acquired or proposed to be acquired and developed by the relevant Project Entity and the enforceability of the Charge and the respective assignment of rental income in relation thereto.

e) **Survey report:** a survey report (by a surveyor acceptable to the Note Trustee) in respect of each parcel of land acquired or proposed to be acquired by the relevant Project Entity.

f) **Certificate from the Technical Advisor:** a certificate from the Technical Advisor in respect of the relevant Project Development in the form set out in Appendix D: Form of Technical Advisor Certificate.

g) **Valuation:** valuation by an Approved Valuer in respect of the land acquired by the Project Entity and for which the proceeds of the Notes are required.
h) **Principal and Interest cover:** the Issuer shall have funded the DSRA in an amount equal to the DSRA Limit in respect of the Notes Outstanding and the Notes to be issued in respect of the relevant Tranche to be made.

i) **Insurance:** the relevant Project Entity shall have obtained sufficient insurance cover from an insurance company licensed under the Insurance Act (Chapter 487 laws of Kenya) to such an extent and against such risks as companies/limited liability partnerships engaged in a similar business normally insure and shall ensure a loss payee clause is included in respect of the Security Trustee in each relevant insurance policy.

j) **Events of Default:** no event has occurred or circumstance arisen or would occur as a result of the issue of Notes, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default" in the Conditions.

k) **Property:** to the extent not already provided, confirmation that all title documents relating to the relevant Project Entity's ownership of properties acquired by it has been provided to the Security Trustee.

l) **No Material Adverse Effect:** No event or circumstance has occurred which, in the opinion of the Note Trustee, has or is reasonably likely to have a Material Adverse Effect.

m) **Representations and warranties:** each of the Issuer and AHL have furnished to the Note Trustee an accurate certificate, signed by its Authorised Officer or the Chief Financial Officer as applicable, to the effect that, to the best of his or her knowledge after having made due and careful inquiry the representations and warranties of the Issuer and AHL in this Trust Deed are true and correct on and as of the date of the certificate and the Issuer has performed in all material respects all its obligations and satisfied all the conditions on its part to be satisfied at or prior to the date of the certificate.

n) A copy of any other authorisation or other document, opinion or assurance which the Note Trustee considers to be necessary or desirable (if it has notified the Issuer Group) in connection with the entry into and performance of the transactions contemplated by any Note Transaction Documents or for the validity and enforceability of any Transaction Security Document.

**Conditions for drawdown of subsequent Tranches**

a) **Certificate from the Technical Advisor:** for each Tranche, a certificate from the Technical Advisor in respect of the Project
in the form set out in Appendix D: Form of Technical Advisor Certificate Ongoing Development.

b) *Principal and Interest cover:* the Issuer shall have funded the DSRA in an amount not less than the DSRA Limit in respect of the Notes Outstanding and the Notes to be issued in respect of the relevant Tranche requested.

c) *No Material Adverse Effect:* No event or circumstance has occurred which, in the opinion of the Note Trustee, has or is reasonably likely to have a Material Adverse Effect.

d) *Representations and warranties:* Each of the Issuer and AHL has furnished to the Note Trustee an accurate certificate, signed by its Authorised Officer or the Chief Financial Officer as applicable, to the effect that the representations and warranties of the Issuer in this Trust Deed are true and correct on and as of the date of the certificate and the each Issuer and AHL has performed all its obligations and satisfied all the conditions on its part to be satisfied at or prior to the date of the certificate.

e) *Property:* Confirmation that the development approvals to the extent that they relate to change of user of the properties have been procured and endorsed or the Issuer undertakes that it will be so endorsed on the relevant title documents.

f) *Events of Default:* no event has occurred or circumstance arisen or would occur as a result of the issue of Notes, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default" in the Conditions.

<table>
<thead>
<tr>
<th>Conditions Precedent and Subsequent to Splitting of Titles</th>
<th>Conditions Precedent to Splitting of Titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) <strong>Authorisations:</strong> appropriate resolutions and other authorisations required to be passed or given, by the relevant Project Entity undertaking the split of title and issuing the Replacement Charge.</td>
<td></td>
</tr>
<tr>
<td>b) <strong>Replacement Charge and other documents:</strong> the duly executed Replacement Charge including the Discharge of Charge, partial discharge of Debenture in respect of the MTN Land.</td>
<td></td>
</tr>
<tr>
<td>c) <strong>Authorisation Letter:</strong> duly executed letter authorising the advocates for the Project Entity to date and insert the relevant title numbers in the Replacement Charge once the Lease Process or the Subdivision Process is completed.</td>
<td></td>
</tr>
<tr>
<td>d) <strong>Assignment of rental income:</strong> duly executed assignment of rental income in respect of the Project Development which is the</td>
<td></td>
</tr>
</tbody>
</table>
subject of the Replacement Charge referred to in paragraph 1.3.2 of Part B of the Trust Deed in place of the Assignment of Rental Income which may have previously been executed by the relevant Project Entity which shall be cancelled and have no further effect.

e) **Survey report:** a survey report (by a surveyor acceptable to the Note Trustee) in respect of the MTN Land.

f) **Subdivision Approval:** in the case of a subdivision, the planning permission (Form PPA2: Notification of Approval of Development Permission) and a certificate of compliance (Form P.P.A. 5) in respect of the subdivision.

g) **Undertaking:** the duly executed undertaking from the advocates for the relevant Project Entity as provided in Clause 12.6 (c)(ii) of the Trust Deed.

h) **Events of Default:** no event has occurred or circumstance arisen or would occur as a result of the issue of Notes, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default" in the Conditions.

i) **Representations and warranties:** each of the Issuer and AHL have furnished to the Note Trustee an accurate certificate, signed by its Authorised Officer or the Chief Financial Officer as applicable, to the effect that, to the best of his or her knowledge after having made due and careful inquiry the representations and warranties of the Issuer and AHL in this Trust Deed are true and correct on and as of the date of the certificate and the Issuer has performed in all material respects all its obligations and satisfied all the conditions on its part to be satisfied at or prior to the date of the certificate.

j) A copy of any other authorisation or other document, opinion or assurance which the Note Trustee considers to be necessary or desirable (if it has notified the Issuer Group) in connection with the entry into, performance of the transactions contemplated by or for the validity and enforceability of the Replacement Charge.

**Conditions Subsequent to Splitting of Titles**

a) **Replacement Charge and other documents:** the duly registered Replacement Charge including the Discharge of Charge, partial discharge of Debenture in respect of the MTN Land.

b) **Assignment of rental income:** duly stamped assignment of rental income in respect of the MTN Land which is the subject of the Replacement Charge referred to in paragraph 1.4.1 of the Trust Deed in place of the Assignment of Rental Income which
may have previously been executed by the relevant Project Entity which shall be cancelled and have no further effect.

c) **Fees:** Evidence satisfactory to the Note Trustee of payment of all fees, costs and expenses then due from any member of the Issuer Group relating to the subdivision, discharge, charge or long term lease.

d) **Legal Opinion:** legal opinion from the advocates of the Note Trustee opining on the enforceability of the Replacement Charge and the respective assignment of rental income from the MTN Land, substantially in the form of the legal opinion set out in the Trust Deed under paragraphs 1.2.4 of Part A (Conditions Precedent) of paragraph 1.1 (Conditions for drawdown of the initial Tranche of the initial Series) of this Schedule 2(Conditions).

e) **Certificate from the Technical Advisor:** a certificate from the Technical Advisor in respect of the relevant Project Development on the MTN Land in the form set out in Appendix D: Form of Technical Advisor Certificate Ongoing Development.

f) **Property:** to the extent not already provided, confirmation that all title documents relating to the ownership of the MTN Land have been provided to the Security Trustee and that the development approvals to the extent that they relate to subdivision/long term lease of the MTN Land have been procured and endorsed or the Issuer undertakes that it will be so endorsed on the relevant title documents over the MTN Land.

<table>
<thead>
<tr>
<th>Conditions Precedent and Subsequent to Change of User</th>
<th>Conditions Precedent to Change of User</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) <strong>Authorisations:</strong> appropriate resolutions and other authorisations required to be passed or given, by the relevant Project Entity undertaking the change of user and issuing the Replacement Charge.</td>
<td></td>
</tr>
<tr>
<td>b) <strong>Replacement Charge and other documents:</strong> the duly executed Replacement Charge the Discharge of Charge and the partial discharge of Debenture in respect of the relevant Project Development Land.</td>
<td></td>
</tr>
<tr>
<td>c) <strong>Authorisation Letter:</strong> duly executed letter authorising the advocates for the Project Entity to date and insert the relevant title numbers in the Replacement Charge once the Legal Process is completed.</td>
<td></td>
</tr>
<tr>
<td>d) <strong>Assignment of rental income:</strong> duly executed assignment of rental income in respect of the Project Development Land which is the subject of the Replacement Charge referred to in</td>
<td></td>
</tr>
</tbody>
</table>
paragraph 1.1.2 of the Trust Deed in place of the Assignment of Rental Income which may have previously been executed by the relevant Project Entity which shall be cancelled and have no further effect.

e) Undertaking: the duly executed undertaking from the advocates for the relevant Project Entity as provided in Clause 12.5(c)(ii) of the Trust Deed.

f) Planning Approval: in the case of a change of user, the planning permission (Form PPA2: Notification of Approval of Development Permission) in respect of the change of user and compliance with the conditions thereto.

g) Events of Default: no event has occurred or circumstance arisen or would occur as a result of the issue of Notes, which might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under “Events of Default” in the Conditions.

h) Representations and warranties: each of the Issuer and AHL have furnished to the Note Trustee an accurate certificate, signed by its Authorised Officer or the Chief Financial Officer as applicable, to the effect that, to the best of his or her knowledge after having made due and careful inquiry the representations and warranties of the Issuer and AHL in this Trust Deed are true and correct on and as of the date of the certificate and the Issuer has performed in all material respects all its obligations and satisfied all the conditions on its part to be satisfied at or prior to the date of the certificate.

i) A copy of any other authorisation or other document, opinion or assurance which the Note Trustee considers to be necessary or desirable (if it has notified the Issuer Group) in connection with the entry into, performance of the transactions contemplated by or for the validity and enforceability of the Replacement Charge.

Conditions Subsequent to Change of User

a) Replacement Charge and other documents: the duly registered Replacement Charge, the Discharge of Charge and the partial discharge of Debenture in respect of the relevant Project Development Land.

b) Assignment of rental income: duly stamped assignment of rental income in respect of the Project Development Land which is the subject of the Replacement Charge referred to in paragraph 1.2.1 of the Trust Deed in place of the Assignment of Rental Income which may have previously been executed.
by the relevant Project Entity which shall be cancelled and have no further effect.

c) **Fees:** Evidence satisfactory to the Note Trustee of payment of all fees, costs and expenses then due from any member of the Issuer Group relating to the change of user, discharge (if applicable) and charge.

d) **Legal Opinion:** legal opinion from the advocates of the Note Trustee opining on the enforceability of the Replacement Charge and the respective assignment of rental income from the Project Development Land, substantially in the form of the legal opinion set out in the Trust Deed under paragraphs 1.2.4 of Part A (Conditions Precedent) of paragraph 1.1 (Conditions for drawdown of the initial Tranche of the initial Series) of this Schedule 2(Conditions).

e) **Property:** to the extent not already provided, confirmation that all title documents relating to the ownership of the relevant Project Development Land have been provided to the Security Trustee and that the development approvals to the extent that they relate to change of user of the Project Development Land have been procured and endorsed or the Issuer undertakes that it will be so endorsed on the relevant title documents over the Project Development Land.

<table>
<thead>
<tr>
<th>Resignation of a Project Entity/Sale of Project Development/Change of User/Splitting of Titles</th>
<th>Conditions for acceptance of resignation of a Project Entity that has not utilised any proceeds of the Notes and is not undertaking a Project Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Note Trustee shall accept the Resignation Letter and promptly notify the Issuer, AHL, GuarantCo and the Secured Parties of its acceptance if:</td>
<td></td>
</tr>
<tr>
<td>a) no Event of Default had occurred and is continuing or would result from the Note Trustee's acceptance of the Resignation Letter (and the resigning Project Entity and the Issuer has confirmed this is the case);</td>
<td></td>
</tr>
<tr>
<td>b) the Project Development relating to the resigning Project Entity has not had the benefit of any proceeds of the Notes from the Issuer;</td>
<td></td>
</tr>
<tr>
<td>c) the open market value of the remaining properties charged as security under the Programme as at the date of the Resignation Letter, is at least 1.3 times the amount payable on the Notes Outstanding as confirmed by a Valuation Report (of not less than twelve (12) months old);</td>
<td></td>
</tr>
<tr>
<td>d) the Note Trustee has communicated the intended resignation to the Secured Parties, AHL and GuarantCo;</td>
<td></td>
</tr>
</tbody>
</table>
Conditions for Acceptance of Resignation of a Project Entity who has sold its completed Project Development or who is being sold following completion of its Project Development

The Note Trustee shall accept the Resignation Letter and promptly notify the Issuer, AHL, GuarantCo and the Secured Parties of its acceptance if:

a) no Event of Default had occurred and is continuing or would result from the Note Trustee’s acceptance of the Resignation Letter (and the resigning Project Entity and the Issuer have confirmed this is the case);

b) the Project Development has been sold or the Project Entity itself is being sold in accordance with Condition 11 of Schedule 3 (Terms and Conditions of the Notes);

c) the Technical Advisor has issued its certificate in substantially the form in Appendix D: Form of Technical Advisor Certificate: Project Close;

d) the value of the remaining properties charged as security under the Programme as at the proposed date of disposal is more than 1.3 times of the amount payable on the Notes Outstanding as confirmed by a Valuation Report (of not less than twelve (12) months old);

e) all costs and expenses in respect of any valuation, communication and discharge of security is settled by the Issuer; and

f) all other conditions which may have been set by the Note Trustee in respect of such resignation, acting reasonably, have been met.

Conditions for Acceptance of Resignation of a Project Entity of an incomplete Project Development

The Note Trustee shall accept the Resignation Letter and promptly notify the Issuer, AHL, GuarantCo and the Secured Parties of its acceptance if:

a) no Event of Default had occurred and is continuing or would result from the Note Trustee’s acceptance of the Resignation
Letter (and the resigning Project Entity and the Issuer has confirmed this is the case);

b) all outstanding debt of the relevant Project Entity has been fully repaid;

c) the value of the remaining properties charged as security under the Programme as at the date of the Resignation Letter, is more than 1.3 times the amount payable on the Notes Outstanding as confirmed by a Valuation Report (of not less than twelve (12) months old);

d) the Note Trustee has communicated the intended resignation to the Secured Parties, AHL and GuarantCo;

e) the consent of GuarantCo has been obtained;

f) all costs and expenses in respect of any valuation, communications relating to the resignation and discharge of security is settled by the Issuer or the relevant Project Entity; and

g) all other conditions set out by the Note Trustee, acting reasonably, have been met.

Conditions for Issuer or Project Entity Wishing to Undertake or Complete a Change of User over a Project Development Land

a) Subject to obtaining the prior consent of the Security Trustee and GuarantCo, which consent shall not be unreasonably withheld or delayed and shall be given if the conditions referred to in (c) below are satisfied, the Issuer and/or a Project Entity shall at any time have the right to request the Security Trustee to discharge a Charge or partially discharge a Charge (as appropriate) created over a title relating to the Project Development (the Discharge of Charge) to enable the Issuer/Project Entity to undertake a change of user process.

b) The Project Entity undertakes to create a Replacement Charge over the title relating to the relevant Project Development Land, which Replacement Charge shall have such variations as may be necessary to reflect any changes in the law or lands registry processes at that time upon, receipt of the new title following the change of user (in respect of leasehold land) or the original title duly endorsed with the change of user (in respect of freehold land) (whichever shall apply) by the advocates for the relevant Project Entity.

c) Subject to (a) above, the Security Trustee shall agree in writing to the Discharge of Charge and creation of a Replacement Charge over the relevant Project Development Land on the following conditions:
(i) The advocates for the relevant Project Entity (which advocates shall be acceptable to the Security Trustee (acting reasonably) providing an undertaking in substantially the form set out in the Trust Deed under Part A (Form of Undertaking to be issued by the Project Entity's Advocates on Change of User) of Schedule 13 (Form of Undertaking to be issued by a Project Entity's Advocate) in favour of the Security Trustee or the advocates for the Security Trustee.

(ii) All the costs and expenses relating to the Legal Process (as defined in paragraph (v) below) including the legal and other costs of the Security Trustee relating to the review and approval of the Replacement Charge and ancillary documentation relating to the Legal Process (defined in the Trust Deed under Clause 12.5 (c) (v)) shall be borne by the Issuer and/or the Project Entity.

(iii) All other conditions set out by the Note Trustee and/or the Security Trustee and GuarantCo, acting reasonably, have been met.

(iv) The Project Entity gives the Security Trustee contact details of the surveyor handling the process of change of user of the relevant Project Development Land (the Legal Process) together with the written authority to the surveyor to:

(A) keep the Note Trustee, the Security Trustee and the advocates of the Project Entity regularly updated, and in any event not less than on a monthly basis, on the progress of the Legal Process; and

(B) subject to clause 12.5(d) of the Trust Deed, to act on the reasonable instructions of the Security Trustee in respect of the Legal Process as long as the Project Entity and the advocates for the Project Entity are first informed of those instructions.

d) At any time after the occurrence of an Event of Default or Potential Event of Default, the Note Trustee and/or the Security Trustee will have the right to directly instruct the surveyor undertaking the Legal Process as the Note Trustee and/or the Security Trustee shall deem appropriate.
Conditions for Issuer or Project Entity Wishing to Split a Title and Discharge Security over a Portion of that Title that is to be removed from the Programme

a) Subject to obtaining the prior consent of the Security Trustee and GuarantCo, which consent shall not be unreasonably withheld or delayed and shall be given if the conditions in (c) below are satisfied, the Issuer shall at any time before the initial drawdown and subsequent issue of the corresponding Notes for a Series relating to a Project Development of the relevant property, have the right to request the Security Trustee to execute the Discharge of Charge and where the Project Development is to be constructed in phases, the Issuer and the Project Entity will confirm whether:

(i) both phases will be within the Programme or if only one (1) phase will be part of the Programme (in each case, the MTN Land) and the other phase will be removed from the Programme (the Non MTN Land); and

(ii) the split will be by way of long term lease or subdivision.

b) The Project Entity undertakes to create a Replacement Charge over the long term lease or subdivided title (as the case may be) relating to the MTN Land which Replacement Charge shall have such variations as may be necessary to reflect any changes in the law or lands registry processes at that time simultaneously with:

(i) in the case of a long term lease of the MTN Land, the issuance of the long term lease relating to the MTN Land; or

(ii) in the case of a subdivision, the issuance of the subdivided title relating to the MTN Land.

c) Subject to (a) above, the Security Trustee shall agree in writing to the Discharge of Charge and creation of a Replacement Charge over the MTN Land on the following conditions:

(i) No Event of Default has occurred and is continuing.

(ii) The advocates for the relevant Project Entity providing an undertaking in substantially the form set out in Part B (Form of Undertaking to be issued by a Project Entity’s Advocates on Splitting of Titles) of Schedule 13 (Form of Undertaking to be issued by a Project Entity’s Advocate) in favour
of the Security Trustee or the advocates for the Security Trustee.

(iii) It is agreed that if the request for a Discharge of Charge is made after three (3) years from the date of the Trust Deed, the split shall be only by way of long term lease and not subdivision.

(iv) The Project Entity gives the Security Trustee contact details of the surveyor handling the process of subdivision of the relevant Project Development Land (the Subdivision Process) together with the written authority to the surveyor to:

(A) keep the Note Trustee, the Security Trustee and the advocates of the Project Entity regularly updated, and in any event not less than on a monthly basis, on the progress of the Subdivision Process; and

(B) subject to Clause 12.6(e) of the Trust Deed, to act on the reasonable instructions of the Security Trustee in respect of the Subdivision Process as long as the Project Entity and the advocates for the Project Entity are first informed of those instructions.

(v) The advocates for the relevant Project Entity shall prepare and register the long term lease (the Lease Process) and shall:

(A) keep the Note Trustee and the Security Trustee regularly updated on the progress of the Lease Process; and

(B) subject to clause 12.6(e) of the Trust Deed, to act on the reasonable instructions of the Security Trustee in respect of the Lease Process.

(vi) All the costs and expenses relating to the long term lease or subdivision, discharge and charge including the legal and other costs of the Security Trustee relating to the review and approval of the Replacement Charge and ancillary documentation relating to the Subdivision Process or the Lease Process ( whichever is applicable), shall be borne by the Issuer and/ or the Project Entity.
All other conditions set out by the Note Trustee and/or the Security Trustee and GuarantCo, acting reasonably, have been met.

d) Subject to any conditions as may be imposed by the Security Trustee, the Note Trustee and/or GuarantCo relating to the splitting and release of part of the Project Development Land, on completion of the Subdivision Process or the Lease Process, the parties hereby agree that:

(i) only the MTN Land will be included in and be subject to the Programme and this Trust Deed and the Non-MTN Land shall cease to be part of the Programme and the provisions of this Trust Deed shall not apply thereto;

(ii) the Non-MTN Land shall be held by an entity of AHL's choosing and not by a Project Entity. The Non-MTN Land may be sold by the relevant Project Entity, to an entity of AHL's choice or as it shall deem fit in its sole discretion at a price based on the Project Entity's original costs and expenses of the land relating to the Project Development (including related costs such as legal fees and stamp duty) apportioned between the MTN Land and the Non-MTN Land on the basis of their respective portions. The said price shall be subject to the prior approval of Technical Advisor which shall not be unreasonably withheld or delayed; and

(iii) The relevant Project Entity shall bear the capital gains tax (if any) relating to the transfer to the Non-MTN Land;

e) At any time after the occurrence of an Event of Default or Potential Event of Default, the Note Trustee and/or the Security Trustee will have the right to directly instruct the surveyor undertaking the Subdivision Process or the advocates for the Project Entity undertaking the Lease Process as the Note Trustee and/or the Security Trustee shall deem appropriate.

Commitments from investors and drawdown mechanics:

1. Investors shall provide legally binding commitments (in form and substance satisfactory to the Placing Agents) in relation to their total participation in the Programme
2. The Issuer shall, upon satisfaction of the relevant drawdown conditions, issue a utilisation request (in pre-agreed form) to the Note Trustee no later than 10 days prior to the proposed utilisation date
3. Each investor shall make its participation in each drawdown available by the relevant utilisation date.

4. The amount of each investors’ participation in each drawdown will be a proportion of the then outstanding amount of the investor’s total commitment in the Programme as notified to the investor by the Note Trustee.

5. The Note Trustee shall notify each investor of the amount of each tranche and the amount of its participation in that tranche, in each case no later than 5 days prior to the proposed drawdown date of the relevant tranche.

6. Each drawdown will be pre-approved by the Technical Advisor.

7. Defaulting Subscriber:
   a. Each Subscriber acknowledges and agrees that if a Defaulting Subscriber fails to fund its participation pursuant to a payment request received from the Placing Agent on or before the Settlement Date, then for purposes of that request:
      i. the Defaulting Subscriber shall not be required to make its participation available; and
      ii. its Available Commitment shall be reduced and cancelled by the Unpaid Commitment Amount.

   Such cancellation shall be without prejudice to a request to the Note Trustee to re-instate the cancelled commitments in relation to any increased participation by that Subscriber in any future payment requests where amounts requested for would not have been achieved as a result of any Subscriber failing to fund their participation.

   b. Other than in respect of the Unpaid Commitment Amount, the commitment of a Subscriber and its obligations to fund the balance of that Subscriber’s Commitment shall remain in full force and effect.

   c. A Subscriber may (upon request by a Placing Agent), request that its total Subscriber’s Commitment be increased (and its total Subscriber’s Commitment shall be so increased upon execution of an increase confirmation) in an aggregate amount of the total Subscriber’s Commitment so cancelled in Condition 13(a). Alternatively, any such cancelled total Subscriber’s Commitment may be funded by another Subscriber who provides a commitment letter to a Placing Agent within five (5) days of such request.

   d. The Placing Agent may, after a Subscriber has become and continues to be a Defaulting Subscriber, transfer that portion of the Subscriber’s Commitment of the Defaulting Subscriber equal to the Unpaid Commitment Amount to an existing or to a new Subscriber and the costs for such transfer shall be borne by the Defaulting Subscriber.

Definitions:
Available Commitment means, an investor’s commitment under the Programme minus:

1. the amount of its participation in any outstanding utilisations under the Programme; and
2. in relation to any proposed utilisation, the amount of its participation in any utilisations that are due to be made on or before the proposed utilisation date.

Available Facility means the aggregate for the time being of each investor’s Available Commitment.

Financial Covenants

Each member of the Issuer Group shall ensure that:

a) Interest cover ratio: The interest cover ratio for each Project Development one (1) Financial Year after completion of such Project Development shall not be less than 1.2x

b) Loan to value: a) The Issuer must ensure that on a consolidated basis its Loan to Value does not, at any valuation date, exceed 75%. The Issuer must procure that the Loan to Value for each other member of the Issuer Group does not, at any time, exceed 75%.

c) Debt-equity ratio: The debt to equity ratio during construction shall be maintained at 65:35

a) Calculation Date means each 31 December and 30 June of each year.

b) Calculation Period in relation to each Project Development, means:

a) in respect of the first Calculation Date, the period commencing on the date falling twelve (12) months after project construction has been completed and ending on the first to occur subsequent date of 30 June and 31 December, or if this is a period of less than three (3) months, the following 30 June or 31 December (such date being, the First Calculation Date);

b) in respect of the second Calculation Date, the period commencing on the day after the First Calculation Date and ending on the date falling six (6) calendar months after the day after the First Calculation Date; and

c) in relation to any other future Calculation Period, the period commencing on the day after the most recent Calculation Date and ending on the date falling six (6) calendar months after such date (or, in respect of the final Calculation Date, the period commencing on the day after
the most recent Calculation Date at that time and ending on the Redemption Date).

c) **Cash Flow Available for Debt Service** means, for any member of the Issuer Group, (without double counting), on any Calculation Date, in respect of any period, the aggregate of:

i. all Revenues other than any Revenues derived from Equity or Financial Indebtedness; less

ii. all costs and expenses actually incurred by it in respect of the Project, including but not limited to (i) routine repairs and maintenance, (ii) all amounts due to the relevant local authority or other service providers, (iii) water, electricity, rates and other municipal accounts and Tax and other costs not otherwise included in (ii) above, (iv) cleaning, (v) security, (vi) fire protection, (vii) equipment maintenance and maintenance contracts, (viii) licenses and authorisations (including any renewal fees payable in respect thereof), (ix) uninterrupted supply of services, (x) banking services, (xi) accounting and regulatory services, (xii) legal costs, (xiii) insurance, (xiv) staff costs, (xv) property and asset management costs, (xvi) parking management, (xvii) letting fees and commissions, (xviii) promotional and marketing costs, (xix) gardening services and (xx) customer services, in each case during that period on an "accruals" basis.

d) **Equity** means any capital injected into any member of the Issuer Group which may take the form of partner capital or Partner Loans.

e) **Interest Cover Costs** means, for any member of the Issuer Group, for any period, the aggregate of all amounts required to be paid by it during such period by way of interest, capitalised interest, fees, commissions, hedging premia and any other periodical payments in connection with any Financial Indebtedness.

f) **Interest Cover Ratio** means, for any member of the Issuer Group, in respect of any Calculation Date, the ratio of:

i. the aggregate Cash Flow Available for Debt Services; to

ii. the aggregate Interest Cover Costs,

in each case for the relevant Calculation Period ending on that Calculation Date.

g) **Loan to Value** means, for any member of the Issuer Group, at any time, the Financial Indebtedness of that member of the Issuer Group as a percentage of the open market value of the student housing projects owned by that member of the Issuer Group forming part of the Project (determined in accordance with the
most recent Valuation Report for that property which is acceptable to the Note Trustee).

h) Revenue means, for any member of the Issuer Group, the aggregate of all amounts paid to or received by that member of the Issuer Group in connection with the use or occupation of all or part of the Project Development (excluding any amounts made available under the Note Transaction Documents), on an “actuals” rather than an “accruals” basis.

<table>
<thead>
<tr>
<th>Taxation</th>
<th>Interest on the Notes will be subject to withholding tax under current tax laws. Unless otherwise exempted, the Noteholders shall be paid interest after deduction of such taxes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemption Amounts</td>
<td>The relevant Pricing Supplement will specify the redemption amount or if applicable, basis for calculating the redemption amounts payable.</td>
</tr>
</tbody>
</table>
| Optional Redemption | The relevant Pricing Supplement relating to each tranche of Notes will indicate either:
   a) that the Notes may not be redeemed prior to their stated maturities (other than in specified instalments, if applicable) or following an Event of Default; or
   b) that such Notes may also be redeemable at the option of the Issuer and upon giving not less than 15 nor more than 30 days’ irrevocable notice (or such other notice period, if any, as is indicated in the relevant Pricing Supplement) to the Noteholders, on a date or dates specified prior to such stated maturity and at a price or prices if any and on such terms as are indicated in the relevant Pricing Supplement. |
| Distribution | Notes will be available for sale to Professional Investors only. |
| Issue Date | To be specified in the relevant Pricing Supplement. |
| Allotment Policy | To be specified in the relevant Pricing Supplement. |
| Compliance | The Issue, placement, Listing and transfer of Notes will comply with the following:
   a) The Issuer’s constitutive documents;
   b) The requirements of the Capital Markets Authority for issue of Notes in Kenya, within the meaning of Section 30B of the Capital Markets Act, (Chapter 485A, Laws of Kenya);
   c) Part D of the Third Schedule to the Capital Markets (Securities)(Public Offers, Listing and Disclosures) Regulations, 2002:
   d) Any other applicable provisions of the law in Kenya relating to debt capital markets that is in existence or that may be passed before the Issue or while the Notes are still outstanding |
| **Market Flex**                           | If the market is not receptive, the Arrangers shall, after consultation with the Issuer, be entitled to change the structure, terms or pricing of the Issue if placement has not been completed and if the Arrangers determine that such changes are advisable in order to ensure a successful placement of the Issue. |
| **Governing Law**                        | The Notes will be construed in accordance with, and governed by, Kenya law. |
## 3 Timetable

The timetable of principal events taking place immediately before, during or after the Listing is set out below:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Date of the 1st Drawdown Amount (KES 786 Million)</td>
<td>08 November 2019</td>
</tr>
<tr>
<td>Approval of the Listing by the Board of Representatives of the Issuer</td>
<td>27 November 2019</td>
</tr>
<tr>
<td>Approval of the Listing by the CMA initial Tranche of Notes</td>
<td>9 January 2020</td>
</tr>
<tr>
<td>Approval of the Listing by the NSE initial Tranche of Notes</td>
<td>⚫</td>
</tr>
<tr>
<td>Listing of the initial Tranche Notes on the NSE and commencement of trading of the Notes on the NSE</td>
<td>13 January 2020</td>
</tr>
<tr>
<td>Subsequent Listing of Notes</td>
<td>On such dates determined by the Issuer upon issue of subsequent Notes following approval by the CMA of the relevant Pricing Supplements. The Issuer may, with the approval of the CMA, consolidate the Listing of several Tranches or Series of Notes.</td>
</tr>
</tbody>
</table>

_N.B.: These dates have been approved by the CMA but are subject to change and are indicative only. The Issuer reserves the right to amend this indicative Timetable and subject to approval from the CMA. A supplementary Timetable will be issued._
4 Use of Proceeds

The net proceeds of the issue of the Notes will be advanced by the Issuer to the Project Entities and will be used by the Project Entities to:

a) fund the construction of the Project Developments with oversight of the TA;

b) fund Project costs; and

c) reimburse Pre-funded Project Costs as confirmed by the Technical Advisor. The Pre-funded Project Costs shall be limited to any amounts that are over and above thirty five percent (35%) of the equity contribution to the Project Costs.

At the date of this Information Memorandum:

(a) the Issuer has drawdown KES 786 Million from committed Investors and has utilised such funds as follows:

   (i) KES 670 million for Nairobi West;

   (ii) KES 116 million for USIU 4

b) the Issuer is not in breach of any of its loan covenants particularly in regard to the maximum debt capacity including Financial Covenants relating to the Notes as set out in the Terms and Conditions referred to above.
5 Key Investment Considerations

5.1 Robust sponsor profile

AHL is one of the largest and most successful developers in Kenya with over 50 projects delivered, valued in excess of US$550 million over 18 years. These include some of the most iconic projects in the region such as the Coca-Cola Regional Head Office, Deloitte Regional Head Office, Equity Centre, UAP Towers, Nakawa Business Park, Tiara Office Park and Acorn House.

The Group’s management team has over 80+ years of combined experience in the real estate industry in Kenya with a long track-record of successfully developing and exiting projects in the country. In addition, AHL has appointed a senior management team with international experience in PBSA including from the Unite Group plc, the UK’s largest provider of purpose-built student accommodation.

AHL’s board is composed of management as well as non-executive directors from Helios and an ex-senior executive of Unite Group Plc, a listed REIT and the UK’s largest provider of purpose-built student accommodation.

The roles and responsibilities of the board of directors and those of management are clearly set out within the corporate governance framework. The board of directors is responsible for the overall governance of AHL and it exercises leadership and sound judgement in directing AHL to achieve sustainable growth and in the best interests of AHL.

5.2 Strong sector fundamentals underpinning project success

Kenya currently faces a chronic shortage of student accommodation. There has been an increase in annual student enrolment from circa 27,000 in 1990 to 564,000 in 2017, a CAGR of 13%. Kenyan cities in general, but Nairobi specifically, are facing a student housing deficit with no commensurate investment in accommodation.

Universities, both private and public have been unable to provide adequate accommodation, creating the opportunity for private developers to fill the gap. AHL is the first PBSA provider operating in Kenya and has rolled out three PBSA properties with over 1,500 beds since 2015. Demand for the Group’s product has outstripped management’s expectations, with its first 2 properties on Jogoo Road and Ruaraka, achieving over 90% occupancy levels in 15 months and less than 12 months respectively. The third property in Parklands opened in March 2019. The Affiliates have been able to service their existing debt on Jogoo Road and Ruaraka PBSA properties from the net operating income of the existing properties at their current occupancy levels.

AHL’s experience with Jogoo road and Ruaraka properties is echoed by the PBSA sector globally which has provided stable and non-cyclical returns to investors. University enrolment is generally not affected by economic downturns in the economy and in some instances, recessions have led to an increase in student enrolments as people return to colleges and universities to enhance their skills as they await an upturn in the economy.
5.3 Supply gap and track record in the PBSA sector in Kenya

Kenya currently faces a chronic shortage of student accommodation. There has been an increase in annual student enrolment from circa 27,000 in 1990 to 564,000 in 2017, a CAGR\(^1\) of 13%. Kenyan cities in general, but Nairobi specifically, is facing a student housing deficit with no commensurate investment in accommodation.

Universities, both private and public have been unable to provide adequate accommodation, creating the opportunity for private developers to fill the gap. AHL is the first PBSA provider operating in Kenya and has rolled out three PBSA properties with over 1,500 beds since 2015. Demand for the Group’s product has outstripped management’s expectations, with its first 2 properties on Jogoo Road and Ruaraka, achieving over 90% occupancy levels in 15 months and less than 12 months respectively. The third property in Parklands opened in March 2019. The Affiliates have been able to service their existing debt on Jogoo Road and Ruaraka PBSA properties from the net operating income of the existing properties and at their current occupancy levels.

AHL’s experience with Jogoo road and Ruaraka properties is echoed by the PBSA sector globally which has provided stable and non-cyclical returns to investors. University enrolment is generally not affected by economic downturns in the economy and in some instances, recessions have led to an increase in student enrolments as people return to colleges and universities to enhance their skills as they await an upturn in the economy.

5.4 Clear path to repayment

The repayment of the notes will be made from equity contributions from AHL, rental income from the PBSA assets and the subsequent sale of the PBSA assets. Several investors have shown strong interest in purchasing the assets on completion. In addition, should the eventual sale of the Projects not materialise, mortgage refinancing of the Projects would allow for the repayment of the Note Holders.

5.5 Strong security package

The Notes will benefit from a structure that minimises the potential for Noteholders to realise losses from their investment, this includes among other things:

a) First ranking security over land and property of the Project Entities with negative pledge protection;

b) 3 months debt service account, (the funding of which is a condition precedent), which will cover 3 months of interest payments. The account will be monitored and maintained at the required level to meet the next interest payment but will be utilised at the first instance in the event of any shortfalls in funding to meet coupon payments. Any withdrawal from the debt service reserve account will trigger a notification from the trustee;

c) An assignment of rental income in favour of the Note Holders;

\(^1\) Compound annual growth rate
d) Ring-fencing of note proceeds for use within the Project Entities for permitted costs to be verified by the Technical Advisor;

e) A corporate guarantee from AHL; and

f) As an enhancement, a 50% guarantee from GuarantCo on principal and interest payments. GuarantCo is consistently rated AA- by Fitch and A1 by Moody’s and is backed by the governments of the United Kingdom, Australia, Sweden, Switzerland and the Netherlands;

In addition to providing certainty over the use of proceeds, the Note structure provides significant protection to Note Holders against potential losses:

5.6 Strong management team with international experience in PBSA

In line with its ambition to be the leading PBSA provider in the region, the Group have recruited a strong, competent and experienced management team to deliver on its strategy. The management team has vast experience in the real estate industry in Kenya coupled with the appointment of senior management with experience working with Unite Group plc, the UK’s largest provider of purpose-built student accommodation.

5.7 Provision of long term, stable, non-cyclical returns

The PBSA sector globally has proven to provide stable and non-cyclical returns to investors as university enrolment is generally not affected by economic downturns in the economy. In some instances, recessions have actually led to an increase in student enrolments as people return to colleges and universities to enhance their skill as they await an upturn in the economy.

5.8 Efficient operating model

The Group’s extensive experience in project management and development has enabled it to develop and improve its internal process that consistently generates cost and time savings in its projects. It has a proven operating model not only in the real estate sector but also in the PBSA sector and has successfully completed three student housing projects in Nairobi with close to 100% occupancy levels. The Directors
believe the Group’s extensive experience in real estate project management and development has enabled it to develop and improve its internal processes which, in the Directors’ opinion, make it likely to generate cost and time savings in the execution of the Projects.

5.9 Green bond certified

The Notes have been certified as ‘Green Bonds’ based on the Issuer’s compliance with the Climate Bonds Standards as promulgated by Climate Bonds Initiative (‘CBI’). The Climate Bonds Standard Board approved the Pre-Issuance Certification of the KES 5 billion Medium Term Note (the bond), as per the application documents and verification report provided by the Issuer. This certification comes into force once the Notes are placed on offer. A copy of the certification is in Appendix F: Green Bond Certification.

The criteria to meet the Climate Bonds Standards principles include water, energy and materials efficiency. Under water efficiency, the independent verifier will look at the use of low flow shower heads, faucets for kitchen sinks and wash basins. Under energy efficiency, the independent verifier looks at natural ventilation, sensor lighting, smart meters etc. In terms of material efficiency, the independent verifier will look at items such as floor slabs, roof slabs, aluminium window frames etc.
6 Project Structure

The following is an overview of the Project. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Information Memorandum. Prospective investors of the Notes are advised to read carefully the detailed information appearing elsewhere in this Information Memorandum in making any decision whether or not to invest in any Notes.

Figure 2: Diagrammatic Overview of the Project

6.1 The Project

The Issuer has been incorporated as an SPV for the purpose of issuing the Notes under the Project.

The Issuer has established ten special purpose LLPs to acquire and hold the Properties (and other assets) described under “Project Developments” below for the purpose of the Project (each a Project Entity and together, the Project Entities). The Project Entities are Mahogany Creek Limited Liability Partnership, Linden Properties Limited Liability Partnership, Rowan Properties LLP, Spruce Properties LLP, Hemlock Properties LLP, Juniper Properties LLP, Scotchpine Properties LLP, Beech Properties LLP, Ashvale Properties LLP and Acacia Vale Properties LLP.
The Issuer is the legal and beneficial owner of 99% of the partnership interest in all the Project Entities save for Rowan LLP in which the Issuer is the legal and beneficial owner of a 50% partnership interest. The partners in the joint venture were the original land owners and their land contribution is recognised as 50% equity in the joint venture.

The net proceeds of the Notes (after the deduction of certain Project expenses) will be used by the Issuer to advance funds to the Project Entities. The funds will (together with the proceeds from the equity subscription) provide the Project Entities with sufficient funds to:

a) commence the construction of the Project Developments;

b) pay costs associated with the Project; and

c) reimburse Pre-funded Project Costs. The Pre-funded Project Costs shall be limited to any amounts that are over and above thirty five percent (35%) of the equity contribution to the Project Costs.

The Notes will benefit from, among other things, security granted by each Project Entities in respect of the Project Developments and guarantees from GuarantCo.

6.2 Information on the Issuer

The Issuer is a limited liability partnership established under the laws of Kenya whose registered office is at Acorn House, 97 James Gichuru, Nairobi, Kenya, Post Office Box number 13759 - 00100

The Issuer and the Project Entities have been structured as limited liability partnerships which differ from traditional partnerships and are generally treated similar to a limited company. However, two key differences exist between an LLP and a limited liability company:

1. An LLP retains the tax structure of a traditional partnership and is governed by a partnership agreement entered into by each of the partners.

2. LLPs do not distinguish between shareholders and directors meaning that the partners of the LLP are responsible for the day to day decision making of the partnership.

6.3 Management of the Issuer

AHL has been appointed as managing partner for the Issuer while AMSL is the project manager. AMSL has experience of successfully executing similar PBSA projects in Kenya within budget and stipulated timelines and will lead the execution of the Project Entities.

The property management contract stipulates that AMSL will be responsible for accommodation management and administration, building maintenance inclusive of furniture, fixtures and grounds, cleaning and waste management, security and revenue collection.

The administrative services contract between AMSL and the Issuer covers the administrative duties which include financial accounting and reporting, corporate governance, custodial services, collections and payments, insurance, disputes, and loan management.
The project management contract between AMSL and the Project Entities covers the overall project management of the development to ensure the project is delivered on time, within budget and with the expected quality.

Both contracts are available for review by the Noteholders and will be reviewed by the TA.

The AMSL fees include:

a) Project management fee (for the management of the construction project) of 4% of project costs excluding land
b) Property management fee (for the letting and operation of the property) of 5% of income
c) Administration fee of 1.5% (for keeping books, dealing with tax affairs etc) of income
d) Central marketing charge of 1.5% of income

6.4 Project Developments

The Notes will benefit from security granted by the Project Entities specified below in respect of the portfolio of student accommodation properties, to be constructed by the Project Entities, which are at the following locations and which serve the following higher education institutions:

a) Qwetu USIU Road 3: This property will serve the United States International University Africa, Kenyatta University and Jomo Kenyatta University of Agriculture and Technology students in the Kasarani area off Thika Road
b) Qwetu USIU Road 4: This property will serve the United States International University Africa, Kenyatta University and Jomo Kenyatta University of Agriculture and Technology students in the Kasarani area off Thika Road.

c) Sirona (Phase 1 and 2): This property will serve several universities and colleges within the Nairobi environs including Nairobi University, Strathmore University, KCA University, Daystar University and Riara University.

d) Bogani East Road Qwetu: This property will serve several universities and colleges including Catholic University; and

e) Bogani East Road Qejani: This property will serve several universities and colleges including Catholic University.

f) Nairobi West Qwetu: This property will serve several universities and colleges including Strathmore University

Criteria for Project Developments

All properties within the Programme need to meet the following criteria:

a) Location: The Project Developments must be located within Nairobi and its environs where the largest universities are located. Based on the diagram below, proximity to the Central Business District determines which zone a University is located.
b) **Proximity to universities:** All the Project Developments must be located within 2.5 kilometres of a target university in Nairobi such as USIU, University of Nairobi, Daystar University, KCA University and Riara University.

c) **Accessibility:** The property must be easily accessible from a main road with adequate public transport facilities.

d) **Amenities:** The property must have access to utilities including water, electricity, internet connectivity as well as have ample security.

e) **Use:** Each Project Entity will primarily be used for providing university student accommodation with a retail offering to support the students.

f) **Financial covenants:** Each new Project Development must meet the prescribed financial covenants on a continuing basis. The financial covenants include the interest cover ratio, debt-assets ratio and the debt-equity ratio as per the Trust Deed and as confirmed by the Technical Advisor based off the existing financial model.

g) **Event of Default:** No Project Entity event of default is subsisting or would occur as a result of further issuance of securities.

h) **Due Diligence Report from the Technical Advisor:** For each new Project Development, a detailed due diligence report from the Technical Advisor confirming that there are no pending issues prior to drawdown must be issued.

i) **Legal Due Diligence Report:** For each new Project Development, an updated legal due diligence report confirming that all legal issues have been addressed to the satisfaction of the Note Trustee.
The monthly rental levels across the various Project Developments are expected to be comparable to properties currently available to students (inclusive of utilities). However, the Project Developments will be of a higher standard.

6.5 Source of funds for payments on the Notes

Repayment of interest

The primary source of repayment of interest on the Notes will be the equity contribution from AHL and the net operating income passed through to the Issuer in respect of each Project Entity in respect of the Property constructed by the Project Entity.

Subject to the associated operating expenses of running the Project Developments, the Project Entities will be obliged to apply such rental payments in making payments of interest and repayments of principal to the Issuer.

Rental income in respect of each Property will be paid to an account held by the relevant Project Entity (a rent collection account) in respect of such Property.

Repayment of principal

The repayment of principal will be financed through the sale of properties or through the refinancing of the Notes. In addition to traditional routes for the sale of its properties, AHL is also developing a property income fund that will acquire the Group’s stabilized properties, which will continue to trade under the student accommodation brands, this will provide AMSL with:

a) the ability to manage the properties to a consistent standard that reflects the brand; and
b) an additional revenue stream from the management of the properties.

The property income fund will target a two-pronged return proposition (i) a cash dividend and (ii) capital gains. The property income fund will initially include complete and operational properties i.e. Qwetu Jogoo Road, Qwetu Ruaraka and Qwetu Parklands. The Project Entities will be included in the property income fund once the income has been stabilized. The property income fund will have characteristics that will make it attractive to investors, such as:

a) competitive de-risked yields relative to the market;
b) an international record of low risk rental and value growth relative to commercial and retail properties as occupancy and rental rates on student housing are not typically affected by economic downturns; and
c) value appreciation due to contractual annual rental escalations.
6.6 Issuer Security

The obligations of the Issuer under the Notes will be secured by the Issuer in favour of the Security Trustee.

Security on land and improvements thereon

Each Project Entity will grant certain security in favour of the Security Trustee for their obligations.

GuarantCo guarantee

GuarantCo will provide a guarantee of the due and punctual observance by the Issuer of payment obligations in respect of principal and interest amounts due and payable by the Issuer up to 50% of the principal and interest amount, under the terms of a Deed of Guarantee. GuarantCo is consistently rated AA- by Fitch and A1 by Moody’s. Please see further information on GuarantCo in section 11.2

AHL guarantee

AHL will provide a corporate guarantee on the Notes.

Debt Service Reserve Account

The Issue and Paying Agent will maintain, in the name of the Issuer, a Debt Service Reserve Account for the purpose of maintaining the Debt Service Reserve Account, being the amounts payable in respect of principal and interest under the Notes by the Issuer.

6.7 Technical Advisor

MaceYMR is the Technical Advisor to the Note Trustee. MaceYMR was formed by the merger of two industry leaders, YMR and Mace.

Prior to the merger, YMR was East Africa’s largest quantity surveying and cost consultancy firm with completed projects in Kenya, Uganda, Tanzania, Rwanda, Burundi, Sudan, Ethiopia, Mauritius, Somalia, DRC, Congo, Djibouti and Seychelles.

Mace is an international consultancy and construction company which acquired a share of YMR in 2017 forming a local company ideally placed to help clients navigate an ever changing and complex business environment, providing strategic advice across a range of services, from commercial management, risk, project management to sustainability and health and safety.

Mace has been providing lender’s monitoring services across Europe, Middle East and Asia Pacific for over 10 years. Through YMR, MaceYMR is now able to offer these services in East Africa.
The Technical Advisor will perform certain functions including, but not limited to:

Phase 1: Prior to the first issue

1. Comment on the professional team and the contractor.
2. A high-level review of the overall feasibility of the project.
3. Confirm that all the approvals necessary for a development of this type have been obtained and what is outstanding, the anticipated timing thereof and if there are any risks or concerns.
4. The Technical Advisor is to produce a certificate containing details of the expenditure on the real estate development by the Issuer of all Equity Contributions made prior to financial close of a Project.
5. Confirm to the best of its knowledge that each Project:
   a) is for student housing
   b) will not be based on land that has been encroached by informal settlements and is in Nairobi
   c) is located within a 2.5 kilometre radius of a target university within Nairobi and its environs; and
   d) with access to utilities and road infrastructure.

General areas of comment (if known)

1. Comment on the quality and effectiveness of the existing contract documentation
2. Comment on general contractor's/developer's environmental and safety (E&S) programme and its performance indicators to review its compliance.
3. Assess quality and cost of any construction works completed before the first issue disbursement and whether these are fair value for money and in line with the estimated project budget.
4. Review with the architect that they have confirmed all architectural and engineering drawings, and the complete building specifications, are in line with the validly issued building permits and in conformity with generally recognised norms;
5. Check that sample invoices supporting any costs included in the total project costs incurred prior to the first disbursement are in place; and
6. Confirm that all insurances and bonds as specified by the Client are in place

Phase 2: Project Implementation

1. Review of progress reports: review, evaluate and comment on quarterly progress reports prepared by the Issuer.
2. Prepare quarterly project reports.
3. Monitor and report on the functioning of the project implementation arrangements including the project organisation, staffing and project management systems.
5. Monitor project costs
6. Review consultant reports
7. Invoice and payment control: A sample of interim payment certificates and invoices to be checked and, for invoices, confirmed in line with budget prior to each drawdown.
8. Approve periodical disbursements

10. Construction Completion: Advise the Guarantor and the Note Trustee, based on documentation provided by the project consultants on whether the completion and acceptance procedures have been appropriately carried out and whether the pre-handover testing and commissioning of services, plant and machinery are carried out appropriately.

Phase 3: Project close out

1. Issue a final report to the Guarantor and Note Trustee confirming that each project has been satisfactorily executed in line with the project manager/principal agents final payment certificate (the "Project Close-out Report").

6.8 Parties to the Project

Table 3: Parties to the Project

<table>
<thead>
<tr>
<th>Advisor</th>
<th>Role</th>
<th>Summarized Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acorn Project (Two) Limited Liability Partnership</td>
<td>Issuer</td>
<td>• To issue the Notes under the Transaction</td>
</tr>
<tr>
<td>Project Entities (Mahogany Creek Limited Liability Partnership, Linden Properties Limited Liability Partnership, Rowan Properties LLP, Spruce Properties LLP, Hemlock Properties LLP, Juniper Properties LLP, Scotchpine Properties LLP, Beech Properties LLP, Ashvale Properties LLP and Acacia Vale Properties LLP)</td>
<td>Developers</td>
<td>• To hold and develop the Properties under the Project</td>
</tr>
<tr>
<td>Acorn Holdings Limited</td>
<td>Sponsor</td>
<td>• To provide equity for the Project • To provide management services to the Issuer and the Project Entities</td>
</tr>
<tr>
<td>Acorn Management Services Limited</td>
<td>Administrator, Project and Property Manager</td>
<td>• To provide administration services to the Issuer, property and project management services to the Project Entities</td>
</tr>
<tr>
<td>Stanbic Bank Kenya Limited</td>
<td>Lead Arranger and Placing Agent</td>
<td>• Overall deal management and execution</td>
</tr>
<tr>
<td>Company</td>
<td>Role Description</td>
<td>Responsibilities</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Stanbic Bank Kenya Limited, SBG Securities Limited, KCB Capital Limited and Standard Investment Bank</td>
<td>Placing Agents</td>
<td>• Placing the Notes with investors</td>
</tr>
<tr>
<td>GuarantCo</td>
<td>Guarantor</td>
<td>• To provide a 50% guarantee on principal and interest payments</td>
</tr>
<tr>
<td>Moody’s Investor Services</td>
<td>Rating agency</td>
<td>• Assign a rating to the Issue</td>
</tr>
<tr>
<td>MaceYMR</td>
<td>Technical Advisor</td>
<td>• To provide independent construction project monitoring tailored to the reporting requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• To protect the interests of the Noteholders by monitoring the performance of the developer and the construction team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• To act as an independent advisor by identifying and reporting against the risks associated with the proposed developments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• To monitor and report on the financial and non-financial factors of the Project Developments</td>
</tr>
<tr>
<td>Ropa Trust Company Limited</td>
<td>Note Trustee and Security Trustee</td>
<td>• To provide the safe custody of all agreements, securities, and other documents that relate to the Issue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• To perform all duties of the note and security trustee as set out in Note Transaction Documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In the event of default, taking enforcement and/or other action on behalf of the Noteholders</td>
</tr>
<tr>
<td>Stanbic Bank Kenya Limited</td>
<td>Issue and Paying Agent and Registrar</td>
<td>• Determine and calculate the interest rate applicable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Notify relevant parties of the interest rate, interest amount, interest payment date</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Deal with the payment account and all moneys paid into the account for the purpose of making payments to the Noteholders</td>
</tr>
</tbody>
</table>
| CDSC Registrars Limited | Registrar | Maintain records of the Notes, which includes but is not limited to handling transfers, replacements and cancellations  
| | | Collating and processing all applications  
| | | Maintenance of an updated register of all Noteholders  
| | | Perform all duties specified in the Transaction Documents including all duties relating to meetings of Noteholders |
| Anjarwalla & Khanna LLP | Transaction Legal counsel | To provide legal opinions  
| | | To prepare the Note Transaction Documents |
| Iseme, Kamau & Maema Advocates | Issuer Listing Legal Counsel for the Nairobi Stock Exchange | To review the Note Transaction Documents  
| | | Prepare and assist with the preparation of the Listing compliance requirements |
| DLA Piper UK LLP | Issuer Listing Legal Counsel for the International Securities Market | To assist with all aspects of listing on the International Securities Market, including the compliance of the information memorandum with the International Securities Market listing requirements |
| Ernst and Young | Model Auditor | Audit of the financial model |
| Climate Bonds Initiative | Green Bonds Certifier | Certify the Notes as green bonds |
7 Terms and Conditions of the Notes

The Notes are issued subject and pursuant to:

(a) a Trust Deed dated 16 August 2019 (the Trust Deed), made between Acorn Project (Two) Limited Liability Partnership (the Issuer), Acorn Holdings Limited (AHL) and GuarantCo Ltd (GuarantCo), the Project Entities (as defined in the Trust Deed) and Ropat Trust Company Limited (the Note Trustee) as trustee on behalf of the Noteholders (as amended or supplemented or varied from time to time); and

(b) an Agency Agreement dated 16 August 2019 (the Agency Agreement), made between the Issuer, the Note Trustee and Stanbic Bank Kenya Limited as issue and paying agent (the Issue and Paying Agent) and CDSC Registrars Limited as registrar (the Registrar).

Copies of the Trust Deed and the Agency Agreement are available for inspection at the Specified Office of the Issue and Paying Agent. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement which are binding on them or on the Note Trustee on their behalf.

The issue of the Notes is authorised pursuant to a resolution of the partners of the Issuer passed on 15 August 2019.

Words and expressions defined in the Trust Deed and the rules of interpretation specified therein shall have the same meanings or apply where used in these Conditions and the relevant Pricing Supplement unless the context otherwise requires or unless otherwise stated.

References to any statute or statutory provision shall include any statute or statutory provision which amends or replaces or has amended or replaced it and shall include any subordinate legislation or other regulations made under the relevant statute.

In these Conditions, unless the context otherwise requires, the following expressions shall have the following meanings:

Business Day means a day (other than a Saturday, Sunday or gazetted public holiday) on which banks are open for general banking business in Nairobi.

Default Rate means the Interest Rate plus two per cent (2%) per annum or such other rate indicated in the relevant Pricing Supplement.

Interest Payment Date means each of the dates described as interest payment dates in Condition 4(a).

Interest Period each period commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date, with the first Interest Period commencing on the relevant Issue Date.

Interest Rate means the rate of interest applicable to the Notes as specified in the relevant Pricing Supplement.

Issue means the issue of the Notes.
**Issue Date** means in relation to each Tranche the date upon which the relevant Tranche of the Notes is issued or, if not yet issued, the date agreed between the Issuer and the Placing Agents under the Placing Agreement or the relevant Pricing Supplement.

**Record Date** means, the 15th day before (and not including) each Interest Payment Date.

**Redemption Date** means the date specified in the relevant Pricing Supplement.

1. **Form, Denomination and Title**
   a) **Form of Notes and denominations.** The Notes are issued in dematerialized book-entry form in denominations of Kenya Shillings one million (KES 1,000,000) and integral multiples of Kenya Shillings one hundred thousand (KES 100,000) in excess thereof (the **Specified Denomination(s)**). The Notes will be registered in the Register by Registrar.

   b) **Title.** Title to the Notes will be evidenced by means of a book-entry in the Noteholder’s Account. Title to the Notes shall pass upon the registration of allotment in the Register in accordance with the provisions of the Agency Agreement. The Issuer, the Note Trustee, the Issue and Paying Agent and the Registrar may (to the fullest extent permitted by applicable law) deem and treat the person in whose name such Note is registered as the absolute owner thereof and neither the Issuer nor any agent of the Issuer shall be affected by notice to the contrary.

   **Noteholder** and **holder,** when used with respect to any Note, means the person in whose name the Note is registered in the Register (or in the case of joint holders, the first-named thereof).

c) **Transfer:** the Notes may be transferred in whole or in part in a Specified Denomination and title to such Notes shall pass upon the registration of book-entry transfers in accordance with the Central Depositories Act, 2000 and subject to any charges as may be levied by the Registrar.

   d) **Closed periods.** No Noteholder may require the transfer of any Note to be registered during the period of fifteen (15) days ending on the due date for any payment under the Note.

   e) **Future issues:** Nothing contained in the Note Transaction Documents shall preclude the Issuer from, at any time, issuing further Notes on these or similar terms and conditions.

2. **Guarantee and Status**
   a) The Notes constitute direct, and secured obligations of the Issuer which (a) rank pari passu among themselves, and (b) rank pari passu with all present and future direct secured obligations of the Issuer except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

   b) The obligations of the Issuer to the Noteholders under the Notes are guaranteed by AHL and GuarantCo as more particularly described in the Trust Deed and the respective Guarantees.

   c) The Note Trustee will act as a trustee of the rights of the Noteholders in respect of the benefit of the Guarantees, and will be a party to certain documents on behalf of the Noteholders.

3. **Negative Pledge**
   For so long as any of the Notes remains Outstanding (as defined in the Trust Deed) no member of the Issuer Group shall create or permit to subsist any Encumbrance upon the whole or any part of its
undertaking, assets or revenues present or future to secure any debt, or any guarantee of or indemnity in respect of any debt other than Encumbrance for the Notes.

4. Interest

(a) Payment of interest
Each Note bears interest on its outstanding principal amount from the Issue Date at the Interest Rate. Interest on each Note will be payable in arrears in each year on the dates specified in the relevant Pricing Supplement (each an Interest Payment Date) commencing on the first date so specified until the principal amount is paid in full on or prior to the relevant Redemption Date.

(b) Interest accrual
Interest on each Note will cease to accrue on the Redemption Date or the early Redemption Date under Condition 6(b) (Early Redemption) unless payment of principal on the Redemption Date is improperly withheld or refused. In such event, each Note shall continue to bear interest in accordance with the provisions of this Condition 4 and Condition 5(c) (Payments on Business Days) until whichever is the earlier of (i) the date on which all sums due in respect of such Note have been paid; and (ii) the date on which the full amount of monies payable has been received by the Issue and Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (Notices).

(c) Calculation of the Interest Amounts
The Issue and Paying Agent will, calculate the amounts of interest payable in respect of each Note on the Interest Payment Date for the relevant Interest Period (the Interest Amount) by applying the Interest Rate to the outstanding principal amount of the Notes, multiplying such sum by the actual number of days in the relevant Interest Period (as set out below) concerned divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366 and rounding the relevant figure to the nearest Kenya Shilling (fifty cents being rounded upwards).

(d) Publication of Interest Rate and Interest Amounts
The Issue and Paying Agent will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Noteholders in accordance with the Agency Agreement and Condition 12 (Notices) as soon as possible but in no event later than four (4) Business Days following the commencement of each Interest Period.

(e) Determination or Calculation by Trustee
If the Issue and Paying Agent does not at any time for any reason determine or calculate the Interest Amount, the Note Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Issue and Paying Agent. In doing so, the Note Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

5. Payments

(a) Redemption
Payments of amounts due on the final redemption of the Notes will be made to the relevant Noteholder’s Account by the Issue and Paying Agent.

(b) Method of payment
Payments will be made by way of Kenya Shilling cheque drawn on a bank in Nairobi or by electronic funds transfer or real time gross settlement (RTGS) to the designated account of the Noteholder as recorded on the Register held by the Registrar.
Cheques will be posted by registered post to the address (as recorded in the Register held by the Registrar) of the Noteholder thereof on the Business Day not later than the relevant due date for payment unless prior to the relevant date the Noteholder thereof has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated Kenyan Shilling account maintained by the payee with a bank in Kenya in which case payment shall be made on the relevant due date for payment by transfer to such account.

Neither the Issuer nor any of the Note Agents or the Note Trustee will be responsible for any loss in transmission of any cheque posted by way of registered post and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques so posted.

If at any time a partial payment of any principal amount and/or Interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

(c) Payments on Business Days
If any day for payment of any amount of principal or interest in respect of any Note is not a Business Day, then the Noteholder thereof shall not be entitled to payment until the next following Business Day nor be entitled to any interest or other sums in respect of such postponed payment provided that if the next following Business Day would fall in the next calendar month, the payment shall become due on the immediately preceding Business Day.

(d) Payments on Business Days and late payments
If (otherwise than by reason of the application of paragraph (b) (Methods of Payment) above) (i) any payment of principal is withheld or refused when due in respect of any Note, or (ii) any interest is not paid when due (the defaulted amounts mentioned in (a) (Redemption) and (b) (Methods of Payment) above being referred to in this Condition as Defaul ted Amounts) then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid against presentation of a Note if the Defaulted Amount is an amount of principal, and to a person who is shown as the Noteholder on the relevant Record Date if the Defaulted Amount is an amount of interest.

(e) Currency of account and payment
The currency of account and for any sum due from the Issuer hereunder is Kenyan Shillings.

(f) Interpretation of principal
Any reference in these Conditions to principal in respect of the Notes shall be deemed to include any premium and any other amounts, excluding interest, which may be payable by the Issuer under or in respect of the Notes.

(g) No profits/distributions
The Issuer shall neither declare nor pay profits or distributions to its partners other than any Distributable Profits made in relation to a Permitted Disposal of a Project Development.

In this paragraph, Distributable Profits means the net proceeds of a sale of a Project Development that meets the criteria set out in Condition 11 (Permitted Disposal of a Project Development) below and in respect of which the Note Trustee has confirmed its approval in writing which it shall do so if no Event of Default has occurred or is subsisting and it is satisfied that the valuation of the remaining properties that are charged under the remaining legal charges are more than 1.3 times the Notes Outstanding by reference to the most recent Valuation Report of not more than twelve (12) months; and Permitted Disposal means a disposal of a Project Development or a disposal of a Project Development by way of sale of the Project Entity that owns such Project Development in accordance with Condition 11 (Permitted Disposal of a Project Development) below.
Appointment of Agents
The Issue and Paying Agent and the Registrar (subject to the provisions of the Agency Agreement) act solely as agents of the Issuer, AHL and GuarantCo and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer, AHL and GuarantCo reserve the right at any time with the approval of the Note Trustee to vary or terminate the appointment of the Issue and Paying Agent, and any Registrar, and to appoint additional or other Issue and Paying Agents and Registrar provided that the Issuer shall at all times maintain (i) an Issue and Paying Agent, and (ii) a Registrar in relation to the Notes. Notice of any such change or any change of any Specified Office shall promptly be given to the Noteholders.

6. Redemption, Mandatory Prepayment and Purchases

a. Redemption
Unless previously purchased and cancelled, each Note shall be redeemed in full on the relevant Redemption Date.

b. Early Redemption
The Issuer is entitled to redeem all or part of the principal amount of the Notes prior to the Redemption Date. If the Issuer wishes to sell a Property Development it shall be entitled to do so in the circumstances set out in Condition 11 (Permitted Disposal of a Project Development) below.

c. Mandatory Prepayment - Illegality
If, at any time, it becomes unlawful for a Noteholder to fund its participation in the Notes, then, to the extent required to ensure compliance with the relevant law:

(i) that Noteholder shall promptly notify the Issue and Paying Agent upon becoming aware of that event;

(ii) the Issuer shall, no later than the last day of the relevant Interest Period or if earlier, the last day of any applicable grace period permitted by law, redeem that Noteholder’s holding of Notes.

d. Purchases
Subject to compliance with applicable laws and regulations, the Issuer and anyone on its behalf may at any time purchase Notes at any price in the secondary market, which Notes may be held, resold or, at the option of the Issuer, surrendered to the Issue and Paying Agent for cancellation.

e. Cancellation
All Notes, which are redeemed or purchased and surrendered for cancellation, will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issue and Paying Agent and cannot be reissued or resold.

7. Taxation

a) All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (Taxes) imposed or levied by, or on behalf of, Kenya, or any political sub-division of, or any authority in, or of, Kenya having power to tax, unless such withholding or deduction of Taxes is required by law.

b) The Issuer will deduct withholding tax at the prescribed rate on all interest payments to Noteholders other than any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act (Chapter 470 of the Laws of Kenya) and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Issue and Paying Agent.
8. **Prescription**

The Notes will become void unless presented for payment within a period of six (6) years in the case of principal and six (6) years in the case of interest after the Relevant Date (as defined below).

As used herein, the term **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Issue and Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12 (**Notices**).

9. **Events of Default**

If any of the following events (each an **Event of Default**) in respect of the Notes shall have occurred and be outstanding:

a. default is made in the payment of any amount in respect of the Notes under the Note Transaction Documents when due and as the same ought to be paid in accordance with these Conditions unless:

   (i) the amount in the DSRA is sufficient to remedy the default: or

   (ii) the failure to pay is caused by administrative or technical error; and

   (iii) payment is made within five (5) Business Days of its due date; or

b. any member of the Issuer Group fails to perform or observe any obligation, condition or provision under the Note Transaction Documents (other than any obligation for the payment of any amount due in respect of any of the Notes) and, if capable of remedy, such default continues for a period of thirty (30) days after written notice is given to the defaulting party by the Note Trustee specifying such default and requiring it to be remedied; or

c. AHL fails to perform or observe any obligation, condition or provision under the Note Transaction Documents (other than any obligation for the payment of any amount due in respect of any of the Notes) and, if capable of remedy, such default continues for a period of thirty (30) days after written notice is given to the Issuer by the Note Trustee specifying such default and requiring it to be remedied; or

d. a representation or warranty made or repeated by the Issuer or AHL in any Note Transaction Document or in any document delivered by or on behalf of the Issuer or AHL under any Note Transaction Document is incorrect or misleading in any material respect when made or deemed to be repeated and, if the circumstances giving rise to such breach of warranty are capable of remedy, such breach is not remedied within thirty (30) days of the earlier of the Note Trustee giving notice to the Issuer and AHL becoming aware of such non-compliance; or

e. a distress, attachment, execution or other legal process is levied, enforced or sued on or against all or a material part of the property, assets or revenues of any member of the Issuer Group or AHL provided that any such proceedings shall not apply to any winding-up petition which is frivolous or vexatious and is discharged stayed or dismissed within thirty (30) days of commencement; or

f. any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed on or against the property, assets or revenues of any member of the Issuer Group or AHL become enforceable and any step is taken to enforce it (including the taking of
possession or the appointment of a receiver, manager, administrator or other similar person); or

g. any of the following occurs in respect of any member of the Issuer Group:

(i) any of its Financial Indebtedness is not paid when due (after the expiry of any originally applicable grace period);

(ii) any of its Financial Indebtedness:

(aa) becomes prematurely due and payable;

(bb) is placed on demand; or

(cc) is capable of being declared by or on behalf of a creditor to be prematurely due and payable or of being placed on demand,

in each case, as a result of an event of default (howsoever described); or

(iii) any commitment for its Financial Indebtedness is cancelled or suspended as a result of an event of default (howsoever described),

unless the aggregate amount of Financial Indebtedness falling within all or any of paragraphs (i) to (iii) above is less than Kenya Shillings forty million (KES 40,000,000/=) or its equivalent; or

h. default is made by any member of the Issuer Group in the payment of any one or more of its trade creditors in the aggregate sum of Kenya Shillings forty million (KES 40,000,000/=) or more; or

i. any requirement of paragraph 7 (Financial Covenants) of Schedule 6 (Undertakings by the Issuer Group) is not satisfied unless cured in accordance with paragraph 8(b) (Equity Cure) of Schedule 6 (Undertakings by the Issuer Group); or

j. any member of the Issuer Group or AHL makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, or a resolution is passed by the Issuer for its winding-up or dissolution except in connection with a merger or other re-organisation which has been previously approved by the Note Trustee or by an Extraordinary Resolution; or

k. by or under the authority of any government:

(i) the management of any member of the Issuer Group is wholly or partially displaced or the authority of any partner of any member of the Issuer Group in the conduct of its business is wholly or partially curtailed; or

(ii) or the whole or any part of any member of the Issuer Group’s or AHL’s revenues or assets is seized, nationalised, expropriated or compulsorily acquired which has or would reasonably be expected to have a Material Adverse Effect; or

l. any member of the Issuer Group or a AHL is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of Financial Indebtedness or the value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities)
or a moratorium is declared in respect of any indebtedness of any member of the Issuer Group; or

m. any member of the Issuer Group or AHL ceases to carry on the business which it undertakes at the Issue Date; or

n. if an encumbrancer takes possession or exercises or attempts to exercise any power of sale or a receiver; or

o. if an insolvency practitioner is appointed of the whole or any part of the property, assets or revenues of any member of the Issuer Group or AHL and such event has or is reasonably likely to have a Material Adverse Effect; or

p. any corporate action, legal proceedings or other procedure or step is taken in relation to:
   i. the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or re-organisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Issuer Group or AHL;
   ii. a composition, compromise, assignment or arrangement with any creditor of any member of the Issuer Group or AHL;
   iii. the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any member of the Issuer Group or AHL or any of their assets; or
   iv. any analogous procedure or step is taken in any jurisdiction in respect of any member of the Issuer Group or AHL.

Provided that any such proceedings shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within sixty (60) days of commencement; or

q. it is or becomes unlawful for any member of the Issuer Group or AHL to perform any of its obligations under the Note Transaction Documents; or

r. any term of any Note Transaction Document is not valid and enforceable in accordance with its terms or is alleged by any member of the Issuer Group or AHL not to be valid and enforceable in accordance with its terms for any reason; or

s. if there is an abandonment or suspension of the Project for a continuous period of ninety (90) days or more or for a period aggregating more than one hundred and eighty (180) days in any twelve (12) month period; or

t. if any Project Development is incomplete within three (3) years of commencement of that Project Development under the Programme; or

u. any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to the Note Transaction Documents or the transactions contemplated in the Note Transaction Documents, or against any member of the Issuer Group or AHL or their assets, which have or are reasonably likely to have a Material Adverse Effect; or
v. the authority or ability of any member of the Issuer Group or AHL to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to any member of the Issuer Group or AHL or any of their respective assets; or

w. any member of the Issuer Group or AHL rescinds or purports to rescind or repudiates or purports to repudiate any Note Transaction Document or evidences an intention to rescind or repudiate a Note Transaction Document; or

x. any member of the Issuer Group or AHL repudiates a Note Transaction Document or evidences an intention to repudiate a Note Transaction Document; or

y. any event or series of events occurs or exists (whether taken individually or cumulatively) which the Note Trustee reasonably believes has or is reasonably likely to have a Material Adverse Effect; or

z. any Event of Default described as such in any of the Transaction Security Documents occurs and is outstanding,

then the Noteholders (or Note Trustee on their behalf) may, further to an Extraordinary Resolution or a Written Resolution (but subject to the terms of the Intercreditor Agreement), by written notice to the Issuer at the Specified Office of the Issue and Paying Agent, effective upon the date of receipt, declare the Notes to be forthwith due and payable whereupon the outstanding principal amount of the Notes shall become forthwith due and payable together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

10. Enforcement

The Note Trustee may utilize the amounts in the DSRA at any time to prevent the occurrence or a continuation of a Non-payment Event. The Note Trustee may at any time after an Event of Default, on giving the appropriate notices subject to and in accordance with the Trust Deed, the GuarantCo Guarantee and the Intercreditor Agreement and after it has utilized the amounts in the DSRA in the case of a Non-payment Event, institute such proceedings against any member of the Issuer Group, AHL and/or GuarantCo (if it does not comply with its obligations under the GuarantCo Guarantee) as it thinks fit to enforce its rights under the Trust Deed and the other Note Transaction Documents in respect of the Notes and the Guarantee, but it shall not be bound to do so unless:

(a) the Note Trustee has been so requested in writing by the Noteholders holding more than seventy five per cent (75%) in principal amount of the Notes Outstanding; or

(b) after payment by GuarantCo on account of the Issuer’s payment obligations under this Trust Deed and as per the GuarantCo Guarantee, the Note Trustee has been so requested in writing by the Noteholders holding more than fifty per cent (50%) in principal amount of the Notes Outstanding; or

(c) it has been so directed by an Extraordinary Resolution or a Written Resolution

No Noteholder may proceed directly against the Issuer, AHL or GuarantCo.

11. Permitted Disposal of a Project Development

The Note Trustee shall permit a sale of a Project Development and notify the Issuer, GuarantCo and the Secured Parties of its permission if:
(i) the subject Project Development is complete as confirmed by the Technical Adviser in the form of its certificate in substantially the form set out in Part C of Schedule 10 (Form of Technical Advisor Certificate: Project Close);

(ii) a copy of the signed agreement for sale and any such other information as may be reasonably required by the Note Trustee are furnished to the Note Trustee;

(iii) the subject Project Entity and the Issuer undertake to the Note Trustee that all the net proceeds of the sale (the gross proceeds less such amounts as may have been pre-agreed in writing by the Note Trustee) will be paid to the relevant Account for the Project Development or such other account as the Note Trustee shall direct in writing;

(iv) the value of the remaining properties charged as security under the Programme as at the proposed date of disposal is more than 1.3 times the amount payable on the Notes Outstanding as confirmed by a Valuation Report (of not less than twelve (12) months old);

(v) no Event of Default has occurred and is continuing or would result from the disposal of the Project Development or disposal of the Project Entity that owns the Project Development;

(vi) all costs and expenses in respect of any valuation, communication and discharge of security is settled by the Issuer; and

(vii) all other conditions which may have been set by the Note Trustee in respect of the sale, acting reasonably, have been met.

12. Notices

Any notices to Noteholders will be deemed to be made or delivered and will only be effective:

(a) if by way of letter and sent by personal delivery, upon delivery at the physical address of the Noteholders; or

(b) if by way of letter and sent by registered post, seven (7) days after the date of posting provided that proof is given that the notice was properly addressed and duly dispatched by registered post; or

(c) if by way of e-mail, when it is received in readable form.

Subject to the provisions of this Trust Deed, each of the Issuer, AHL and GuarantCo hereby waives any rights it may have or obtain arising directly or indirectly from any losses or damages which the Issuer, AHL or GuarantCo may suffer because the Note Trustee acted on any notice given to it by e-mail (a Digital Notice), and the Issuer and AHL hereby indemnifies the Note Trustee in respect of any claims, demands or actions made against it or losses or damages suffered by the Issuer, AHL or GuarantCo by reason of having acted upon a Digital Notice.

Each of the Issuer, AHL and GuarantCo hereby:

(a) acknowledges that it is not practical or reasonable for the Note Trustee to establish the authenticity of Digital Notices;

(b) agrees that all Digital Notices which purport to emanate from the Issuer, AHL or GuarantCo shall be deemed to have been given by it in the form actually received by the Note Trustee notwithstanding that such Digital Notices may, as a result of the malfunction
of equipment, the distortion of communication links and the like, be different to that intended or sent;

(c) agrees that this indemnity will not be affected by any failure by the Note Trustee to impose any or sufficient procedures or restrictions or to ensure that any, or all of them are adhered to; and

(d) agrees that the Note Trustee may, but shall not be obliged to, act on any Digital Notices that appear to be defective or distorted.

The Issue and Paying Agent shall, upon and in accordance with the instructions of the Issuer but not otherwise, arrange for any notice which is to be given to the Noteholders to be given in accordance with this Condition.

Notices to be given by any Noteholder shall be in writing and given by lodging the same at the Specified Office of the Issue and Paying Agent.

13. Meetings of Noteholders, modifications and waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, certain provisions of the Note Transaction Documents or modification of these Conditions or provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Note Trustee or Noteholders holding not less than seventy five per cent (75%) in principal amount of the Notes for the time being remaining Outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders must be carried by a majority of not less than two-thirds of the votes cast and, if so carried, shall be binding on all the Noteholders, whether or not they are present at the meeting, and whether or not they vote in favour.

The Issue and Paying Agent and the Issuer may agree, without the consent of the Noteholders, AHL but subject to the consent of GuarantCo, to:

(i) any modification (except as mentioned above) of the Note Transaction Documents which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes or the other Note Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Kenyan law.

Any such modification shall be binding on the Noteholders, AHL and GuarantCo and any such modification shall be notified to the Noteholders in accordance with Condition 12 (Notices) as soon as practicable.

14. Summary of the Rights of Noteholders

A summary of the rights of the Noteholders under the Note Transaction Documents include, approving by way of an Extraordinary Resolution of the Noteholders any decision to:

(a) change any date fixed for payment of principal or interest in respect of the Notes (other than by an Enforcement Notice given in accordance with the provisions of the Trust Deed), to change the amount of principal or interest payable on any date in respect of the Notes or to defer, increase or change the frequency or the timing of the payment of interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;
(b) effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, AHL, GuarantCo or any other person or body corporate formed or to be formed;

(c) change the currency in which amounts due in respect of the Notes are payable;

(d) modify any provision of a Guarantee including the release of the Guarantee;

(e) change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution;

(f) modify the nature and scope of the Secured Property;

(g) modify the manner in which the proceeds of enforcement of the Transaction Security Documents are distributed under the Intercreditor Agreement;

(h) release any Transaction Security Document except as required under the Note Transaction Documents;

(i) change a member of the Issuer Group or AHL;

(j) make any amendments or waivers in relation to the repayment or prepayment dates (including maturity) or increase in the amounts of any principal repayment instalment relating to the Notes;

(k) modify the governing law and jurisdiction of the Trust Deed;

(l) change the Obligors;

(m) approve any proposal by the Issuer, AHL and GuarantCo (acting together) for any modification, abrogation, variation or compromise of any provisions of the Trust Deed or the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;

(n) approve any proposal by AHL and GuarantCo for any modification of any provision of the respective Guarantees or any arrangement in respect of the respective obligations of AHL and GuarantCo thereunder;

(o) approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes or the substitution of any person for either AHL or GuarantCo under the respective Guarantees;

(p) waive any breach or authorise any proposed breach by the Issuer, AHL or GuarantCo of its obligations under or in respect of the Trust Deed, the Guarantee or the Notes or any act or omission which might otherwise constitute an Event of Default;

(q) remove any Note Trustee;

(r) approve the appointment of a new Note Trustee;
(s) authorise the Note Trustee (subject to its being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;

(t) discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;

(u) give any other authorisation or approval which under the Trust Deed or the Notes is required to be given by Extraordinary Resolution; and

(v) appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

15. Defaulting Subscribers

(a) Each party acknowledges and agrees that if a Defaulting Subscriber fails to fund its participation pursuant to a payment request received from the Placing Agent on or before the Settlement Date, then for purposes of that request:
   i. the Defaulting Subscriber shall not be required to make its participation available; and
   ii. its Available Commitment shall be reduced and cancelled by the Unpaid Commitment Amount.

Such cancellation shall be without prejudice to a request to the Note Trustee to re-instate the cancelled commitments in relation to any increased participation by that Subscriber in any future payment requests where there is a shortfall in respect of any Tranche as a result of any Subscriber failing to fund their participation.

(b) Other than in respect of any Unpaid Commitment Amount, a Subscriber shall be obliged to fund the balance of that Subscriber’s Commitment.

(c) A Subscriber may (if requested by a Placing Agent), offer that its total Subscriber’s Commitment be increased (and its total Subscriber’s Commitment shall be so increased in an aggregate amount of the total Subscriber’s Commitment so cancelled in Condition 14(a) or such other amount as the Placing Agent may in its sole discretion determine. Any amount increased pursuant to this paragraph (c) shall constitute the relevant Subscriber’s Available Commitment from the date on which the Placing Agent notifies it of the increase.

(d) Notes that continue to be held by a Defaulting Subscriber will be paid interest at the rate specified in the relevant Pricing Supplement.

16. Law and submission to jurisdiction

(a) Governing Law

The Notes (including these Conditions) shall be governed by and construed in accordance with the laws of Kenya.

(b) Jurisdiction

Each member of the Issuer Group, AHL and GuarantCo agree for the benefit of each other and the Note Trustee that the courts of Kenya and in the case of Clause 5 (Obligations of AHL and GuarantCo), Schedule 7 (Representations of AHL and GuarantCo), Schedule 8 (Covenants by AHL) and Schedule 9 (Undertakings by AHL), the courts of England and Mauritius (as applicable) shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise
out of or in connection with this Agreement (respectively, Proceedings and Disputes) and for such purposes, irrevocably submits to the jurisdiction of such courts.

(c) **Non-exclusivity**

The submission to the jurisdiction of the courts of Kenya and in the case of Clause 5 (Obligations of AHL and GuarantCo), Schedule 7 (Representations of AHL and GuarantCo) Schedule 8 (Covenants by AHL) and Schedule 9 (Undertakings by AHL), in the case of AHL, by Mauritian law and in the case of GuarantCo, by English law shall not (and shall not be construed so as to) limit the right of the Note Trustee or any of the Noteholders to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

(e) **Immunity**

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its respective assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.
8 Market Overview

8.1 Industry Overview

The real estate sector in Kenya has seen a boom that began somewhere in the mid to late 2000s. The boom was bolstered by a more stable political outlook, strong activity in the services sector, high FDI flows and easing credit conditions.

The steady growth and improved macro conditions in the country led to the burgeoning real estate sector and witnessed an unprecedented period of growth in the commercial, retail and residential market. However, in recent years, we have seen an easing of demand within most sub-sectors of the real estate market in Kenya.

Office market

The commercial real estate segment has seen a decline in the capital Nairobi mainly due to reduced demand and oversupply. Numerous new commercial properties have flooded the market in recent years. Approximately 300,000 square metres of commercial office space was delivered to the Nairobi market in 2016, compared with an average of 150,000 square metres in recent years.\(^2\)

However, absorption rates have managed to improve for quality Grade A and B spaces towards the end of H118, recording an increase of 12% in take-up as economic activity rebounded from a turbulent elections period\(^3\). Despite this, the increase in new supply has had a negative impact on rental levels and occupancy rates.

As more commercial property comes on-stream, we can expect greater competition for office tenants which will lead to downward pressure on rates. Bloated real estate prices, a supply-bias and unfavourable operating conditions have resulted in a downturn in the office property market\(^4\). The glut is expected to remain in the short-to-medium term with several new commercial properties struggling to fill vacancies while competing with older properties.

Retail market

The retail market in Kenya has also seen a slow down with prime rents stagnating and spaces taking longer to let. Over the last three years, the retail sector witnessed slow activity with the exit of Nakumatt and Uchumi supermarkets from prime locations. The vacant spaces have been partly absorbed by the entry of international supermarket brands. However, oversupply continues to affect the market leading to falling property prices within this space. Prime rent for retail properties in Nairobi dropped in 2018 as the supply glut impacted landlord’s competitiveness, despite high demand from foreign players for quality retail premises. Prime rent dropped by US$1.7/square metre year-on-year, while subprime witnessed a mild decrease of US$0.5/square metre.\(^5\)

---

\(^2\) Knight Frank Africa Report 2017-2018
\(^3\) Kenya Real Estate Report 2018 – Fitch Solutions
\(^4\) Kenya Real Estate Report 2018 – Fitch Solutions
\(^5\) Kenya Real Estate Report 2018 – Fitch Solutions
Residential market

Prime residential prices improved by 0.4% in the first half of 2018 compared to a 1.8% decline in the second half of 2017. Prime residential rents also improved marginally in the period by 0.33%, having remained unchanged in the second half of 2017.6

However, there remains an acute housing shortage in the country. Kenya currently has an accumulated housing deficit of more than two million units, according to official statistics. In order to address this, the Government announced the ‘Big Four’ plan for development which by 2022 is expected to support amongst other things the construction of at least 500,000 affordable houses.

The Government incorporated a mortgage liquidity facility called the Kenya Mortgage Refinancing Company (KMRC) to provide long-term funding to mortgage lenders. The Government housing plan is still in its infancy and it’s yet to be seen how effective this will be in addressing the current shortage in the long-term.

8.2 PBSA Market Overview

The demand for student accommodation across the world continues to grow, and whilst PBSA is a relatively new sector of real estate investment it has established itself as a significant asset class in many developed countries. Non-cyclical rental levels, stable yields, limited supply and growing demand driven by demographic trends and positive economic prospects all make the asset class highly attractive to institutional investors.

History of PBSA

Traditionally in developed markets such as the UK and US, students stayed largely in university built and run accommodation. As participation in higher education grew, universities had to focus their available capital on expanding the academic capacity. They could not keep pace with the growing demand for accommodation, which resulted in many students living in shared houses owned by small private landlords. These were often poor quality and demand for a high quality, clean and safe accommodation was identified, with developers starting to build purpose-built blocks of accommodation for students that were operated professionally on a large scale. This PBSA demonstrated a stable and growing income stream that attracted investors as rental levels have grown consistently throughout the history of the asset class; unlike retail, offices and other commercial real estate where rental levels have fallen during economic downturns. As the amount of PBSA grew, combined with its attractiveness to investors, it became an established real estate asset class, that now makes up a significant part of the real estate sector, especially in the UK and US. JLL, the global leader in student accommodation valuation, highlighted that c10% of all commercial property deals in the UK were PBSA in 2016.

Another feature of the history of PBSA in developed markets has been rental growth, which has tended to exceed inflation. A recent report from the Mill Group highlights the following:

- OECD statistics for the US show housing rental growth of 3.3% p.a. over the period 1983-2013, compared with general consumer price inflation of 2.9% p.a.

6 Knight Frank: Kenya Market Update – 1st Half 2018
Germany shows 3.8% p.a. housing rental growth against general consumer price inflation of 2.8% over the 50 years 1963-2013 (source: OECD)

This consistent growth in rental levels is a key factor in the yield compression that has been seen in developed markets. Initially when it was a new concept, PBSA yields were fairly high but as consistent real rental growth was demonstrated, along with resilience in difficult economic circumstances, yields have fallen steadily with the increase of PBSA property valuations, to a little above prime residential yield but below other classes of commercial property.

Kenya

The PBSA market in Kenya has suffered from a lack of institutional investors, with a majority of most developments either being done by public universities for their students, or small-scale investors converting homes and small-scale hotels into student accommodation. Granted there are organisations such as the YMCA that have been in operation for over 30 years, but investment in any form of scale has been lacking. A number of factors have influenced the need for a structured PBSA market locally.

Government Policy

The chart below highlights the growth of student enrolment in university education over the past 28 years.

**Figure 4: Student enrolment in university in Kenya**

As mentioned earlier, growth has been spurred by the government’s focus on upskilling the workforce by implementing policy to improve access to tertiary care. The challenge is the policy hasn’t considered student accommodation, leaving most students to seek their own accommodation once on-campus residences are full.

The government is now working with the private sector to fund construction of student accommodation through PPPs. Globally, student accommodation through PPPs has been successful in South Africa, Belgium, Egypt, and India. In Kenya, it is hoped the PPPs will deliver the progressive clearance of student admission backlogs that have grown since 1992 so that students no longer have to wait for long periods
before joining universities. Several colleges and universities are exploring the PPP model as a means to solve the student accommodation crisis.

**Supply and Demand**

According to real estate service provider, JLL international, 40% of Kenya’s housing shortage is due to the lack of student accommodation. For instance, the University of Embu currently has 5,444 students with only 752 of these students residing on campus. This is expected to increase in future. Student accommodation is usually provided through a combination of on-campus provision and private hostels that are within the vicinity of the university. This has placed a lot of strain on-campus accommodation facilities, forcing students to seek private accommodation. According to construction review online, there are plans to construct 3,800 hostels worth US$68 million in Kenya this year. Official statistics show that of the 31 universities in Kenya only 25% of these students can be accommodated thus forcing thousands to seek alternative accommodation. This implies that the majority of students living in private hostels experience various challenges such as: poor sanitary services, lack of access to on campus services e.g. library and computer labs, insecurity, congestion and long commutes.

**South Africa**

**Demand and Supply in the South African PBSA Market**

The Centre for Higher Education Trust (2009-2015) and JLL Research estimated that in 2015, 985,212 students were enrolled in public higher education institutions across South Africa. Forecasting the total number of students enrolled in 2018, JLL took the CAGR between 2009 and 2015 (i.e. 2.34%) and applied that rate going forward. By doing they estimated that by the end of 2018, a total of 1,056,092 students will be enrolled in public higher education institutions in South Africa.

JLL, based on analysis and research, estimate that by 2018 of the estimated 1,056,000 students that will be enrolled in public SA Universities, only c.107,000 will be housed on campus in PBSA beds provided by public universities. This is only about 10.13% of the total demand for accommodation at public universities in South Africa. Below is a list of the top 10 PBSA providers in South Africa.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top 10 PBSA Providers in SA</th>
<th>Estimated No. of Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Point</td>
<td>10,000</td>
</tr>
<tr>
<td>2</td>
<td>Respublica</td>
<td>7,250</td>
</tr>
<tr>
<td>3</td>
<td>Campus Key</td>
<td>4,000</td>
</tr>
<tr>
<td>4</td>
<td>Pulse Living</td>
<td>4,290</td>
</tr>
<tr>
<td>5</td>
<td>Feenstra Group</td>
<td>3,500</td>
</tr>
<tr>
<td>6</td>
<td>Citiq</td>
<td>3,000</td>
</tr>
<tr>
<td>7</td>
<td>Stag African</td>
<td>3,000</td>
</tr>
<tr>
<td>8</td>
<td>Varsity Lodge</td>
<td>2,500</td>
</tr>
<tr>
<td>9</td>
<td>HIS</td>
<td>2,000</td>
</tr>
<tr>
<td>10</td>
<td>Lapalaka</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>41,540</strong></td>
</tr>
</tbody>
</table>

Based on additional research on the segmentation of PBSA in South Africa, JLL estimate that relatively small to medium sized student accommodation providers (or non-PBSA providers) are providing c.
384,000 beds to public higher education students in South Africa. This means that there is ample room for the top 10 largest PBSA providers to take away market share from the non-professional or unsophisticated student accommodation providers that are currently operating in this ever-growing market segment. Major PBSA developers and providers can also target a large and growing private sector higher education market.

Market Information

Major transactions in Sub-Saharan Africa concerning PBSA have generally comprised REIT buy-outs or acquisitions on majority shareholdings in ring-fenced portfolio SPVs with complicated corporate ownership structures. This is evidenced by the Redefine/Respublica and the PIC/South Point transactions in South Africa over the medium term, both anecdotally concluded at prices reflecting yields on the portfolios’ current income of c. 10%. The ongoing attempts by Inkunzi to list on the JSE provides some evidence of pricing activity in the market.

Changing Demographics

Youth Bulge

Similar to many developing countries in Africa, Kenya is experiencing a “youth bulge” with a large and growing youthful population and low median age: Kenya’s youth, 15 – 24 years old, account for 20% of the total population. This is one of the highest in the world and is close to Ethiopia which has the highest youth population percentage at 22% of the total population. This is to be expected given Kenya’s historically high population growth rate of 2.5% – 3.5% over the last 30 years, which is significantly higher than the global average of 1.1 – 1.8%. In addition, Kenya’s median age has oscillated between 18 and 19 over the last 10 years. The distribution chart below highlights the “youth bulge” Kenya is currently experiencing and demonstrates the growth that will occur in individuals eligible to attend tertiary education over the next two decades.

---

7 Population Reference Bureau
8 https://data.worldbank.org/
The youth bulge is also a result of improved life expectancy over the last two decades. Kenya’s life expectancy has increased from 51 to 69 years from 2000 to 2016 (African continent average is 53 years), as a result of government policy changes focused on better health care. The WHO identifies the key drivers of increased life expectancy as better child survival and better management of HIV and malaria treatment. These improvements suggest that the high numbers of children under 15 will result in growing numbers reaching tertiary education age, driving demand for tertiary education and the related accommodation for students.

Population growth in Kenya continues to be high, with the youth anticipated to grow to 20 million by 2050 from 10 million in 2017. This continued growth in the youth population is likely to continue driving demand for secondary and tertiary education over coming decades, and with it, accommodation for students attending tertiary education institutions.

Growing Middle Class

A 2016 report from the Institute of Economic Affairs (IEA Kenya) notes that there has been an increase in employment in formal and informal employment. In 2009, there were 10.9 million jobs which increased to 15.2 million in 2015, representing a 42% increase over the period.

The report further shows that only 23% of all waged employees earn monthly incomes between KES 50,000 and KES 100,000 per month. Additionally, a majority of Kenyans are self-employed and therefore unable to obtain mortgages. Mortgages in Kenya traditionally target white collar workers as they seemingly had stable/predictable salaries and job security. With the downturn in the global economy, traditional employment doesn’t offer the same job security as it did in the past. This meant the mortgage companies also became more prudent in their lending practices and made home ownership harder. The chart below from the Institute of Economic Affairs further showcases the income breakdown of salaried individuals in Kenya.

---

*World Health Organisation, 2016*
Kenya Institute of Public Policy Research and Analysis (KIPPRA) recognises the impact of population growth and the growing middle class. For example, the employed to population ratio increased from 28% in 2009 to 32% in 2014, signifying a growing work force and an overall increase in the disposable income. The latter also signifies employment is growing faster than the population growth\textsuperscript{10}.

Despite the growing middle class, home ownership is still out of reach for a majority of the population, especially in urban areas. Taking Nairobi as an example, the split between home ownership and renting is 9% vs 85% (with the other 6% having alternative arrangements), according to the recently released 2015/16 Kenya Household Survey. The challenge to home ownership is further highlighted by the relatively low number of mortgages in the market. With a working population of more than 20 million, Kenya had 26,187 active mortgages at the end of 2017\textsuperscript{11}. A major reason is the difficulty in obtaining home loans. Mortgages are hard to obtain because institutions only lend to salaried workers, who only account for 10% – 15% of the total working population, and the rest (self-employed) are forced to either build/purchase their own homes without bank loans or rent. The result is that the vast majority of the population, especially in urban areas, only seek properties for rent because it is affordable and available. This results in increased demand and hence prices for rental housing.

**Urbanisation**

Emerging economies have always experienced rapid growth in urban areas with the rural population moving to cities and towns in search of better economic prospects. Urban areas receive the most investment from government and offer the best opportunity for economic growth. Infrastructure development and investment, for example, has historically been focused on capital cities and port cities. Kenya’s three major cities of Nairobi, Mombasa and Kisumu have historically attracted the majority of rural-urban migration, as the rural population seek opportunities for economic prosperity. Consequently, Governments will invest in infrastructure in these cities because they form the centre of economic activity and neglect other smaller urban towns. The latter increases the effect of urbanisation in the larger cities as people disregard the smaller towns and move to the big cities.

\textsuperscript{10} Kenya Economic Report 2017 - KIPRRA
\textsuperscript{11} 2017 Central Bank of Kenya Banking Sector Report
Per the World Bank report on urbanisation\textsuperscript{12}, Nairobi will continue to grow considerably as a metropolitan hub. The population of the City currently stands at 4.5 million and is projected to exceed 6 million by 2030\textsuperscript{13}. Despite the advent of devolution, urbanisation is still a driver of growth in Nairobi. The World Bank report also states that urbanisation is still driven by rural push as opposed to industry pull in the urban areas.

The table below highlights the significance of Nairobi, as an urban hub, on the country’s economic activity.

**Table 5: County Share of GDP (Average 2013-2017)\textsuperscript{14}**

![Image of Table 5]

**Table 6: Kenya population growth\textsuperscript{15}**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population</th>
<th>No. of urban centres</th>
<th>Urban population*</th>
<th>% of urban to total population</th>
<th>Intercensal growth rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>5,407,599</td>
<td>17</td>
<td>285,000</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>1962</td>
<td>8,636,263</td>
<td>34</td>
<td>747,651</td>
<td>8.7</td>
<td></td>
</tr>
<tr>
<td>1969</td>
<td>10,956,501</td>
<td>47</td>
<td>1,076,908</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>15,327,061</td>
<td>91</td>
<td>2,315,696</td>
<td>15.1</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>21,448,774</td>
<td>139</td>
<td>3,878,697</td>
<td>18.1</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>28,159,922</td>
<td>180</td>
<td>5,429,790</td>
<td>19.3</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>38,412,088</td>
<td>230</td>
<td>12,023,570</td>
<td>31.3</td>
<td></td>
</tr>
</tbody>
</table>

As per the above table, the percentage of the urban population has grown by a factor of 6 over the last 60 years. Urbanisation is expected to grow with approximately 50% of the population forecast to live in cities by 2050.

\textsuperscript{12} Kenya Urbanization Review, World Bank 2016  
\textsuperscript{13} Kenya Urbanization Review World Bank 2016  
\textsuperscript{14} Kenya National Bureau of Statistics, Gross County Product 2019  
\textsuperscript{15} Kenya Bureau of Statistics 2009 Kenya Population and Housing Census Analytical Report on Urbanization
All the people moving to the cities have to find somewhere to live and this demand for housing has outstripped the growth in supply driving up housing costs, a trend that has been highly visible in Nairobi. The Kenyan National Housing Survey 2013 highlighted that Kenyan households spend 30% of their total income on accommodation.

Urbanisation also drives demand for education in the cities as people from rural backgrounds seek increased levels of education to equip them to maximise their economic opportunities in the cities. The result is that there will be an increased proportion of the youth population seeking further education.

The other challenge of urbanisation is income disparity. Individuals migrating from rural areas tend to have incomes much lower than their established peers in the urban areas, and this does not change in the short-term. The result is they end up competing with low income urban residents for a limited supply of affordable housing. This tends to drive up the price of cheap housing that students are also competing for, making it even less affordable for students. The effect of urbanisation on supply of affordable housing is exacerbated by the young median age of the Kenyan population as it is the young that are most likely to migrate to the cities, seeking better opportunities in education and employment.

Urbanisation is putting pressure on the real estate market to provide affordable and good quality housing for specific demographics: rural-urban migrants, low income urban residents and students. SKP’s extensive research (discussed in more detail below) and analysis on the viability, availability and affordability of student accommodation was based on factors such as urbanisation, and made it clear an opportunity exists in the provision of affordable and good quality accommodation for students.

AHL’s products, Qwetu and Qejani, cater specifically to students and focus primarily on the provision of affordable, safe, secure, and good quality accommodation. With this understanding of the student accommodation market, current and upcoming projects in high-demand areas, and operational expertise, the Group intends to be the largest PBSA provider in the region with a 35% market share by 2025.

Education Trends

The importance of education to the Kenyan household is another factor that increased the number of students in the system. The 2015/16 Kenya Integrated Household Budget Survey draws attention to the importance of education in the section on income. The survey analysed the reasons households access credit and how they spend their funds. The table below highlights the reasons households access credit. The emphasis on education is apparent with 20.9% of credit accessed being utilized to pay for education/school fees.
Table 7: Use of credit

<table>
<thead>
<tr>
<th>% distribution of main purpose of credit</th>
<th>Subsistence Needs</th>
<th>Education</th>
<th>Business &amp; Investment</th>
<th>Purchase of Agricultural Inputs</th>
<th>Purchase/Construction of Dwelling</th>
<th>Medical Expenses</th>
<th>Land Purchase</th>
<th>Purchase of Livestock</th>
<th>Catering/ Wedding</th>
<th>Purchase of Motor vehicles/cycles</th>
<th>Purchase of Agro Machinery</th>
<th>Other</th>
<th>Not Stated</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 2017 report on Education in Kenya(^\text{16}) highlighted the following key trends:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The number of universities (public and private) increased from 67 in 2014/15 to 70 in 2015/2016 and to 71 in 2016/17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- There has been increased enrolment of students pursuing university education in both public and private universities with student numbers standing at 421,000 in 2014/2015; 540,000 in 2015/2016; and 628,000 in 2016/17, an increase of 20+% year on year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The expansion of post-secondary education created a supply challenge for the government. One quick and innovative move was the elevation in status of some institutions from colleges to universities. The effects are seen from 2016 when the number of public universities increased by 30%, 23 to 30. The trend has continued with certain public and private institutions getting promoted to full university status to accommodate more university students.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based on information from the Economic survey, university admission increased from 27,000 students in 1990, to 564,507 in 2016, a CAGR of 13%. However, the strong growth seen in the tertiary education sector slowed down as a result of the policy changes initiated and implemented by the former Cabinet Secretary for Education, Fred Matiangi.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The purpose of the reforms was to streamline the education sector by eliminating fraud in the system, shutting down universities offering sub-standard programs, admit all students who attain a passing grade to universities, refresh the curriculum and exam management in primary and secondary education, and an overall streamline of the education system. The result for tertiary education was a number of schools were shut down, and the number of students attaining passing grades to university also dropped. The latter was a result of weeding out fraudulent teachers and students and refreshing the format and delivery of examination material. The overall result of the “Matiangi reforms” is the number to admissions to public universities dropped from 120,000 in 2016 to 90,000 in 2017.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{16}\) Education Sector Report for the Medium-Term Expenditure Framework 2018/19 – 2020/21
The table above shows the impact of the reforms. The enrolment numbers clearly highlight a drop in University attendance from 2016 to 2017, and the increase of 32% and 36% of TIVET and TTC enrolment in 2016 and 2017 respectively. The reason for the drop in university enrolment was the number of students attaining a C+, the minimum grade of entry to a public university, dropped significantly after the reforms. Consequently, there were more students with grades below C+ that were absorbed by TIVET and TTC institutions, hence the increase in enrolment over the last few years. The government also realised there was a skill gap after some vocational schools were turned into universities e.g. Kenya Polytechnic University College. The reforms encouraged more students to attend vocational schools and obtain valuable skills as an alternative to University.

Despite the growing number of students, student accommodation has not grown significantly over the past 20 years. The alternatives being offered to students who don’t get campus accommodation is to either look for hostels, stay with their parents, or share a flat. Hostels are generally small operations often some distance from universities with poor sanitation, security and safety. Where available, campus accommodation is often of a similarly poor standard. Staying at home is also a challenge with many students living far away from campuses and having a long commute to school or coming from other parts of the country and overseas. The flat or house sharing option becomes increasingly expensive as urbanisation drives up rents. AHL’s experience shows that a significant number of students currently stay at home not out of choice but because of the lack of decent and affordable alternatives. SKP’s research has shown the most important factors in student’s choice of accommodation are security, location, quality and affordability.

Universities do not have the capital to build significant amounts of student accommodation and will need to continue investing in their academic facilities to accommodate the increasing growth in student numbers. The national government has recognised the situation and has begun establishing Public Private Partnerships (PPPs) to develop student hostels for public universities. So far, this initiative has been slow to take off as it faces challenges of finding investors/ financiers willing to invest within public university
properties due to the inherent risks of student opposition, damage, unrest and other related issues, since tertiary education is still a sensitive quasi political subject in Kenya. Furthermore, managing student accommodation and maintaining it to a high standard in the long run is a highly specialised business, which universities often have limited capacity to provide.

At the beginning of 2018, the National Treasury held a conference to court potential investors with a KES20 billion PPP program. The program aims to leverage private sector expertise to build accommodation for public universities. The government has already commissioned the construction of 30,000 beds for 3 public universities\textsuperscript{17}. However, the scale of the shortfall of well located, good quality, secure and clean accommodation is such that there will still be a significant mismatch between demand and supply creating a market opportunity in the student accommodation sector.

Rent vs Own

Property prices have increased, but the uptake has only increased in the rental market with most individuals unable to own homes and choosing to rent instead. This is a very different trend from regions such as Europe and America, which have a high percentage of home ownership, both rural and urban. European home ownership rates average 60 – 70\%\textsuperscript{18}, which is much higher than Africa with home ownership rates lower than 40\%. Also, it is important to note home ownership is more prevalent in the rural areas in Kenya. Kenya is no exception to the trend of rental vs home ownership in rural vs urban areas as the table shows\textsuperscript{19}:

Table 9: Rural vs urban areas

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>Number of households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Occupier</td>
<td>Pays Rent/Lease</td>
</tr>
<tr>
<td>National</td>
<td>59.5</td>
<td>35.4</td>
</tr>
<tr>
<td>Rural</td>
<td>85.2</td>
<td>9.7</td>
</tr>
<tr>
<td>Urban</td>
<td>26.1</td>
<td>68.6</td>
</tr>
<tr>
<td>Nairobi</td>
<td>8.1</td>
<td>86.4</td>
</tr>
</tbody>
</table>

Using Kenya as the base, a multitude of factors drive the rental discussion:

- Household incomes: A survey by Ipsos showed households in Kenya earning more than KES50,000 per month accounted for 2\% of the total population. This is a very small percentage when you consider Kenya has over 10 million households. Ordinarily, these would be the individuals who could afford to take mortgages/own homes in urban areas, but even with an income of KES50,000 a month, there aren’t many homes in urban areas they can afford.

- Cost of credit: Mortgages are still out of reach for a majority of the population, pricing is still high at 13\%, and there is a high level of self-employment with most individuals choosing to purchase their homes with cash.

- Interest rate cap: The Government had hoped the rate cap would increase demand in the mortgage sector with the pricing capped at Central Bank Reference Rate plus 4\%, but this hasn’t been the case. Banks became even more conservative in their lending practices as they instead put funds in treasury bonds.

\textsuperscript{17} https://www.constructionkenya.com/5263/kenya-student-hostels-project/
\textsuperscript{18} European Union – Eurostat Analysis 2014
\textsuperscript{19} 2015/2016 Kenya Integrated Household Budget Survey
- Property prices: Residential property prices have grown 2x over the last 15 years driven by even more expensive land prices. Land prices grew exponentially due to speculation. Consequently, this drove up the all-in construction cost of the homes, pushing affordability even further out of reach.

- Mobility: Urban households are more mobile due to the price and quality volatility in the residential market. The result is that households are constantly looking for affordable options for housing as they try and maintain a standard of living.

The result is that a majority of urban families, nearly 70% in Kenya, have no choice but to rent their homes. The issues above push households to be even more prudent in the use of their income. Young adults are forced to stretch their earnings further as they seek affordable housing arrangements, and parents seek practical and affordable options of accommodation for their children.

Despite the increased demand for affordable student housing, the sector still suffers from a number of issues. A recent report from JLL stated the main concerns when searching for accommodation were security, availability of amenities and infrastructure e.g. gym, WiFi and affordability. With the industry being relatively new, there is still a very limited supply of serviced student accommodation. An additional challenge is that a large number of accommodation currently available doesn’t meet the criteria of security, availability of amenities, and affordability. The result is that good accommodation is overpriced and doesn’t meet the student’s minimum criteria.

The alternatives students are faced with is to either live at home or with relatives, or share accommodation in a rented space. The challenge with the latter is that students end up paying more transport because most affordable locations are not near schools, and they also incur additional costs because they have to purchase their own furniture and appliances.

Summary of Market Opportunity

The changing demographics, urbanisation, and recent trends in the education sector make a strong business case for investment in the student accommodation sector. The youth bulge will provide a large and predictable increase in the tertiary education age population over the next two decades and the youth population is predicted to continue growing thereafter, with forecasts of 20 million by 2050 compared with 10 million in 2017.

The middle class will also increase in size as the country continues to experience economic growth of 5% – 7% year on year, and more jobs are created in the formal sector, leading to increasing numbers who can afford tertiary education and student accommodation, which is a high priority for household expenditure.

Urbanisation in Kenya will likely push the rural-urban population split to 50:50 by 2050 driving demand for affordable housing. Despite the efforts of Government, it is almost certain that supply of affordable housing will be unable to keep pace with the demand created by population growth and urbanisation leading to long term rental increases, increasing the price of shared flats and houses, one of the main alternatives to PBSA.

Demographic changes and reforms in the education sector have already increased the number of students by an average of 13% per year from 1990 to 2016.
9 Description of AHL

9.1 History of AHL

Founded in 2014, AHL is a company jointly owned by Acorn Investments Limited (50%) and Accord Holdco (50%), owned respectively by the original shareholders of AHL, one of Kenya’s leading property developers and project managers, and Helios Investment Partners Limited, one of the largest and most successful Africa focused private equity funds. AHL marries its extensive local experience of successfully developing Kenya’s marquee properties and Helios’s expertise investing and developing in some of the continents ‘most successful brands. Acorn continues to grow and re-invent itself in the local market, always seeking the most innovative and profitable ways to provide positive returns to its co-developers and shareholders. AHL has grown from a project manager, developer, investor, to an operator of PBSA. This evolution adheres to AHL’s long track record of innovation in the local real estate market.

AHL was originally founded in 2001 and became one of the largest and most successful developers in Kenya. It has delivered over 50 projects, valued in excess of US$550 million. These include some of the most iconic projects in the region over the last decade such as the Coca-Cola Regional Head Office, Deloitte Regional Head Office, Equity Centre, UAP Tower, Nakawa Business Park, Tiara Office Park and Acorn House.

Figure 8: AHL Projects

Coca-Cola HQ, Nairobi
Deloitte HQ, Nairobi
Acorn House, Nairobi
Equity Bank HQ (UAP Centre), Nairobi
As mentioned previously, the original shareholders of AHL merged with Helios in 2015 to form a new entity, Acorn Holdings Limited. From inception, the Group has been developing capabilities in youth and student housing and in 2015 made a strategic decision to focus on PBSA. Accomplishments since 2015 include:

- completing the construction of three buildings within budget and timelines and established operations;
- developing and adding to its capabilities by on-boarding key managers from the UK with specific experience in the PBSA industry;
- developing an IT, operational, and marketing platform that can support large scale student accommodation; and
- ensuring the buildings comply with recognised international life and fire safety standards and international environmental standards.

The corporate structure is comprised of four levels:

- **Level 1**: AHL the parent company and the sponsors of this Project who beneficially own the majority of the entities, provide the equity in the capital structure and provide a corporate guarantee for the Programme.
- **Level 2**: Acorn Management Services Limited:
  - Create and promote brand and management capability around the specific opportunity, in this case the 2 brands for student accommodation, Qwetu (inaugural brand) and Qejani (to be introduced in 2019 set to compete with lower-end student accommodation offering);
  - Acquire, develop (including overseeing the construction) and market the properties; and
  - Provide property, project and administrative management to the investment vehicles.
- **Level 3**: Acorn SPVs which raise funding for the properties in a ring-fenced structure.
- **Level 4**: Acorn Project Entities which own the underlying properties.
Helios Investment Partners Limited (“Helios”)

Helios was founded in 2004 to focus exclusively on private investment in Africa. Since its establishment, Helios has raised three private equity funds. Helios also took over the Modern Africa Fund in 2004, rationalizing and fully exiting the portfolio by 2007.

In 2015, Helios established Helios Credit, a dedicated credit platform which also invests and manages the TriLinc Global Impact Fund’s Sub-Saharan term loan portfolio\(^2\)\(^3\).

**Figure 10: Helios milestones**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Founded by Tope Lawani &amp; Babatunde Soyoye</td>
</tr>
<tr>
<td>2005</td>
<td>Assumed Management of Modern Africa Portfolio</td>
</tr>
<tr>
<td>2006</td>
<td>Helios Towers Africa: $275 Million</td>
</tr>
<tr>
<td>2007</td>
<td>Helios Investors I: $305 Million</td>
</tr>
<tr>
<td>2010</td>
<td>Helios Investors II: $908 Million</td>
</tr>
<tr>
<td>2014</td>
<td>Launched Helios Credit</td>
</tr>
<tr>
<td>2015</td>
<td>Helios Investors III: $1.1 Billion</td>
</tr>
<tr>
<td></td>
<td>Fully exited Modern Africa Fund</td>
</tr>
<tr>
<td></td>
<td>Helios Towers Nigeria, Africa’s first telecom tower company</td>
</tr>
</tbody>
</table>

Helios has an established fundraising private equity record:

- Fund II (2010): US$908 million
- Fund III (2014): US$1.1 billion
- Additional circa US$670 million of co-investment generated across Funds I, II and III

Some of the current and previous equity stake investments Helios has made in Kenya include:

- Equity Bank: Kenya’s largest bank by number of accounts and among the top 3 in market capitalization and assets.
- Vivo Energy: a leading pan-African downstream oil business which distributes and markets Shell-branded fuels and lubricants across 15 African countries.
- Wananchi Group Holdings: the leading East African broadband-led cable triple play (internet, TV and voice) provider.

---

\(^2\)\(^3\) Heliosinvestment.com
The partnership between Acorn Investments Limited and Helios is focused on the same core investment themes, seeking opportunities where there is a large growing market that addresses supply side market deficiencies. This has coalesced into a strategy to build and operate profitable, high quality and affordable student accommodation. Helios has committed USD100 million to AHL to provide the equity funding necessary to support the substantial development programme.

It is Helios intention to fix fund the equity requirement (35% of total Project costs) of the Project Entities in the programme.

**AHL Partners**

AHL and its Affiliates have also undergone extensive due diligence, including HSSE, FCPA, IFC Edge, and labour practices from Tier 1, Triple A rated DFIs such as the IFC, as part of their process ahead of establishing funding relationships.

### 9.2 Track Record

AHL successfully delivered over 50 projects valued at over US$550 million over the past 16 years. Below is a non-exhaustive list of some of the iconic properties Acorn has completed:

**Figure 11: Acorn projects**

- **Equity Bank HQ**
  - Completed: 2006
  - Head Office

- **Coca-Cola Nairobi**
  - Completed: August 2008
  - Head Office

- **Tiara Villas**
  - Completed: 2009
  - Residential Town houses

- **Deloitte**
  - Completed: 2010
  - Head Office

- **APHRC**
  - Completed: May 2011
  - Head Office

- **Farmers Choice**
  - Completed: May 2011
  - Beef Abattoirs

- **Magharibi Place**
  - Completed: 2012
  - Mixed use development

- **Acorn House**
  - Completed: 2012
  - Head Office
9.3 PBSA Addressable Market

Changing demographics, urbanisation, income distribution, affordability of homes, and trends in the education sector, as discussed above, have created a market opportunity in student accommodation that can only be remedied by two factors: availability and affordability. AHL and its Affiliates have developed products that cater for the significant demand for student accommodation that are comparable to the developed world and also cover a range of different price points.

In determining what to develop for the market, extensive research and analysis was done on market sizing and affordability. AHL engaged the services of SKP, a leading global strategy and pricing consultant, to provide more comprehensive information on the local student market and potential demand. SKP worked with a local Kenyan consumer research organisation, Consumer Insight, using both qualitative focus-group based research and extensive quantitative research of almost 2,000 students. The study was carried out over three months and is the most comprehensive survey done to date on the Kenyan student accommodation market.

The SKP study started by reviewing the current market for tertiary education and quantifying the total number of students in the target universities (excluding private colleges), which are those that would support the Qwetu brand. These are the leading private universities and the University of Nairobi. SKP then eliminated specific demographics not relevant to AHL’s target market such as campuses outside of Nairobi, students not allowed to live away from home etc. After determining the available and addressable market relevant to Acorn’s product, the next step was to determine affordability.

Analysis on the affordability and pricing utilized a two-step approach. First, a survey was conducted on a targeted group, students and parents of students, to determine the motives and key criteria for choosing student accommodation. Second, SKP applied a Price Sensitivity Meter (PSM) using the Van Westendorp methodology to the outcome of the survey. The objective of the PSM exercise was to determine the threshold of affordability (willingness to pay). Based on the large amount of data from the survey, SKP was able to determine a narrow price range where there was willingness to pay for the identified products. The outcome was tested on current market prices and trends in the market and found to be very accurate.
Qwetu

The tables below breakdown the addressable market for Qwetu which was determined by SKP:

**Figure 12: Addressable market for the Qwetu brand**

Per the charts above, the method utilized to determine the market size was based on affordability, preferences, and location and utilised a combination of qualitative and quantitative methodologies. Based on the market sizing exercise, the addressable market was estimated at approximately 39,000 by SKP.

Qejani Brand

In addition to the Qwetu brand, Acorn has also developed a mass market brand called Qejani (a PBSA provider) at a lower price point but still provides the essential standards of quality, security and cleanliness of the Qwetu product. The addressable market for the Acorn’s Qejani product has been addressed using a similar methodology on the basis of conservative assumptions.
In determining the addressable market for the Qejani brand, market sizing was based on a combination of the Qwetu SKP study, and market data on the universities that were not included in the SKP study.

The SKP study showed that there was a significant number of students at the target universities who were unable to afford the Qwetu product. These students will be part of the target market for Qejani. In addition, the Qejani brand will target other private and public universities whose student rental price points are below the Qwetu brand.

AHL have targeted the additional universities because they have large campuses in and around the Nairobi Metropolis, and they are close to urban centres hence the rents charged are likely to be similar to Nairobi offerings. Other rural locations tend to charge much lower rents, which the Qwetu and Qejani products are not designed to compete with.

Beyond 2020, the university population is assumed to grow at a slower pace, 50% of the long term historical CAGR of 13%, i.e. 6.5% per annum.

**Summary**

AHL has adopted a conservative approach to sizing its addressable market, not including the many tertiary colleges in its assessment, which are likely in practice to produce significant numbers of customers. Although SKP advises that achieving a 50% share of the addressable market is a realistic goal, AHL has been even more conservative by planning to achieve only 35%.
There is a large target market for student accommodation at present and all the demographic and economic factors discussed above will continue driving up the numbers of students and demand for affordable housing. As a result, there is a significant opportunity to invest in good quality, affordable, safe and secure PBSA serving both public and private universities in Kenya; providing an attractive alternative to the current options available to students.

9.4 Business Model

AHL was the first real estate player to address the PBSA market in Kenya and currently owns the only 3 operating PBSA properties in the country with a pipeline of 4 under construction. Acorn has equity backing from Helios with US$50 million committed to date and up to a further US$50 million available, which will be supplemented with debt, and used to acquire sites and develop high quality, secure and clean student accommodation. Both the design of the buildings and the sites chosen will be based on the most extensive research into student preferences undertaken in Kenya. The properties will benefit from the use of an overarching brand and professional management offering an unrivalled customer experience, with a view to retaining the value of Acorn’s developments over the long term.

AHL’s business model is predicated on a 5-stage process that takes into account the entire investment value chain from origination to exit. The business model is designed to be replicated across different asset classes and updated to cater for differences in the target market. Currently, the focus is on student accommodation as an asset class, but the organisation is also looking to expand into young professionals and starter homes in future. The key steps in the business model are highlighted below:

1. **Asset Class Selection** – The first stage is to identify a real estate asset class with low volatility and which due to macro-economic and demographic trends, has significant growth potential and opportunities to produce stable, long term returns for investors at scale. According to AHL analysis, the asset class that best fits the above characteristics is the
provision of rental housing for students, young professionals, and starter homes. AHL first point of entry has been PBSA.

2. **Platform Development** – The next step is developing a platform to cater for the management of the targeted asset class. The process involves the creation of a brand (e.g. Qwetu and Qejani), systems and management capability around the identified opportunity.

3. **Operations** – This stage in the process is enhanced by AHL’s numerous years of experience developing properties across the region. It is during this stage that AHL acquires the land, develops the properties, markets properties to the target demographic, and stabilizes income to ensure AHL generates long term stable, non-cyclical income for its investors. AHL has instituted a strong culture of continuous improvement in the management of its operations through extensive employment of Lean Six Sigma practices to streamline and eliminate waste in its operational processes.

4. **Exit** – Once property income has been stabilized, the properties are to be exited. The asset is de-risked by having all the debt paid off prior to its transfer to the property income fund or other buyer.

5. **Portfolio Management** – AHL’s experience and expertise in project management and operations to continue to provide property, asset management and administrative services

The diagram below summarizes the business model.

**Figure 15: Business model**

The investment opportunities arising from the business model above are highlighted below:

1. Debt financing at construction stage – banks, DFIs and capital markets providing fully secured debt financing in a legal, ring fenced structure
2. Equity financing at construction stage – AHL, higher risk investors seeking higher returns
3. Property income fund – investment in fully constructed, de-risked and stabilised assets providing investor with long term, stable, non-cyclical rental yields and capital gains

With regard to the Group’s current asset class focus (PBSA), the business model is to construct these properties using equity from AHL and senior debt and then to sell the properties, similar to the process highlighted above.
The properties will continue to be operated by AMSL benefiting from its brand and operational capability to run PBSA at scale.

However, the Group also has the flexibility to exit its properties directly to end buyers.

### 9.5 Operating Model

AHL and AMSL’s extensive experience in project management and development has enabled it to develop and improve its internal processes to consistently generate cost and time savings in its projects. A testament of the Group’s expertise is the demand from industry leaders to partner with the Group, e.g. Coca-Cola, Deloitte and Equity Bank in the past. Key aspects of the Group’s operating model are highlighted below.

**Project Management**

AHL through AMSL has built an unparalleled management capability and competencies around land acquisition, obtaining statutory approvals and project delivery through hiring the best people, instituting streamlined processes and acquiring and implementing market leading IT systems. Operational Excellence has been embedded in the ethos, culture and practices of the business to generate continuous improvement. AMSL’s approach to project management employs a multiple stage process, based on Prince 2 methodology, that controls the delivery of projects on time and budget illustrated by the figure below.

#### Figure 16: Project management approach

- **Gate 0: Origination (3 months):** The Group’s market position has established deep networks that enable it to identify and acquire strategic sites close to target universities at attractive prices. The Group then conducts an extensive due diligence on the land as the Group prepares a preliminary investment report on the project to be approved by the AHL board.
- **Gate 1: Business Case (3 months):** The Group’s design team engages the architects and consultants to develop the project design, provide a detailed cost estimate, and expand the initial preliminary investment report to generate a business case report to be approved by the AHL board.
- **Gate 2: Pre-Development (9 months):** At this stage the design team finalises on the detail design of the project and tenders for the contractor. The Group’s years of experience and expertise provides it with the advantage of partnering with the best contractors, both local and international. The Group also ensures that it obtains all relevant approvals before it commences construction. A construction tender award, a pre-construction report is generated for approval by the AHL board.

- **Gate 3: Development (20 - 24 months) funded by debt:** Utilizing the best contractors in the market allows the Group to finalise its developments from foundation to roof, in less than 24 months. The Group also incentivises its contractors to finish ahead of time. During this period, the Group rigorously monitors the progress of its projects, anticipating and remedying factors that may cause potential delays.

- **Gate 4: Project Closure (12 months):** The project closes with the standard 12-month defects liability period. Within the same period, the Group also starts leasing the rooms allowing its occupancy to stabilise at the pre-agreed levels.

- **Gate 5: Property Operations:** Marketing and leasing activities continue to maintain occupancy levels and demand, and exit is also managed at this stage.

### Property Management

Operating student accommodation is a specialised business with significantly more complexity than typical residential lettings due to a heightened focus on customer experience and short lease tenors that give PBSA hospitality-like characteristics. The Group has spent the last two years developing the specialist skills required to manage PBSA properties, including recruiting student accommodation specialists from the UK, a well-developed PBSA market. Unique measures taken to streamline operations over the past two years include:

i. Recruitment and training of property-level staff to deliver the highest standard of customer service in-line with the Qwetu and Qejanzi brand promises;

ii. Significant investment in IT systems that can adequately handle booking, rent collection, and accounting for a large number of beds;

iii. Developing a robust marketing, advertising, and sales platform that ensures properties have a constant pipeline of potential student customers to fill rooms vacated by students checking out; and

iv. Developing an online and Mpesa portal for rent collection, streamlines operations at the properties and reduces the risk of theft as the Group does not keep any cash at the properties.

### Brand Development

AHL has recognised the opportunity to establish a competitive advantage by the development of strong student accommodation brands as this is a business to consumer business where brand and marketing is important. The Group’s marketing and sales department established partnerships with local universities enabling it to entrench its Qwetu brand in the right market and build interest in the target audience.

Marketing activities have seen the Qwetu brand grow over the year since the launch of the first Qwetu branded building and become increasingly popular among its target audience. Targeted advertising and marketing have also improved brand visibility among parents/guardians of potential residents of its Qwetu residences. The Group will continue to invest in its brands and will continue growing its reach on social media and other digital marketing channels, which are key channels for its target demographic.
The Group’s expertise in this area will allow it to build Qejani, its mass-market brand into a similarly strong, credible and market leading brand that customers can trust.

**Strategic Partnerships**

The Group’s focus has not only been to continually nurture relationships with co-investors, but also with its project partners i.e. architects, construction companies, consultants, suppliers, etc. For example, AHL recently established a partnership with material suppliers in Turkey and China that reduces its cost of construction by enabling the Group to bulk source locally unavailable high-quality materials at very attractive prices.

The Group a strong track record with local financers based on its successful development track record and positive credit history. The Group mitigates credit risk of its debt partners by also providing its own capital (cash equity) during the construction process to fund project costs.

### 9.6 Corporate Governance

**AHL Shareholders**

AHL, 99% equity owner of the Issuer, is owned 50% by Helios Investment Partners and 50% by Acorn Investment Limited.

**Directors’ declaration**

As at the date of this Information Memorandum none of the directors:

- has been nor is currently, the subject of a filing of a petition for bankruptcy, either in their own capacity or as an executive officer of any company;
- has been convicted of fraud or a criminal offence, nor is any Director the subject of current criminal proceedings or any other offence or action either within or outside Kenya; and
- has been the subject of a ruling in a court of competent jurisdiction, that permanently or temporarily prohibits such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type of business practice or activity in that jurisdiction.

**Directors’ interests**

As at the date of this Information Memorandum, Edward Kirathe, Ken Luusa and Peter Njenga indirectly and beneficially held 30.24%, 6.50% and 6.02% of the issued share capital of AHL. No other Directors hold, directly or indirectly, in excess of 3% of the shareholding of the Issuer.

There was no change in Directors’ interests between the end of AHL’s financial year and the date of publication of this Information Memorandum.

**Board of Directors**

All directors and the company secretary can be reached through the business address: Acorn House, 97 James Gichuru Road Nairobi, Kenya.

**Dennis Aluanga, Chairman**

Mr. Aluanga, a Kenyan citizen aged 51 years, is a Partner at Helios Investment Partners LLP. Mr. Aluanga served as a Group Finance Director and Chief Operating Officer at Industrial Promotion Services (East
African) from 2008 to June 2011. He served as the Group Finance Director and the Chief Operating Officer of Nation Media Group. He serves as a Director of Property Development and Management Limited. He is also a Non-Executive Director of Equity Group Holdings Limited (formerly Equity Bank Limited), and a Director of Wananchi Group Holdings Limited. He serves as a Non-Executive Director at Vivo Energy Kenya and Helios Towers Tanzania. Mr. Aluanga holds an MBA from the University of Edinburgh, United Kingdom. He is a Certified Public Accountant of Kenya.

Edward Kirathe, Chief Executive Officer

Mr. Kirathe, a Kenyan citizen aged 48 years, has vast experience in the real estate industry and has managed the delivery of the most iconic and landmark buildings of the past decade such as the head office of Coca Cola East and Central Africa (Nairobi), Deloitte East Africa head office, Equity Center and Nakawa Business Park (Kampala). He holds a Bachelor of Architecture Degree (honors) from the Jomo Kenyatta University, is a member of the Association for Project Management (UK) and the Architectural Association of Kenya. He is also a registered Architect with the Board of Registration of Architects and Quantity Surveyors of Kenya.

Kenneth Luusa, Chief Commercial Officer

Mr. Luusa, a Kenyan citizen aged 52 years, graduated from the University of Aberdeen (Scotland), with a Bachelor’s Degree in Land Economics in 1990. He joined a leading International firm of Chartered Surveyors and worked in the property management department of the firm’s Aberdeen Office where he was responsible for the firm’s client portfolio in the North East of Scotland. Prior to joining the Group, he was the Regional Chief Executive Officer of Property Development and Management Limited (PDM), an Aga Khan Development Network Company where he was responsible for managing and developing the organization’s commercial Project Developments in East Africa. Ken is a seasoned professional and member of the Royal Institute of Chartered Surveyors, The Institute of Surveyors in Uganda, a practicing and Registered Valuation surveyor in Uganda and a Registered Real Estate Agent in Kenya.

Peter Njenga, Chief Operating Officer

Mr. Njenga, a Kenyan citizen aged 47 years, is a Certified Public Accountant of Kenya, a qualification he earned from Strathmore Business School in 1998. Thereafter, he worked as a Tax/Management Consultant in a leading audit firm for four years. He has over 15 years’ experience in senior level management where he has assisted businesses develop and implement appropriate strategies to achieve financial, tax & operational efficiency. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Mike Bennett, Chief Finance Officer (by invitation)

Mr. Bennett, a British citizen aged 61 years, has over four decades of experience in finance across a wide range of businesses. Most recently at Mitie Group plc, the listed outsourcing group, where he advised the new senior management team on technical and transitional issues. Before that he spent 11 years with Unite Group plc, a listed Real Estate Investment Trust (REIT) and the UK’s largest provider of purpose-built student accommodation with a portfolio of over 45,000 rooms. He initially joined as Group Financial Controller and then as Director of Reporting and Tax where he helped to manage the business through a sustained period of rapid growth. He trained as a Chartered Accountant and subsequently spent 10 years working with KPMG London advising clients such as Grand Metropolitan, now Diageo.
Mr. Bennett left AHL in December 2019, after successfully setting up the finance and accounting systems, with his duties currently under the responsibility of the Finance director.

**Alykhan Nathoo (Non- Executive) Board Member**

Mr. Nathoo, a British citizen aged 46 years, holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts with Distinction in Quantitative Economics from Stanford University. He has over 15 years of experience in Private Equity at Bain Capital, Dubai International Capital and most recently at Helios Investment Partners.

He is a Partner at Helios Investment Partners with regional focus on Eastern and Southern Africa. He also sits on the Board of Continental Outdoors.

**Ameel Somani (Non- Executive) Board Member**

Mr. Somani, a Canadian citizen aged 35 years, has eight years of relevant professional experience. He joined Helios in August 2012 after completing his MBA at Harvard Business School. Prior to Harvard, Ameel was an Associate at Teachers’ Private Capital based in Toronto, Canada. Prior to Teachers’ Private Capital, he worked at CIBC World Markets as an Analyst in their Investment Banking Mergers & Acquisitions Group. He serves on the Board of Aga Khan Development Network East Africa Task Force. In addition to an MBA from Harvard Business School, Mr. Somani also holds a dual degree in Chemical Engineering and Economics from Queen’s University, Kingston, Canada.

**Paul Harris (Non- Executive) Independent Board Member**

Mr. Harris, a British citizen aged 48 years is a senior executive able to drive performance through stakeholder engagement and reputation management. He has experience in a range of sectors including Higher Education and a track record of improving top-line non-financial indicators. He is based in the UK and has been a senior communications and marketing executive at Abbey National, Laing O’Rourke and Smiths Group plc. He was the Group Strategy and Corporate Affairs Director at Unite Students where he led the repositioning of business from property developer to service brand. He received a BA in English and Philosophy from the University of Nottingham.

**Board of Representatives**

The respective partners of the Issuer and each Project Entity have, for purposes of overseeing the operations of each Project Entity, appointed a Board of Representative comprising Edward Kirathe, Ken Luusa and Peter Njenga.

**Management Team**

AHL will be managing all Projects on behalf of the Issuer while AMSL is the project manager. AMSL employs all team members within the Group. Below is the list of the senior management team of AMSL:
Edward Kirathe, Chief Executive Officer
See profile above under this section.

Kenneth Luusa, Chief Commercial Officer
See profile above under this section.

Peter Njenga, Chief Operating Officer
See profile above under this section.

Susan Mukora, Director, Finance
Ms. Susan is a Kenyan aged 39 and an Audit and Finance Professional with over 14 years of experience.

Prior to joining Acorn in April 2019, she worked in the Security Industry where she was the financial controller heading 5 entities and overseeing more than 25 team members. She also worked in the Telcom industry for 6 years in various capacities from Assistant Manager for Group financial Reporting and grew within the system to Audit, Compliance and Risk Manager. Susan started off her career in a leading audit Firm where she grew to Senior Consultant Financial Operation.

She holds an MBA in Strategic Management from United States International University Africa and a Bachelor of Commerce Finance from the University of Nairobi. She is an ICPAK and a member of Institute of Certified Public Accountants and a Certified Information System Auditor.
Wambu Kariuki, Director, Development

Mr. Kariuki is a Kenyan citizen aged 39 years and an Associate Director within the Project Management Division at Acorn. He joined as a Senior Project Manager in 2013 and has been responsible for the management of a portfolio of numerous commercial office developments in the region, as well as various purpose-built student accommodation projects in Nairobi. Wambu previously worked for over 10 years in the UK for a Civil Engineering consultancy where he was involved in the design and project management of various bridge design projects.

Sam Miringu, Head of Construction Management

Mr. Miringu is a Kenyan citizen aged 40 years and has vast experience in the construction industry having managed a portfolio of residential, hotel, master plans and commercial projects for some of the largest corporates in the region.

Sam has been with Acorn from inception in December 2002. Over the years, Sam has gained vast knowledge and expertise in real estate sector and as a result has been able to successfully deliver projects to client’s expectations. Sam is registered with the Association for Project Management (APM) based in the UK, and holds a diploma in architecture.

Jennifer Padayatchy, Director, Human Resources

Ms. Padayatchy is a Mauritian citizen aged 35 years and an HR professional with over 13 years’ experience. Prior to joining Acorn in October 2018, she worked for a major multinational in the fast-moving consumer goods sector, in various geographies including East & Central Africa, West Africa and North Africa. Jennifer holds a bachelors’ degree in Management from the University of Mauritius and is an associate member of IHRM Kenya.

Jackie Rozario, Director, Customer Experience

Ms. Jackie is aged 46 and a Customer Experience Professional with over 15 years’ experience.

Prior to joining Acorn in April 2019, she worked in the Telcom Industry as a Customer Experience Director. She has also worked in the Pay TV Industry in Kenya in a senior Management Level as Head of Operations. She commenced her Customer Experience journey in the Telcom Industry- Celtel Uganda before it transitioned to Zain and later Airtel and has worked in both Ugandan and Kenyan markets where she served in various capacities and grew to the Head of Retail Operations and Customer Experience Management.

Jackie holds an MBA in Strategic Management from Edinburg Business School and a Bachelor of Commerce Accounting from Makerere University. She is a Lean Six Sigma Professional.

Klaire Muriithi, Marketing and Brand Manager

Klaire is a Kenyan citizen aged 34 years and has vast experience in the brand, marketing and communications field. She has managed and led the development & execution of several brands having
previously worked in telecommunications, technology, beverages, tobacco and now real estate. She handles all the brand, marketing and sales aspects of the organization including corporate brand identity, market intelligence & research, product pricing, online and offline marketing. She holds a Bachelor of Commerce - Marketing Major from Kenyatta University and is currently pursuing her Masters’ at United States International University Africa.

**Wangui Maranga-Okello, Head of Corporate Finance**

Ms. Maranga-Okello is a Kenyan citizen aged 44 years and an experienced financial services professional, having gained over 16 years’ experience in portfolio management, company valuations and financial analysis within the fund management sector in East Africa. As a senior portfolio manager, Wangui managed client assets worth billions of shillings in local equities, fixed income, property and offshore investments. She has worked in various areas of specialisation, including banks’ analysis and fixed income research and strategy.

Wangui holds an MBA (Finance) from University of Leicester, Bachelor of Commerce from University of Nairobi, is a qualified accountant with the Association of Chartered Certified Accountants (ACCA) and has a Higher Diploma from the Institute for the Management of Information Systems (IMIS).

**Sheila Moraa, Acorn Green Ambassador**

Ms. Moraa is a Kenyan citizen aged 36 years and has 11 years’ experience in the energy and real estate sectors and has managed the delivery of power plants (Kindaruma and Olkaria 3 Power Plants), delivery of a commercial office building currently hosting Huawei and involved in the design of the student housing Acorn is undertaking. She holds a Bachelor of Science Degree in Civil Engineering (honors) from the Jomo Kenyatta University, is a certified PRINCE 2 practitioner and currently pursuing an Executive MBA with Strathmore Business School.

There is no existing or potential conflict of interest between the director’s duties to AHL and/or their private interests or other duties.

### 9.7 Acorn Management Services Limited

AMSL was incorporated in 2015 after the establishment of AHL. AMSL is responsible for all property management and administrative services of entities in the Group’s universe. More information on AMSL is provided in Section 5.3, management of the issuer.

### 9.8 Product overview

**Current accommodation situation**

The majority of young university and college students in Nairobi have to live in sub-standard housing, lacking amenities and that is unsafe and in a poor state of repair. The accommodation is not designed or
built with young people in mind. At best it is improvised accommodation in formerly domestic staff quarters or extensions in the back yards of family homes. Often times, young people are forced to share this housing with families or amongst themselves.

Furthermore, the existing housing lacks modern amenities including reliable running water and electricity, adequate security, furnishings, gym, Wi-Fi, and lifts. This housing is out of sync with the vibrant, creative, expressive and aspirational nature of Nairobi’s young people. It is also clear that in these conditions, young people cannot enjoy the privacy, comfort, convenience or security that they deserve.

**AHL proposition**

AHL strongly believes that young people deserve the best and so the Group is providing a completely new housing experience for students. The Group is doing this through its new purpose built and high-quality rental accommodation that it is building and managing specifically for the youth.

The Group appreciates that most students are just starting their life away from home and seeks to provide them with a new generation of living space offering them a home away from home where they can fulfil their full potential, enjoy every aspect of their lives, develop their creativity and individual personalities.

**Qwetu**

Qwetu is a premium brand of purpose-built student accommodation housing for university and college students.

Its properties consist of self-contained studios with individual bathrooms and kitchens. The high-quality studios are complimented by common lounges with recreational facilities such as cable TV with live sports, a pool table and table tennis; gym, roof top terrace and convenience shops on the ground floor.

The amenities and services offered include water, backup generator, lifts, reliable Wi-Fi, access to three social spaces, garbage collection, security and shuttle bus services.

The promise is to combine these facilities, amenities and services with a team of dedicated tenant focused customer service staff to give each of its young tenants an experience like no other that they can share with their friends and peers whilst enjoying the privacy of their own space.

The three C’s of Qwetu

**Community**

- Lounges to enjoy leisure time
- 24 hour interactive management support and security
- 24/7 CCTV surveillance cameras
- Dedicated maintenance team
- Gym access 24 hrs a day
- Planned community events
Connectivity
- Wi-Fi Coverage in the entire building and in the shuttle buses.
- Backup Generator meaning 24hr power supply and hot water

Convenience
- Constant water supply
- Biometric access for residents into the building
- Key card access into rooms
- Shuttle bus service
- Lifts making it easier to get to the higher floors
- Launderette, minimart, chemist and food catering services on the ground floor.
- Tenant web portal for rent payments and logging maintenance issues.

This all-inclusive offering to students comes at a monthly rent of between KES15,500 – 33,000 depending on type of room and location of property.

### Table 10: Qwetu Pricing

<table>
<thead>
<tr>
<th></th>
<th>Jogoo Rd</th>
<th>Ruaraka</th>
<th>Parklands</th>
<th>Strathmore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Room</td>
<td>25,500</td>
<td>25,500</td>
<td></td>
<td>28,875</td>
</tr>
<tr>
<td>Cluster Room (4 to 6 rooms in a unit)</td>
<td></td>
<td></td>
<td>25,500</td>
<td>25,200</td>
</tr>
<tr>
<td>Double Room</td>
<td>15,500</td>
<td>15,500</td>
<td>19,500</td>
<td>20,475</td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td></td>
<td></td>
<td>33,000</td>
</tr>
</tbody>
</table>

**Qejani**

Renting at between KES7,500-12,500 per month, Qejani is a mass market product that will be a safe and secure high-rise hostel brand for college and university students in Nairobi and other major towns. The developments will be a 2-minute walk to various universities. Qejani will have three room-types i.e. one-person (single room), two-person (double room) and four-person (quadruple) rooms, with varying rent to fit each student’s financial ability. Each room will be furnished with a bed, a mattress, study desk, a chair and wardrobe.
It is important to note that unlike the Qwetu brand, Qejani rooms will not be en-suite nor have kitchenettes. The rooms will be arranged along a common corridor, and each cluster will have common washrooms (WCs, bathrooms and wash hand basins).

In regards to utility bills (electricity consumption), this will be included in the service charge therefore omission of room meters.

In addition to the aforementioned, the building will have the following amenities:

a) Cleaning of communal areas (shared bathrooms and corridors/passageways)
b) High-speed WI-FI
c) Lifts
d) Back-up electricity generator
e) Borehole water as back-up
f) 24-hour security (finger biometric entry to the building, key card room access, on-site security team, CCTV in all common areas)
g) Firefighting system (fire extinguishers, smoke detectors, sprinklers) and fire escape
h) Common room shared by all students
i) Drying area on the roof

Table 11: Qwetu and Qejani brands
The key differences between the Qwetu and Qejani brand are as tabulated below:

<table>
<thead>
<tr>
<th></th>
<th>Qwetu</th>
<th>Qejani</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Room Typologies</strong></td>
<td>Premium room, Single Studio, Twin, Cluster</td>
<td>Single room, Double, Quadruple</td>
</tr>
<tr>
<td><strong>Safety (CCTV, biometric and card access)</strong></td>
<td>Provided</td>
<td>Provided</td>
</tr>
<tr>
<td><strong>En-Suite</strong></td>
<td>Washrooms contained in the room</td>
<td>Shared washrooms (showers, WCs and wash hand basins) per cluster</td>
</tr>
<tr>
<td><strong>In room kitchenette</strong></td>
<td>Provided</td>
<td>Not Provided</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>Minimart, Launderette, Food stall with a food court and Salon</td>
<td>One large cafeteria and minimal retail i.e. printers, convenience shop.</td>
</tr>
<tr>
<td><strong>Utility bills</strong></td>
<td>Individual (metering to the rooms)</td>
<td>No electric metering in the rooms</td>
</tr>
<tr>
<td><strong>Gym</strong></td>
<td>Provided</td>
<td>Provided</td>
</tr>
<tr>
<td><strong>Study Room</strong></td>
<td>Multiple study rooms ranging in size</td>
<td>One large study room</td>
</tr>
<tr>
<td>Wi-Fi</td>
<td>Provided</td>
<td>Provided</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Lounge</td>
<td>Luxury lounges with sofas</td>
<td>Basic common room with durable furniture e.g. ramboo</td>
</tr>
</tbody>
</table>

## 9.9 Audited Financial Statements

**Audited Financial Statement for the Years Ended 31 December 2018 and 2017**

AHL’s Financial Statements have been audited by Ernst & Young ("**Ernst & Young, Mauritius**"). The address of Ernst & Young, Mauritius. 9th Floor, NeXTeracom - Tower 1, Cybercity Ebene, Mauritius and it is registered with the Financial Reporting Council (FRC) in Mauritius.
10 Description of the Issuer

10.1 Incorporation and Status

The Issuer is a limited liability partnership established under the Limited Liability Partnerships Act, 2011 laws of Kenya with Registration Number LLP-EL1BLM and whose registered office is at 97 James Gichuru, Nairobi, Kenya, Post Office Box number 13759 - 00100.

The partners of the Issuer are AHL (99%) and AMSL (1%).

10.2 Capital Structure

The Issuer’s capital shall, at all times during the construction of the Project Developments comprise an aggregate capital contribution by its partners of not less than 35% Project Costs. The total indebtedness of the Issuer as at the date of this Memorandum of KES 786 Million comprising the 1st drawdown of the Notes issued by the Issuer to committed investors under this Programme. For purposes of the Project, the intention of the Issuer is to ensure that the ratio of the Project Entity’s financial indebtedness to its total equity does not, at any time, exceed 65:35.

Helios, which is a 50% shareholder of AHL, has expressed its intention to contribute the equity capital required towards financing of the Project.

Based on the Project Costs, the directors of AHL, being the managing partner of the Issuer, are of the informed opinion that the aggregate of the equity capital contribution and the proceeds of the Notes (at the debt to equity ratio of 65:35) would be adequate to finance the Project Development to successful completion and to comply with the financial covenants of the Issuer under the Trust Deed.

10.3 Background and History

The Issuer is set up for the purpose of issuing the Notes under the Project. It was set up in 2018 and is domiciled in Kenya.

The Issuer has established ten special purpose LLPs, which are wholly owned subsidiaries of the Issuer, to acquire and hold the Properties (and other assets) described under “Project Developments” below for the purpose of the Project (each a Project Entity and together, the Project Entities).

10.4 Principal Activities

The Issuer’s main activity is to fund the development of PBSA properties and to make principal and interest payments to Noteholders. The funds raised from this Project will fund the construction of the Properties.

10.5 Governance and management

AHL is the managing partner to the Issuer and the Project Entities. AHL has experience of successfully executing similar PBSA projects within budget and stipulated timelines and will lead the execution of the Project Entities.

AMSL is the project manager of the Issuer. AMSL is responsible for all property management and administrative services of entities in the Group’s universe.
10.6 Rating

The Issue is rated B1 Stable/AA2.ke Stable by Moody’s Investor Services.

10.7 Description of the Project Entities

Ten Project Entities have been established namely Linden Properties Limited Liability Partnership, Rowan Properties LLP, Mahogany Creek Limited Liability Partnership, Spruce Properties LLP, Hemlock Properties LLP, Juniper Properties LLP, Scotchpine Properties LLP, Beech Properties LLP, Ashvale Properties LLP and Acacia Vale Properties LLP. Below are the registration details:

- **Linden Properties Limited Liability Partnership**: (registration number LLP-N6R17Q), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road for purposes hereof of Post Office Box Number 13754-00100 Nairobi. The acquisition of L.R. No. 8393/26 is complete.

- **Rowan Properties LLP**: (registration number LLP/2016/156), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road for purposes hereof of Post Office Box number 13754-00100 Nairobi. Rowan Properties is a 50-50 joint venture partnership between AHL and Barika Limited. The acquisition of L.R. No. 9509/44 is complete.

- **Mahogany Creek Limited Liability Partnership**: (registration number LLP-A21Y63), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road for purposes hereof of Post Office Box Number 13754-00100 Nairobi. The portion measuring 0.6 acres is currently in the process of subdivision from LR. No. 209/118/1.

- **Spruce Properties LLP**: (registration number LLP-ZA1VPM), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road, Post Office Box number 13754-00100 Nairobi. Currently in the process of registering the transfer for LR. No. 7820/1.

- **Hemlock Properties LLP**: (registration number LLP-A21PG5), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road, Post Office Box number 13754-00100 Nairobi. The LLP currently has no assets and has been put in place should there be a need to replace one of the Project Entities.

- **Beech Properties LLP**: registration number LLP/2016/158), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road for purposes hereof of Post Office Box Number 13754-00100 Nairobi. Currently in the process of issuance of a new title for L.R. No. 209/5663/2 due to a change of user.

- **Juniper Properties LLP** (registration number LLP-B5128), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road, Post Office Box number 13754-00100 Nairobi. The LLP currently has no assets and has been put in place should there be a need to replace one of the Project Entities.

- **Scotchpine Properties LLP** (registration number LLP-RV1Z6Q), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James
Gichuru Road, Post Office Box number 13754-00100 Nairobi. The LLP currently has no assets and has been put in place should there be a need to replace one of the Project Entities.

- Ashvale Properties LLP (registration number LLP-3A1G2X), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road, Post Office Box number 13754-00100 Nairobi. The LLP is currently in the process of acquiring L.R. No. 209/346/49 and 209/346/50.

- Acacia Vale Properties LLP (registration number LLP/2016/134), a limited liability partnership established under the laws of Kenya in Kenya whose registered office is at Acorn House, James Gichuru Road, Post Office Box number 13754-00100 Nairobi. The LLP is currently in the process of developing L.R. No. 209/11654.

The Project Entities are registered as the proprietor of the leasehold interests comprised in the above-mentioned titles together with all buildings, fixtures, developments and improvements from time to time erected or maintained.

In consideration of the Noteholders agreeing to buy the Notes, the Project Entities have agreed to charge and grant a security interest in all the charged property to the Security Trustee in its capacity as trustee for the Secured Parties.

**Sub-division of the Project Developments**

The Issuer may in future look to sub-divide land held by Spruce Properties LLP, Beech Properties LLP and Mahogany Creek LLP. This is because the Issuer may construct on the undeveloped portion of the land for future Qwetu or Qejani projects outside of the Programme.

The process of sub-dividing of land is detailed under Resignation of a Project Entity/Sale of Project Development/Splitting of Titles in the section titled “Summary of Programme”
11 Risk Factors

An investment in the Notes involves a significant degree of risk. Prospective investors should carefully consider, among other things, the risks set forth below and other information contained in this Information Memorandum prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Issuer’s business, financial condition, results of operations or prospects, which in turn, could have a material adverse effect on its ability to make payments under the Notes.

In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not only the risks that the Issuer faces but are the risks that the Issuer considers to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below.

This section of the Information Memorandum is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this Information Memorandum prior to making any investment decision.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Issue are also described below.

11.1 Risk factors related to the country and industry

Country macroeconomic environment and political

The Issuer and the Project Entities operate in Kenya. Kenya’s economy is one of the more stable, developed and diversified economies in the region. It is nevertheless undergoing rapid economic development and political transformation. These factors can result in political and policy changes which could affect such matters as economic growth, currency stability and macroeconomic fundamentals.

A general economic downturn in Kenya may lead to a reduction in demand for student housing and/or defaulting or late payment of rent on the part of one or more tenants.

In addition, a deterioration in the political climate could lead to losses as a result of civil strife. The Issuer has insurance policies in place to mitigate against potential damages related to civil strife caused by a deterioration in the political environment.

Mitigating factor: Given that the Notes issued by the Issuer will be denominated in Kenya Shillings, the risks likely to be most relevant for Noteholders will relate to the macroeconomic environment in Kenya, which has one of the more stable, developed and diversified economies in the region. In addition, the economy may be susceptible to negative changes in the global economy such as increased global oil prices, a rise in US interest rates and developments in the US and Eurozone economies.

Changes in the regulatory and taxation environment

Kenya imposes regulatory and tax requirements on entities that are in the real estate sector.

Kenya’s central and county governments impose regulatory and tax requirements on entities that are in the real estate sector. Current taxes include but are not limited to:

i. Stamp duties payable to the central government;

ii. Capital gains taxation on the sale of properties payable to the central government;

iii. Land rates payable to county governments; and

iv. Corporate income tax

Regulatory requirements include but are not limited to:

i. Environmental regulations imposed by the National Environmental Management Agency (“NEMA) and the Water Resources Management Authority (“WARMA”);
ii. Building regulations imposed by the county governments;

These legal and regulatory requirements continue to evolve as the Government develops and implements tax raising policies. Such changes to laws, regulations or government policies or practices could cause theIssuer and the Project Entities to incur additional costs or liabilities or implement business practices that could directly or indirectly reduce cashflows of the Issuer and the Project Entities products and in turn adversely affect its business.

*Mitigating factor:* Further, the real estate sector is subject to various types of taxes/duties, such as stamp duty and capital gains tax amongst others, as the Government looks to increase its tax revenue. The Issuer recognises the important role it plays in the real estate sector, as a tax payer and an agent for collection of indirect taxes, and actively engages with the Government directly. The engagement is geared towards reducing the impact of drastic increases in taxes and to mitigate against unfavourable fiscal policies which would make the real estate sector unattractive.

**Health and safety**

The Issuer and the Project Entities operations are subject to various health and safety risks, particularly in relation to construction operations. In addition, the Issuer’s operations and construction operations in particular carry the risk of injury. On-site injuries may lead to legal action being taken against AHL, the Issuer or the Project Entities and resulting claims could affect the ability of the Issuer to service its obligations.

*Mitigating factors:* AHL, the Issuer and the Project Entities takes a number of measures to mitigate the risk to staff and members of the public including:

i. Maintaining compliance with all relevant Kenyan laws and regulations;

ii. Conducting regular safety inspections and audits;

iii. Providing high quality safety equipment to Group employees and external service providers;

iv. Maintaining high on-site safety standards through training of Group employees and external service providers; and

v. Adhering to international Environmental, Health and Safety standards, including IFC EDGE21 accreditation.

**Increased competition**

Increased competition and oversupply in student accommodation may cause loss of market share or reduce the Issuer’s profitability and cash flows through reducing occupancy or rents at its properties, which could adversely affect its financial performance.

The Project Entities may in future face competition from both foreign and local real estate developers in Kenya in the provision of student accommodation and in the future, may face competition from developers in the purpose-built student accommodation sector.

*Mitigating factor:* AHL, the Issuer and the Project Entities have taken a number of steps to mitigate risks posed by competition, including but not limited to:

21 https://www.edgebuildings.com/
i. Acquiring prime sites closest to target universities to develop its projects;

ii. Cost optimisation through economies of scale and innovation;

iii. Constant monitoring of the market environment to identify potential competitors;

iv. Maintaining a target limit of only 35% of the total addressable market for the Group’s products to allow space for competitors; and

v. Maintaining rental rates in-line with the market to ensure occupancy growth.

To the best knowledge of the Issuer, as of the date of this Information Memorandum, the Group is the only entity with operational PBSA properties in Kenya. Competitors have expressed interest in the space however but are still a few years away from breaking ground.

The Group already has two operational properties which achieved over 90% occupancy, highlighting the strong demand for the Qwetu product. Its third property in Parklands opened in March 2019 and has already garnered significant interest. Valuable information has been garnered over the last four years of operation within the PBSA space and this knowledge is constantly being reviewed and applied to improve all current and new operations.

In addition, there continues to be a large gap between demand and supply of PBSA in the market. The total number of available beds across the country is approximately c.280,000 against the total number to university students of approximately 600,000.

*Mitigating factor*: At the moment, the Issuer is the only entity focused on the construction of PBSA in Kenya. The Issuer does not expect significant competition in this segment in the near term.

### 11.2 Risk factors related to the Issuer and the Project Entities

*The Issuer is an SPV*

The Issuer is a special purpose finance entity with no business operations other than the incurrence of financial indebtedness, including the issuance of the Notes. As at the date of this Information Memorandum, the Issuer's only source of funds is moneys received from AHL as equity and, as such, the Issuer is entirely dependent upon receipt of funds received from AHL and in future from the Project Entities in order to fulfil its obligations under the Bonds.

*Mitigating factor*: In order to mitigate this risk, AMSL has been appointed as the project manager for the Issuer and the Project Entities. AMSL has experience of successfully executing similar PBSA projects within budget and stipulated timelines and will lead the execution of the Transaction. AHL will also be injecting equity during the construction period to cover interest payments and there will also be a 3-month debt service reserve account to cover any potential shortfall.
The Issuer depends on cash flows generated by the Project Entities

The Issuer, and therefore payments by the Issuer in respect of the Notes, will be subject to the credit risk of the Project Entities. The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making of payments due from the Project Entities. Delays in the receipt of payments due from the Project Entities could adversely affect the ability of the Issuer to fulfil its payment obligations under the Bonds.

**Mitigating factor:** AHL has experience of successfully executing similar PBSA projects within budget and stipulated timelines and will lead the execution of the Project Entities. AHL will work to ensure that the projects generate sufficient cashflow to make payments in respect of the Notes.

In addition, AHL will be injecting equity during the construction period to cover interest payments and there will also be a 3-month debt service reserve account to cover any potential shortfall.

The Project Entities are exposed to demand risk and a potential fall in occupancy

The Project Entities are exposed to demand risk. Whilst some of the Universities may market a proportion of the accommodation available at a property to its students who have been offered a place to study at the institution, there are no guarantees from the Universities that all or any of the rooms will be occupied by its students.

Each Project Entity has sub-contracted the responsibility for marketing the accommodation to AMSL, and AMSL will use its skill and experience to market the accommodation such that a high level of occupancy is achieved for each Property.

Demand for student accommodation is influenced by a number of external factors, including:

a) sector related factors that influence the overall numbers of students undertaking courses of study, including the funding of higher education and changes to tuition fees;

b) factors that influence the number of students undertaking courses of study at the relevant University including the relative attractiveness of the University compared to alternative higher education institutions;

c) factors affecting the specific demand for the Project Entities accommodation, including the quality of the offerings available, the proximity of accommodation to the university campus, the facilities it has to offer, as well as the price of the accommodation relative to alternatives; and

d) supply side factors including overall supply of alternative accommodation and the risk of increased supply over time.

The Project Entities are therefore exposed to demand risk each year up to and until a student enters into a legally binding commitment to accept an offer of a room in accommodation. There is no guarantee that the Project Entities will be able to renew such agreements each year on commercial terms.

**Mitigating factor:** However, the Group has experience delivering similar projects where occupancy demand has outstripped management expectation. The first two PBSA properties, Jogoo Road and Ruaraka, achieved over 90% occupancy levels in 15 months and less than 12 months respectively.

An independent report from SKP shows there is a huge demand for student accommodation and a lack of existing PBSA available in Kenya. The Group will be targeting a market share of 35%.
Dependence on re-letting

The Project Entities ability to repay will depend in part on the ability of the Project Entities to continue to let the Properties on economically favourable terms. As substantially all of the incomes from the properties derive from rentals, the Project Entities ability to make payments could be adversely affected if occupancy levels of the Properties were to fall and/or a significant number of tenants or other occupiers were unable to meet their obligations under their leases.

Properties subject to leases are generally short-term tenancies (usually up to a year) and so the relevant Properties will need to be re-let frequently. There can be no assurance that such space will be re-let or, if re-let or renewed, that new tenancy agreements will be on terms as favourable as those that will be in place or that the tenants under any new tenancy agreement will be as creditworthy as any tenants under previous tenancy agreements.

The ability to attract tenants paying rent levels sufficient to allow the Project Entities to pay and, consequently, the Issuer to make payments due under the Notes will be dependent, amongst other things, on tenant demand and rental levels which can be influenced by a number of factors, including relative prices of competing accommodation, availability of suitable space and demand for space.

Mitigating factor: From the Group’s experience with its existing PBSA assets, tenant demands have remained high and a majority of tenants renew their leases.

The Project Entities may have to reduce rents in order to maintain occupancy levels

The implications of demand risk are that a Project Entity property may not be full at the rent levels set, or, in order to sustain demand, a Project Entity may have to reduce the rent to compete for students. This would impact the revenue earned by such Project Entity. A Project Entities ability to meet its operating expenses and service its obligations is dependent on demand being sustained over the term of the student accommodation projects of the Project Entity and no Project Entity has any other sources of income other than the rents from occupiers of the accommodation together with potential minor ancillary income from activities such as renting shops, gym services etc.

Mitigating factor: The Issuer has provided conservative estimates on the expected rent levels and it is not expected that rents would need to go down in order to maintain high occupancy levels. The detailed SKP market report recommended the various price points for Qwetu and Qejani.

Land title risk

Transactions involving land in Kenya are complex and sometimes risky undertakings. Although due diligence shall be undertaken on each Project Development Property at the Lands Registry, bearing in mind the poor state of the records at land registries in Kenya and the well documented abuse of original documents (including forgeries and multiple title allocations), we cannot guarantee that:

a) the vendors in respect of each Property are the genuine proprietors of the respective Properties;

b) each Property is not the subject of multiple title allocations; and

c) the records obtained by our legal advisers from the Lands Registry in the course of our due diligence are genuine and authentic or have not been forged.
Mitigating factor: Notwithstanding the above, as much due diligence as possible shall be conducted prior to the issuance of any Notes. Part of the legal due diligence report will include confirmations on the Property title status on each Project Entity.

It may not be possible to increase rents in line with inflation

There is a risk that all or part of the effects of inflation cannot be passed through to student rents. The targeted student market may not be able to sustain such an increase and this could adversely affect demand for the accommodation.

Mitigating factor: The market practice for rentals in Kenya typically allows for an annual increase to rent prices in line with inflation and other operating expenses.

Increases in overall operating expenditure will impact on the Project Entities financial performance, if it is unable to pass those costs through to rents

The principal operating expenditure is facilities management fees payable to the operations and maintenance provider for each property, insurances and utilities. Accordingly, if overall operating expenditure increases and those increases cannot be passed through to rents, this may affect a Project Entities ability to pay interest and/or principal due and, therefore, the Issuer's ability to make interest payments and meet redemptions under the Notes.

Mitigating factor: The market practice for rentals in Kenya typically allows for an annual increase to rent prices in line with inflation and other operating costs. This is a standard accepted by tenants in the country. AMSL goes through a stringent cost management strategy that has proven successful for its existing PBSA properties so as to maintain target net operating income margins.

Construction and development risks

Development projects involve risks that the necessary governmental and environment permission will not be granted or will be contested.

These risks could lead to an increase in the overall project cost and/or Project delays. Should such relevant permits not be received or delayed, there can be no guarantee that the Project Entities will be able to ultimately procure such permits. The inability to procure permits may limit the ability of the Issuer to service its ongoing obligations.

Mitigating factor: For each Project Development, a Technical Advisor Certificate will be issued prior to any disbursement confirming that the various governmental and environmental permits and approvals have been obtained.

Litigation risks

From time to time, a Project Entity may become involved in litigation as part of the ordinary course of its business. There can be no assurance that it will be successful in defending or pursuing any such actions, for example in relation to public and employee health and safety or claims for loss or damage.

Mitigating factor: AHL prides itself in being a respected and trusted company and has put in place various measures that would reduce the threat of litigation. The full complement of documentation covering mitigants is in Section 16, statutory and general information.
Sufficiency of insurance

Although each property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance or that the insurer can pay out the claims timeously or without insolvency risk of the relevant insurer, nor can there be any assurance that the loss will not exceed the limits of such insurance.

Any reduction in cash flows or any loss or damage caused to a property not adequately covered by insurance could result in a shortfall in funds available to meet the Project Entities payment obligations.

The Issuer’s ability to meet its obligations under the Notes after enforcement

If the Project Entities defaults over and above the guarantee from the Guarantors, the Security Trustee may enforce the underlying security and appoint a receiver or an insolvency practitioner pursuant to its powers under the Note Transaction Documents.

The Issuer’s ability to continue to pay principal and interest on the Notes following default by a Project Entity is dependent upon the ability of the Issuer to receive collection of rental income or a disposal of the underlying security that is sufficient to make such payment.

Mitigating factor: The security package includes (over and above the Guarantor) include the debt service reserve account, AHL Guarantee, the security on the land and improvements thereon.

AHL believes that the 18 years’ experience in the real estate industry as well as its experience in the PBSA sector in Kenya provides comfort that any potential event of default shall be managed adequately.

Investment risk

The Issuers’ ability to evaluate, purchase, construct, and operate properties has to fit within parameters that satisfy market demand. PBSA is a fairly new asset class with no historical financial performance for investors to benchmark against. In addition, performance is dependent on quality of the investment decision and ability for the organisation to execute on investment decisions.

Mitigating factors: AHL, the Issuer and the Project Entities institute a pre-construction phase lasting between 9 – 12 months consisting of due diligence, reviews, and board reports that are reviewed, discussed, and approved prior to the acquisition of land, and prior to construction. This robust process eliminates potential risk through the rigorous evaluation of all project and market risks. In addition, all the Group’s future sites are located in close proximity to universities. The process is highlighted in Section 5.4.

In addition, the Group already has established a track record of robust investment decisions throughout its history, including its three operating PBSA properties, Jogoo and Ruaraka, which have achieved over 90% occupancy. The third property, Parklands, opened in March 2019. These occupancy benchmarks are not seen in advanced markets such as South Africa. JLL’s report on PBSA in Africa highlights that a typical PBSA property in South Africa achieves 90% occupancy after 36 months on average vs. within 15 months for the Group’s properties to date. However, past investment returns are not necessarily indicative of future returns on projects currently development.

The SKP report also details the huge market demand for PBSA in Kenya which is largely underserved in Kenya.

The Issuers’ ability to evaluate, purchase, construct, and operate properties has to fit within parameters that satisfy market demand for student accommodation.
Performance of each Project Entity

PBSA is a fairly new asset class in Kenya with no historical financial performance for investors to benchmark against. In addition, performance is dependent on quality of the investment decision and ability for the organisation to execute on its investment decisions.

Mitigating factor: The Group already has two properties, Jogoo and Ruaraka, in operation that achieved over 90% occupancy within the first year of operation. Its third property, Parklands, opened in March 2019 and has already garnered significant interest. These benchmarks are not seen in advanced markets such as South Africa. JLL’s report on PBSA in Africa highlights that a typical PBSA property in South Africa achieves 90% occupancy after 36 months on average. Its third property in Parklands opened in March 2019 and has already garnered significant interest. PBSA as an asset class offers reliable income and stability throughout the year because of the blended academic cycles of schools in Kenya i.e. semesters in Kenya do not follow the regular cycle of other countries. Investors have additional comfort because the replacement market is very high with a waiting list already in place.

Concentration risk

The Issuer’s development activities are focused in Nairobi with no immediate plans to expand outside the city. The Issuer’s financial performance is therefore affected in particular by changes in regulations and legislation implemented by the County Government of Nairobi as well as by general microeconomic conditions within Nairobi. A deterioration in the regulatory, legislative or economic environment in Nairobi may therefore affect the ability of the Issuer to service its obligations.

Mitigating factor: The Group is the first institution to actively invest in the local PBSA market. Despite the fact the Group is focusing on PBSA, there is a massive gap between demand and supply of PBSA in the market. The total number of available beds across the country is approximately c.280,000 against a requirement of 600,000. In addition, the Group’s two existing properties achieved over 90% occupancy within 15 months of operation, which highlights the strong demand for the Qwetu product.

Nairobi’s economy remains robust in a Kenyan context however and Acorn maintains relationships with the relevant regulatory agencies in Nairobi, built over a 20+ operating history, to ensure compliance with all relevant regulations and a good understanding of the prevailing regulatory climate.

Project exit risk

The ability of the Issuer to repay the principal is predicated on the sale of the Project Entities within close range of the outstanding debt amount for the Projects. The forecast exit values are based on currently prevailing market conditions and precedent transactions in the local real estate sector as well as the international PBSA sector which may differ to market conditions at the time of exiting the Projects. Should market conditions deteriorate, the Issuer may not be able to exit the Projects at the required valuations to fully service its obligations.

Mitigating factors: AHL has more than 10-year track record of successful property exits. However, the Group also takes a number of steps to ensure that its forecast valuations are accurate in order to mitigate the risks that targeted exit values will not be met, including but not limited to:

i. Conducting annual valuations by the premier global PBSA advisor, JLL. Valuations are done on a DCF and market rent basis to ensure that despite the minimal availability of local market information on PBSA, a relevant market value is arrived at; and
ii. Maintaining conservative internal valuations in relation to local and international benchmarks.

*Interest rate risk*

An increase in the yields on Kenya Treasury bonds may affect the cost of the Issuer’s debt. An increase in the cost of the Issuer’s debt will in turn affect the overall cost of developing the Projects and could affect the ability of the Issuer to service its obligations.

*Mitigating factors:* The Issuer intends to schedule drawdowns to effectively manage Project cash flows and reduce negative carry and has the ability to draw additional equity from its parent company to fund project costs should debt costs become prohibitive.

In addition, the Project Developments are based on a scheduled drawdown to better manage the cash flow of each project and negative carry.

*Construction input risk*

A substantial portion of the inputs purchased by the Issuer and the Project Entities in the construction of the properties are imported from jurisdictions outside of Kenya. The cost of these inputs could rise in Kenya Shillings in the event of a devaluation of the Kenya Shilling against foreign currencies. In addition, major locally sourced building inputs are subject to price fluctuations based on prevailing local supply and demand characteristics. A rise in the cost of imported or locally sourced construction inputs could increase the cost of development of the Properties and negatively affect the economic returns from these properties.

*Mitigating factors:* AHL and its Affiliates have taken a number of actions to mitigate the impact of potential build cost inflation including but not limited to:

i. Upfront agreement of a substantial proportion of the construction cost through the award of a fixed price Kenya Shilling construction tender which represents approximately 50% of the total project development costs.

ii. Project costs and revenues take into account inflation benchmarked escalations year on year to mitigate any issues that may affect the project due to inflation Risk.

*Foreign exchange risk*

The Issuer is exposed to fluctuations in foreign exchange rates.

*Mitigating factor:* The Issuer has minimal exposure to foreign exchange risk outside of project costs as revenues and financial obligations are based in local currency, in addition to the sourced financing. Any exposure to foreign exchange risk is mitigated at the AHL level, and hedging strategies are applied when necessary.

*Operational risk*

Financial loss can be due to lack of adequate human capital, systems, and internal controls, and is a significant risk to the business.

- Human capital – staff who don’t have the requisite experience and expertise can present risks to the operations of the business;

- Systems – All organisations rely heavily on information technology and failures can result in losses for the business, both in terms of downtime and fraud; and
Internal Controls – lack of proper procedures can create a conducive environment for fraud

Mitigating factors: The Group has put in place a number of measures to mitigate operational risks including but not limited to:

   i. Detailed operational procedures across all the functions;

   ii. Instituting a strong culture of continuous improvement through the implementation of Lean Six Sigma to improve, streamline and standardise operations across the business; and

   iii. Utilizing advanced IT systems to provide optimal support for the business which are periodically reviewed to ensure the needs of the business are continuously met.

Reputational risk

The Group has invested significant time and capital into the development of its Qwetu and Qejani brands catering to the middle-market and mass-market respectively in order to maintain occupancy and pricing premiums at its properties over and above those of non-PBSA operators. Any damage to the reputation of AHL’s brands, through negative publicity may affect occupancy levels of current and future projects and may affect the ability of the project entities to service their obligations.

Mitigating factors: The Group has taken a number of measures to mitigate risks to the brand, including but not limited to:

   i. Maintaining strict compliance with all regulatory requirements;

   ii. Consistent monitoring of net promoter scores and other brand health measures to ensure any deterioration in customer perception is promptly identified; and

   iii. Ensuring strict timelines are adhered to when handling customer requests and complaints to maintain customer satisfaction.

In addition, the Issuer’s ultimate parent companies, Acorn Investments Limited, which has been an active participant in the Nairobi real estate market for over 16 years, and Helios, both maintain the highest standards of business conduct benchmarked to global levels of corporate governance.

Project Timing Risk

Property development has inherent risks such as delays from contractors and subcontractors, and delays in procurement of construction materials.

Mitigating factors: The Group takes a number of measures to mitigate the potential for delays by, amongst other things:

   ■ Providing incentives to contractors to complete projects ahead of time;

   ■ Completing 9 – 12 months of preparation at the pre-construction phase, ensuring the project is planned to the highest degree of accuracy;

   ■ Instituting processes such a lean procurement-to-pay that reduces procurement times; and

   ■ Utilising a proprietary database, built over 20+ years, of over 1,000 local suppliers with comparable pricing and delivery timelines. This ensures the Group partners with the best in the market for each aspect of its process.
**Project financing risk**

The Issuer has demarcated a number of projects to be financed from the proceeds of this programme. In the event that the programme doesn’t achieve its issuance targets, there may be a shortfall of debt financing required to finance the demarcated projects.

*Mitigating factor:* The Issuer’s parent company, AHL, has current access to up to US$50 million of equity financing with a further US$50 million to be committed by Helios. The Group also has significant interest from local and international lenders for the provision of additional financing, which in addition to AHL’s equity buffer, mitigates the risk of project funding either being late or unavailable.

**Educational policy risk**

The Issuer’s target market size is dependent on a number of factors, including central government educational policy and the general macroeconomic environment. In the event of a shift in educational policy that reduces the scale of university enrolment the Issuer may be exposed to reductions in occupancy. Reductions in occupancy may in turn affect the ability of the Issuer to service its ongoing obligations.

*Mitigating factor:* The Group maintains prudent target market penetration targets which restrict the market share in the PBSA sector to 35% or less. This mitigates the potential for reductions in market size to directly affect occupancy at its properties. In addition, The Group has a robust marketing and advertising plan in place that has seen the two current properties achieve over 90% occupancy, and created a pipeline of residents for the Parklands property opened in March 2019.

**Market risk**

The Issuer is exposed to demand risk in terms of lack of occupancy arising from reduced sales or changes in education policy. The result is the issuer might have challenges fulfilling obligations after completion.

*Mitigating factor:* The Group has a robust marketing and advertising plan in place that has seen the two current properties achieve 90% occupancy in less than a year, and created a pipeline of residents for the Parklands property opened in March 2019.

**Limited recourse of the Issuer and the Project Entities**

Each of the Issuer and the Project Entities is a newly incorporated special purpose vehicle with no business operations other than the Project described in this document. The ability of the Issuer to meet its obligations under the Notes and its ability to pay its operating and administrative expenses will depend primarily (post construction) on the receipt by it of funds from the Project Entities and any reserve accounts held by the Issuer.

The Issuer will not have any other funds available to it to meet its obligations under the Notes other than equity contribution from AHL, enforcement of security and the guarantee. If the resources described above cannot provide the Issuer with sufficient funds to enable the Issuer to make the required payments on the Notes, the Noteholders may incur a loss of interest and principal which would otherwise be paid in accordance with the terms and conditions of the Notes.

If, on default by the Issuer and/or Project Entities and following the exercise of all available remedies and the associated security, the Issuer does not receive the full amount due from the Project Entities and the sale to a real estate income fund, then the Noteholders may receive on redemption an amount less than the
Principal Amount and guarantee cover outstanding of their Notes and the Issuer may be unable to pay in full interest due and accrued on the Notes.

**Mitigating factor:** The largest partner of the Issuer, AHL, has a credit line available from Helios including other additional lines. It is the Issuer’s view that in case of distress, other funding lines may be available to the Project Entities.

*The Technical Advisor is reliant on the provision of information to it and, in the absence of sufficient information, may not make accurate conditional recommendations*

The Technical Advisor is reliant on the provision of information from the Issuer and each Project Entity in relation to the performance of its monitoring services, including the decision making process in regards to recommendations.

In the absence of sufficient information, the Technical Advisor may not make the right recommendation to the Noteholders.

**Mitigating factor:** The Issuer commits to provide all necessary documentation and information requested from the Technical Advisor in order for the Technical Advisor to issue a Technical Advisor Certificate. In addition, the documents and information that the Technical Advisor will require in order to issue a certificate has been highlighted in their scope of work.

*A change of control of the Issuer may have an adverse effect on the Issuer’s business financial condition, results of operations and prospects*

AHL is in the process of structuring a Development Real Estate Investment Trust ("REIT") with AHL as the promoter. AHL’s current development pipeline will be sold to the Development REIT. It is intended that the Development REIT will purchase the partnership interests of AHL in the Issuer. AHL intends to retain a 30% stake in the proposed Development REIT. Any change of control of the Issuer may have an adverse effect on the Issuer’s business financial condition, results of operations and prospects.

**11.3 Risk factors related to the Issue**

*Risks relating to the structure of a particular issue of Notes*

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features. Prospective investors of Notes should be aware that the range of Notes that may be issued under the Programme is such that the following statements are not exhaustive with respect to the types of Notes that may be issued under the Programme and any particular Series of Notes may have additional risks associated with it that are not described below. Investment in the Notes may involve complex risks related to factors which include equity market risks and may include interest rate, foreign exchange and/or political risks.

*The Notes may not be a suitable investment for all investors*

Each potential investor must determine the suitability of investing in the Notes in light of its own circumstances. In particular each potential investor should:
have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any supplemental Information Memorandum;

* have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

* have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

* understand thoroughly the Conditions of the Notes and the Note Transaction Documents and be familiar with the behaviour of any relevant indices and financial markets; and

* be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some forms of notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments without consulting a financial advisor who will evaluate how such notes will perform under changing conditions, the resulting effects on the value of such notes and the impact this investment will have on the potential investor’s overall investment portfolio.

*The market price of the Notes may be volatile*

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer’s operating results, adverse business developments, changes in the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes.

In particular the markets for emerging market securities, such as Kenya, may be volatile and are to varying degrees, influenced by economic securities’ market conditions in other emerging market countries which may not be in the same geographic region as Kenya. Although economic conditions are different in each country, investor reactions to the developments in one country may affect securities of issuers in other countries, including Kenya. Accordingly, the market price of the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Issuer.

*Notes may be subject to optional redemption by the Issuer*

An optional redemption feature in the Notes may negatively affect their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a lower rate.
The corporate bond secondary market for unlisted issues in Kenya may not be very liquid

The Kenyan corporate bond market is not very active with very few trades conducted on the market each day, especially for unlisted issues. Very few of the corporate bonds have traded, making the actual pricing of bonds not as objective as it would be in an active developed market. If the unlisted Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Kenya and the Issuer.

If the market does develop it will initially not be very liquid therefore investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the assigning rating agency at any time. Credit ratings assigned to Notes do not necessarily mean that the Notes are suitable investment. Similar ratings do not address the marketability of any Notes or any market price. Any change in the credit ratings of Notes, or the Issuer, could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Fluctuations in exchange rates and interest rates

The Issuer will pay principal and interest on the Notes in Kenya shillings. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency other than Kenya Shillings. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Kenya Shilling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the investor’s currency may impose or modify exchange controls. An appreciation in the value of the investor’s currency relative to the Kenya Shilling would decrease the Investor’s Currency-equivalent yield on the Notes, the investor’s currency equivalent value of the principal payable on the Notes and the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition
investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

**Change of law**

The Conditions of the Notes are based on Kenyan law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Kenyan law or administrative practice after the date of this Information Memorandum.

### 11.4 Risk factors related to the Guarantees

**The obligations of GuarantCo under the Guarantee are secondary obligations only, dependent on the existence of the obligations of the Issuer under the Notes**

The Guarantee provided by GuarantCo is governed by English law. Under English law, a guarantee is a secondary obligation only and, if the primary obligation which is the subject of the relevant guarantee ceases to exist for any reason, the guarantor cannot be liable for it because the guarantee is dependent on the primary obligation. In order to provide for those circumstances, English law guarantees customarily include provisions (such as an indemnity) to provide that the guarantor will be liable as a primary obligor in the event that the original guaranteed obligations were to be set aside for any reason. Potential investors should note that the Deed of Guarantee provided by GuarantCo does not contain any such provisions which constitute primary obligations upon which Noteholders could rely in order to recover from GuarantCo in the event that the Issuer’s obligations under the Notes and/or the Agency Agreement (i.e., the primary obligations which are the subject of the Guarantee) cease to exist for any reason (for example, because they are held to be void for lack of capacity, or illegality). Accordingly, in those circumstances Noteholders may not be able to make a claim under the Guarantee for any guaranteed amount.

**Obligations of GuarantCo do not constitute an obligation of the GuarantCo’s shareholders**

The obligations of GuarantCo under the Guarantee do not constitute sovereign obligations of Australia, the Netherlands, Sweden, Switzerland, the United Kingdom, or any other present or future shareholders or contributors to GuarantCo. Noteholders’ recourse to GuarantCo under the Guarantee is therefore limited solely to the assets of GuarantCo (the “Guarantor Assets”) and Noteholders have no recourse to any assets of the GuarantCo’s shareholders or contributors.

Notwithstanding any other provisions under the Deed of Guarantee, none of GuarantCo’s shareholders or contributors or their respective officers, employees or agents shall be subject to any personal liability whatsoever to any third party liability in connection with the operation of GuarantCo or under the Deed of Guarantee. No Noteholders may bring any actions against GuarantCo’s shareholders or contributors or any of their respective officers, employees or agents in connection with the Guarantee.
The Guarantees provided by AHL and GuarantCo will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defences that may limit its validity and enforceability.

The guarantees will be limited to be maximum amount that can be guaranteed by the relevant guarantor unless and such guarantee is declared void, voidable or otherwise ineffective under applicable law. In addition, enforcement of each such guarantee would be subject to certain generally available defences.

Enforcement of the Guarantees across multiple jurisdictions may be difficult.

The Notes are guaranteed by guarantors that are organised and incorporated under the laws of multiple jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these jurisdictions. The rights of holders of the Notes will thus be subject to the laws of a number of jurisdictions and it may be difficult to enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors’ rights. In addition, the bankruptcy, insolvency and administration and other laws of the Issuer’s jurisdiction of organisation of the guarantors may be materially different from, or in conflict with, one another, including creditors’ rights, the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction’s law should apply and could adversely affect the ability to realise any recovery under the Notes and the guarantees.
12 Credit Enhancement

12.1 GuarantCo Guarantee

The Guarantor, GuarantCo Ltd

GuarantCo is supported by the governments of the United Kingdom, Netherlands, Switzerland, Australia and Sweden (“PIDG Sponsors”) through the Private Infrastructure Development Group (“PIDG”) Trust and by FMO, the Dutch development bank (on behalf of the Netherlands). GuarantCo was incorporated as a Mauritian company in 2005. GuarantCo was first rated in 2014 and since then has been consistently rated AA- by Fitch and A1 negative by Moody’s.

GuarantCo was established to help address and overcome existing constraints in the supply of local financing to infrastructure projects and to help the development of local financial markets. The main function of GuarantCo is to provide credit guarantees for debt raised for infrastructure projects in developing countries. The Guarantor is part of PIDG (www.pidg.org), which is a multi-donor organisation with members from six G-12 countries and the World Bank Group.

Shareholding Structure

Existing GuarantCo Group Structure

GuarantCo is owned by the PIDG Sponsors through the Private Infrastructure and Development Group Trust (PIDG Trust) and FMO (on behalf of the Netherlands). The PIDG Trust and FMO together form the shareholders of GuarantCo. The PIDG Trust was established as a purpose trust under Mauritian law in 14 March 2003. The PIDG Trust holds 89.10% of GuarantCo’s share capital, representing the equity contributions of PIDG Sponsors. FMO holds a minority shareholding in GuarantCo of 10.90%. The GuarantCo Shareholders contribute to GuarantCo through a funders’ agreement dated 23 November 2006 as amended and restated from time to time (Funders’ Agreement), which operates as GuarantCo’s shareholding agreement. GuarantCo’s guarantees are backed by US$311.98 million of paid-in capital from the development agencies of the five sponsoring governments. In addition, GuarantCo benefits from £40 million of callable capital from the Department for International Development (DFID) of the United Kingdom and a US$30 million standby facility from FMO.

GuarantCo is able to independently generate revenue through charging guarantee and monitoring fees as part of its commercial operations and operates on a debt-free basis. It is not dependent on other entities within the group structure.

Table 12: GuarantCo shareholding structure

<table>
<thead>
<tr>
<th>Contributors</th>
<th>Contribution (U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Infrastructure Development Group Trust</td>
<td>275,983,417</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>214,936,124</td>
</tr>
<tr>
<td>Switzerland</td>
<td>39,750,000</td>
</tr>
<tr>
<td>Sweden</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Australia</td>
<td>5,941,200</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2,000,000</td>
</tr>
<tr>
<td>PIDG Trust – FX Excess</td>
<td>356,093</td>
</tr>
</tbody>
</table>
GuarantCo Governance Structure

GuarantCo is subject to oversight by PIDG and complies with the PIDG’s Operating Policies and Procedures (OPPs) (which are available at https://www.pidg.org/resources/?filter_cat=operating-policies-and-procedures) and the PIDG Unified Investment Policy and Risk Appetite Framework (the “Investment Policy”). The OPPs serve to ensure that the GuarantCo Shareholders’ investment objectives are upheld. The Investment Policy provides guidance in terms of geographical coverage, eligible types of infrastructure, eligible beneficiaries, sector focus, community impact and exposure limits.

GuarantCo is governed by its board of directors, which consists of five members with experience in emerging and foreign markets that are nominated by the GuarantCo Shareholders. The PIDG sets out GuarantCo’s strategy and policy, as well as overseeing the conduct of GuarantCo’s management team. The PIDG reports to the GuarantCo Shareholders on the operations and performance of GuarantCo.

GuarantCo Board of Directors:

Ms. Yukiko Omura  
Mr. Cyril Wong  
Mr. Kamal Taposeea  
Mr. Patrice Maveyraud  
Mr. Layth Al-Falaki

Chair of the Board
There is no existing or potential conflict of interest between the director’s duties to GuarantCo and/or their private interests or other duties.

**Business Overview of GuarantCo**

GuarantCo conducts its guarantee operations in conformity with its Investment Policy, the OPPs and by adhering to its risk management framework set by PIDG. GuarantCo seeks to monitor and control its risk exposure through a variety of financial, credit, operational and legal controls.

PIDG has set a cap on GuarantCo’s guarantee business at a leverage ratio three times its capital base. GuarantCo’s risk limits are defined at a group level within PIDG under its Unified Investment Policy – where PIDG’s maximum capital erosion in any given year is limited to 3.0%. In accordance with this, group-level concentration limits are set for the maximum exposure of a single borrower, economic sector and geographical location.

**Guarantee Mandate**

GuarantCo primarily supports the placement of local currency debt instruments in domestic credit and capital markets by infrastructure companies. The support will be provided in the form of credit enhancements through financial guarantees for the benefit of lenders and investors. Additionally, in countries defined by the OECD as “Fragile and Conflict-Affected States”, GuarantCo may support the placement of U.S. Dollar- or Euro-denominated debt instruments.

GuarantCo is able to support projects in countries considered by the OECD to be least developed, low income and lower middle-income countries (according to the “DAC List of ODA Recipients”). GuarantCo does this by supporting debt funding raised from the private sector globally, provided that the use of such funds occurs in such countries.

**Selected Portfolio of GuarantCo**

The following table summarises the material guarantees provided by GuarantCo as at 30 November 2019:

<table>
<thead>
<tr>
<th>Date</th>
<th>Borrower</th>
<th>Country</th>
<th>Sector</th>
<th>Original size of guarantee (USD $m)</th>
<th>% of total transaction guaranteed by GC</th>
<th>Beneficiaries and Financing Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-19</td>
<td>K-Electric</td>
<td>Pakistan</td>
<td>Powe/Energy</td>
<td>47.5</td>
<td>95%</td>
<td>Standard Chartered Bank Pakistan, Standard Chartered Bank UK</td>
</tr>
<tr>
<td>May-19</td>
<td>Technaf Solar - USD Tranche</td>
<td>Bangladesh</td>
<td>Power/Energy</td>
<td>11.6²</td>
<td>90%</td>
<td>Standard Chartered Bank Bangladesh, Standard Chartered Bank UK</td>
</tr>
<tr>
<td>Aug-18</td>
<td>Sindicatum Renewable</td>
<td>India/Philippines</td>
<td>Power/Energy</td>
<td>60³</td>
<td>100%</td>
<td>Bond Investors</td>
</tr>
<tr>
<td>Date</td>
<td>Borrower</td>
<td>Country</td>
<td>Sector</td>
<td>Original size of guarantee (USD $m)</td>
<td>% of total transaction guaranteed by GCo</td>
<td>Beneficiaries and Financing Partners</td>
</tr>
<tr>
<td>-------</td>
<td>------------------</td>
<td>------------</td>
<td>-----------------</td>
<td>-------------------------------------</td>
<td>-----------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Dec-16</td>
<td>Accugas</td>
<td>Nigeria</td>
<td>Power/Energy</td>
<td>50</td>
<td>100%</td>
<td>Funded exposure: FBN (Nigeria), FBN (UK), First City Monument Bank, Union Bank (UK), Union Bank (Nigeria), Ecobank (Nigeria), United Bank for Africa (Nigeria)</td>
</tr>
<tr>
<td>Dec-16</td>
<td>Early Power</td>
<td>Ghana</td>
<td>Power/Energy</td>
<td>50</td>
<td>23%</td>
<td>Metka (EPC Contractor)</td>
</tr>
<tr>
<td>Dec-16</td>
<td>InfraCredit</td>
<td>Nigeria</td>
<td>Multisector</td>
<td>50</td>
<td>50%</td>
<td>InfraCredit</td>
</tr>
<tr>
<td>Jan-19</td>
<td>Ho Chi Minh CII</td>
<td>Vietnam</td>
<td>Transportation</td>
<td>50</td>
<td>100%</td>
<td>Bond Investors</td>
</tr>
<tr>
<td>Dec-16</td>
<td>African Guarantee Fund</td>
<td>Kenya</td>
<td>Multisector</td>
<td>50</td>
<td>68%</td>
<td>African Guarantee Fund</td>
</tr>
<tr>
<td>Dec-15</td>
<td>Byco Petroleum</td>
<td>Pakistan</td>
<td>Oil transportation, distribution and storage</td>
<td>30</td>
<td>100%</td>
<td>Bond holders</td>
</tr>
<tr>
<td>Jun-18</td>
<td>Nam Long Investment Corporation</td>
<td>Vietnam</td>
<td>Social Infrastructure</td>
<td>29</td>
<td>100%</td>
<td>Vietnamese debt institutional investors</td>
</tr>
<tr>
<td>Dec-14</td>
<td>Solu Hydropower</td>
<td>Nepal</td>
<td>Power/Energy</td>
<td>28</td>
<td>15%</td>
<td>Prime Commercial Bank, Nepal SBI Bank, Prabhu Bank, Siddhartha Bank, HIDCL, FMO, BIO, DEG, OFID and Triodos</td>
</tr>
<tr>
<td>Dec-16</td>
<td>Mixta</td>
<td>Nigeria</td>
<td>Social Infrastructure</td>
<td>27</td>
<td>100%</td>
<td>Bondholders</td>
</tr>
</tbody>
</table>

1. **Active guarantees at 30th November 2019**
2. **USD Tranche only, however there is a BDT tranche of USD 3 million equivalent which has a signed recourse agreement**
3. **Exceptionally approved by the Board and PIDG where plans are in place to sell down part of the exposure to the insurance market**

**Capital and Liquidity Guidelines**

GuarantCo has investment strategies and liquidity guidelines for the management of its capital resources, the majority of GuarantCo’s assets are in highly-liquid investment grade assets.

The majority of GuarantCo’s liquid assets are invested in two accounts held with PIMCO and Fidelity and they are required to follow strict guidelines so that all holdings must be investment grade and the average rating of the portfolio has to be at least “A-” with the majority of the Fidelity portfolio currently invested in a liquid money market fund. GuarantCo maintains an internal liquidity requirement that ensures it has sufficient cash in hand to cover working capital requirements for three months.
Credit Strength

GuarantCo is rated by international, regional and domestic credit rating agencies.

<table>
<thead>
<tr>
<th>Table 14: GuarantCo credit rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Rating Agency</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Moody’s</td>
</tr>
<tr>
<td>Fitch</td>
</tr>
</tbody>
</table>

GuarantCo Management Team

GuarantCo is commercially managed by GuarantCo Management Company Limited (“GMC”) under a management agreement. GMC is wholly owned by Cardano Development, a subsidiary of Cardano Development Foundation. GMC manages the day to day operations of GuarantCo and is responsible for GuarantCo’s transactions, including origination, structuring, documentation, performing due diligence and monitoring GuarantCo’s portfolio.

GuarantCo’s credit process involves:

1. First stage review by GuarantCo Management Company Limited’s Credit Committee.
2. Due diligence and negotiation of an agreed term sheet, followed by a full credit approval submission to GuarantCo Management Company Limited’s Credit Committee, and for transactions that are outside of GuarantCo’s normal course of business, to the PIDG Credit Committee.
3. Finalisation of documentation.

GMC is led by an experienced management team, with previous private sector experience in banking, finance, risk management and credit assessment.

<table>
<thead>
<tr>
<th>Table 15: GuarantCo Management Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Mr. Lasitha Perera</td>
</tr>
<tr>
<td>Ms. Emily Bushby</td>
</tr>
<tr>
<td>Mr. Andy Slack</td>
</tr>
<tr>
<td>Ms. Kirsten Bryans</td>
</tr>
<tr>
<td>Mr. Dale Petrie</td>
</tr>
</tbody>
</table>

Lasitha Perera

Lasitha Perera has been Chief Executive Officer at GuarantCo since 2017 and has been with the company from 2009 as Chief Investment Officer and Executive Director responsible for GuarantCo’s investment activities globally. Prior to joining GuarantCo, Lasitha was an Investment Director of Total Capital, a private equity fund, where he was responsible for new investments and represented the fund on the Boards of portfolio companies in the UK and the Nordic region. He started his career at Barclays Capital where he worked in a variety of debt capital market roles in London and New York for nearly ten years. Lasitha holds an LLB (Hons) in Law from the University of Bristol.
Andy Slack

Andy Slack is the Chief Credit Officer at GuarantCo, having joined in October 2017. He has over two decades of credit risk experience with the Lloyds Bank Group and other leading emerging market institutions including FCMB Bank where he has set up effective credit functions.

Emily Bushby

Emily Bushby is the Chief Operating Officer at GuarantCo, having joined in March 2018. Her previous roles have included leading the finance functions at a world top 10 University and a medical related charity, performing mergers and acquisitions for a highly acquisitive FTSE 30 business, and investment management within the banking sector. She trained as a chartered accountant at PricewaterhouseCoopers in London and is an alumna of Exeter University, where she gained a BSc in Psychology.

Kirsten Bryans

Kirsten Bryans is the General Counsel at GuarantCo, having joined in March 2017. Kirsten’s previous roles have included working as a private practice finance lawyer, advising various governmental aid departments and foundations on development finance structures and as in-house counsel at The British Council (the UK’s cultural relations and educational organisation). Kirsten trained as a solicitor at Allen & Overy in London and is an alumnus of Cambridge University, where she gained a MA in Chinese Studies, and SOAS, where she gained a LLM in Human Rights, Conflicts and Justice.

Dale Petrie

Dale Petrie has been Finance Director at GuarantCo since 2017 and has been with the company from 2016 responsible for all aspects of GuarantCo’s day-to-day financial management.

Prior to joining GuarantCo, Dale was Financial Controller for Harith Partners UK, a fund management company, where he was responsible for finance and treasury and delivering process efficiency and enhancing business controls across the business.

Dale is a Chartered Management Accountant and holds a Masters in Strategic Accounting from Aberdeen Business School.

Audited Financial Statement for the Years Ended 31 December 2018 and 2017

GuarantCo’s Financial Statements are prepared and presented in accordance with IFRS and audited by Ernst & Young ("Ernst & Young, Mauritius"). The address of Ernst & Young, Mauritius is 9th Floor, NeXTeracom - Tower 1, Cybercity Ebene, Mauritius and it is registered with the Financial Reporting Council (FRC) in Mauritius. The Independent Auditors’ Report and Financial Statements for the years ended 31 December 2017 and 2018 of the Guarantor are available at http://www.guarantco.com/about-us/disclosures.

Note Regarding Additional Information

Additional information regarding the Guarantor can be found on its website, www.guarantco.com. The websites, financial statements and other documents referred to in this section are expressly not incorporated by reference into these Admission Particulars.
The Guarantee

The following contains summaries of certain key provisions of the Guarantee and related provisions of the Deed of Guarantee. Such statements do not purport to be complete and are qualified in their entirety by reference to the relevant Deed of Guarantee. Defined terms used in this section shall have the meanings given to them in the relevant Deed of Guarantee.

Guarantee and Payment Covenant

The Guarantor guarantees to the Note Trustee acting for the Noteholders the due and punctual payment by the Issuer of all its payment obligations under the Note Transaction Documents in respect of the Guaranteed Amount. “Guaranteed Amount” means 50% of principal and Scheduled Interest amount due and unpaid by the Issuer under the Trust Deed.

The aggregate amount payable by the Guarantor shall be limited to the Maximum Guaranteed Amount. “Maximum Guaranteed Amount” means US$30,000,000. Any additional amounts required to be paid by the Guarantor on account of Taxes pursuant to Clause 3 (Payment and Taxes) of the Deed of Guarantee shall form part of the Maximum Guaranteed Amount and shall only be payable by the Guarantor to the extent that such payments would not cause the aggregate amount payable by the Guarantor under this Guarantee to exceed the Maximum Guaranteed Amount.

Enforcing the Guarantee

Following the occurrence of a Non-payment Event that is continuing and has not been remedied or waived in accordance with the Intercreditor Agreement, the Note Trustee acting for the Noteholders shall promptly, and in any event within five (5) business days of the occurrence of such Non-payment Event, deliver a Notice of Non-payment to the Guarantor.

Following delivery of a Notice of Non-payment the Note Trustee acting for the Noteholders agrees to consult with the Guarantor to consider possible strategies and courses of action to remedy the Non-payment Event during the waiting period of fifteen (15) business days (the “Waiting Period”).

If the Issuer has not remedied the Non-payment Event within the Waiting Period, the Note Trustee acting for the Noteholders may, within forty-five (45) Business Days after the end of the Waiting Period, deliver an irrevocable Notice of Payment Demand to the Guarantor.

Guarantee Payment

Payment of any amount falling due and payable by the Guarantor under the Deed of Guarantee shall be paid by the Guarantor to the account specified in the Notice of Payment Demand by the Note Trustee acting for the Noteholders by no later than the date that is fifteen (15) Business Days after receipt of the corresponding Notice of Payment Demand.

---

22 To be determined based on the applicable interest rate which will determine the value of 50% of interest and 12 months of interest. An amount of USD 30 million has been approved by GuarantCo. Guaranteed Amount is a reference to the concept of guaranteed sums, whereas Maximum Guaranteed Amount is a hard coded aggregate maximum amount which is required by GuarantCo in order to accord with credit approved limitations.

23 Note: this figure will be updated to cover 50% of principal and 50% of one interest payment amount.
Any amount falling due and payable by the Guarantor under or in accordance with the Deed of Guarantee shall be paid by the Guarantor in Kenyan Shillings. The Guarantor may make payment in US Dollars if agreed by the Note Trustee acting on behalf of the Noteholders.

If the Guarantor fails to pay any amount payable by it under this Guarantee on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate of two per cent (2.00%) per annum.

Guarantor Consent and Subrogation Rights

As a risk-sharing party the Guarantor has a series of consent rights to certain actions that may be taken by the Note Trustee. This is to protect its position as a Secured Party once a payment has been made under the Guarantee to the Note Trustee, as at this point, the Guarantor will rank pro rata and pari passu with the Noteholders.

Expiry and Termination

The Guarantee shall expire on the earliest to occur of:

a) the date on which all amounts guaranteed under the Deed of Guarantee and outstanding under the Note Transaction Documents have been repaid in full; and

b) the date on which the total aggregate amount paid to the Note Trustee acting for the Noteholders by the Guarantor under and in accordance with the terms of the Deed of Guarantee is equal to the Maximum Guaranteed Amount.

The Guarantor may terminate the Deed of Guarantee with immediate effect if the Note Trustee acting for the Noteholders is in breach of its obligations under Clause 7 (Note Trustee acting for the Noteholder’s obligations) of the Deed of Guarantee or it becomes aware that it is unlawful in any applicable jurisdiction or contrary to any official sanctions to which it may be subject to from time to time for it to perform any of its obligations under the Deed of Guarantee.

The Recourse Agreement

The Issuer and the Guarantor entered into a Recourse Agreement dated 18 December 2018, (the “Recourse Agreement”), pursuant to which the Issuer has agreed, amongst other things, to reimburse and indemnify the Guarantor. In addition, the Recourse Agreement specifies the payment by the Issuer of certain fees and other amounts in respect of the Deed of Guarantee and the basis on which amounts paid by the Guarantor under the Deed of Guarantee are to be reimbursed and indemnified by the Issuer.

12.2 Acorn Holdings Limited Guarantee

The following contains summaries of certain key provisions of the guarantee provided by Acorn Holdings Limited (the “Guarantee”) pursuant to a guarantee agreement entered into between Ropat Trust Company Limited and Acorn Holdings Limited (the “Guarantee Agreement”). Such statements do not purport to be complete and are qualified in their entirety by reference to the Guarantee Agreement. Defined terms used in this section shall have the meanings given to them in the Guarantee Agreement.

Acorn Holdings Limited guarantees to the Note Trustee the payment and performance in full of all Secured Obligations when and as due, whether at maturity, by reason of acceleration or enforcement or otherwise. The liability of Acorn Holdings Limited is limited to 100% of the Secured Obligations, to which will be added interests, fees, costs and other accessories forming part of the Secured Obligations.
Acorn Holdings Limited is liable for the payment of any amount due and owing under the Guarantee Agreement on demand, and without any requirement that it be notified or advised of the time of the creation, the amount or the terms and conditions of any of the Secured Obligations. After the occurrence of a default under any Secured Obligations, the Note Trustee may set-off and apply against the Secured Obligations all sums owing by it to any of the Obligors under the Note Transaction Documents or Acorn Holdings Limited, whether or not such sums are then due and payable.

The Guarantee Agreement will bind Acorn Holdings Limited together with its successors until termination by notice in writing served on Acorn Holdings Limited by the Note Trustee subject to the Trust Deed. The Guarantee Agreement is governed by and construed in accordance with the law of the Republic of Mauritius.
13 Environmental and Social Impact

The notes being issued have been certified as “Green Bonds”, based on the issuer’s compliance with Climate Bonds Standards as promulgated by Climate Bonds Initiative (“CBI”). Certification is on the basis that the assets under the Project Entities will all be constructed in compliance with IFC EDGE principles for Green Buildings.

13.1 Green Bond Status

The Notes have been certified as ‘Green Bonds’ based on the Issuer’s compliance with the Climate Bonds Standards as promulgated by Climate Bonds Initiative (‘CBI’). The Climate Bonds Standard Board approved the Pre-Issuance Certification of the KES5 billion Medium Term Note (the bond), as per the application documents and verification report provided by the Issuer. This certification comes into force once the Notes are placed on offer. A copy of the certification is in Appendix F: Green Bond Certification.

The Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Climate Bonds Initiative (CBI), the Financial Sector Deepening Africa (FSD Africa) and the Dutch Development Bank FMO initiated the Green Bonds Program (GBP) to accelerate the take-up of green bonds as a tool for Kenya to tap into international and domestic capital markets to finance green projects and assets. The Green Bond Program is endorsed by the Central Bank of Kenya (CBK), Capital Markets Authority (CMA) and the National Treasury.

The program aspires to contribute to the national agenda by helping achieve Vision 2030, the Kenya Green Economy Strategy and Implementation Plan, as well as Kenya’s climate change commitments as outlined in the National Climate Change law, the Action Plan and the Nationally determined contributions under the Paris Climate Agreement.

CBI

CBI certification is based on the compliance of criteria set forth by the Climate Bonds Standard. The Standard contains rigorous scientific criteria which are consistent with the 2 degrees Celsius warming limit as detailed in the 2015 Paris Agreement.24

The CBI certification is a five-step process that involves activities pre and post certification as highlighted in the graphic below:

---

24 Climate Bonds Initiative, 2018
The external reviewer/assessor, DNV GL Business Assurance, will provide confirmation to certify compliance with the pre-agreed criteria.

### 13.2 IFC Edge

The Project Entity assets are certified IFC EDGE (“Excellence in Design for Greater Efficiencies”) buildings, having been constructed in accordance with requirements of the IFC EDGE program and certified by Green Business Certification Inc. (GBCI) and its assessor DNV GL Business Assurance. EDGE certification also forms the basis of the policies reviewed under the CBI, which is the base criteria for notes being issued under the Green Bond Program.

An innovation of IFC, EDGE is an online platform, a green building standard and a certification system for over 140 countries. The EDGE application helps to determine the most cost-effective options for designing green structure within a local climate context. EDGE can be used for buildings of all vintages, including new construction, existing buildings and major retrofits. EDGE is part of a holistic strategy to steer construction in rapidly urbanizing economies onto a more low-carbon path.

Certification is based on benefit generated from providing solutions in three categories of construction and operation: Energy, Water, and Materials. Project Entities are designed to achieve x% savings in energy usage, x% in water consumption, and x% in materials utilized, which are higher than the benchmark required for certification.

25 https://www.climatebonds.net/certification/get-certified
26 https://www.edgebuildings.com/marketing/edge/
14 Description of the Note Transaction Documents

14.1 Trust Deed

The Issuer, the Note Trustee and the Note Guarantor, inter alios, have entered into the Trust Deed pursuant to which the Notes will be constituted. The Trust Deed includes the form of the Notes and contain a covenant from the Issuer to the Note Trustee to pay all amounts due under the Notes.

Governing law

The Trust Deed and all non-contractual or other obligations arising out of or in connection with it will be governed by Kenyan law.

14.2 Agency Agreement

Pursuant to the Agency Agreement to be entered into between the Issuer and Paying Agent, Registrar and Note Trustee, provision will be made for, amongst other things, payment of principal and interest in respect of the Notes.

Governing law

The Agency Agreement and any non-contractual or other obligations arising out of or in connection with it will be governed by Kenyan law.

14.3 Deed of Guarantee

Pursuant to the Deed of Guarantee, GuarantCo will issue a guarantee in connection with the medium term note programme comprising the Notes issued by the Issuer in an aggregate amount of up to Kenya Shillings five billion (KES 5,000,000,000), which are subject to the provisions of the Trust Deed. Subject to the terms of this Guarantee, the Guarantor provides certain guarantees to the Note Trustee acting for the Noteholders in relation to the Financing.
15 Taxation

The comments below are of a general nature based on taxation law and practice in Kenya as at the date of this Information Memorandum and are subject to any changes thereafter. They relate only to the anticipated tax consequences of an investment in the Notes under Kenyan tax laws. The comments below do not relate to all possible tax consequences of an investment in the Notes and so should be treated with appropriate caution.

Prospective investors should consult their own professional advisers concerning the possible tax consequences of purchasing, holding and/or selling Notes and receiving payments of interest, principal and/or other amounts under the Notes under the applicable laws of their country of citizenship, residence or domicile.

Withholding Tax

Under the Income Tax Act (chapter 470 of the Laws of Kenya), Interest on the Notes (other than interest paid to the financial institutions specified in the fourth schedule to the Income Tax Act (chapter 470 of the Laws of Kenya) and certain other exempt persons) is subject to withholding tax. Payment of interest on the Notes will be made by the Issue and Paying Agent in Kenya following the deduction (where applicable) of Kenyan withholding tax at the rate of 15%. Non-residents may be entitled to a tax credit in their country of residence under the tax treaties that are in force in Kenya at the time of payment of interest or under any unilateral tax relief provided in the tax legislation in their country of residence.

However, pursuant to the Finance Act, 2019 (No. 23 of 2019), with effect from 1 January 2020, interest income accruing from all listed bonds, notes or securities with a maturity of at least three years used to raise funds for infrastructure, projects and assets defined under green bonds standards and guidelines is exempt from income tax. Following listing of the Initial Tranche of Notes, the Issuer will engage with the Kenya Revenue Authority to confirm the exemption status of the Notes issued under this Programme or otherwise seek guidance from the KRA as to the tax treatment of the listed Notes.

Capital Gains

Capital gains tax was reintroduced in Kenya with effect from 1 January 2015 by virtue of the Finance Act 2014. Chargeable gains or allowable losses may arise upon the sale, exchange, redemption (including early redemption) or other disposition of Notes. The current applicable rate is 5 per cent of the chargeable gain in respect of unlisted Notes. From 1st January 2016, no capital gains tax is payable on any chargeable gains in respect of listed Notes.

Stamp Duty

No stamp duty is payable in Kenya on the issue of the Note Certificates or the redemption of the Notes. Stamp duty will be payable on a transfer of the Notes other than a transfer of Notes listed on the Nairobi Securities Exchange or any securities exchange licensed by the Capital Markets Authority.

Tax Treaties

Kenya has entered into double taxation treaties with Canada, Denmark, France, Germany, India, Iran, United Arab Emirates, Qatar, South Korea, Norway, South Africa, Sweden, the United Kingdom and Zambia all of which are in force. Treaties with Italy, Portugal, Singapore, China, Kuwait, Mauritius, Netherlands, Seychelles and the East African (EAC) States have been signed but are not yet in force. A treaty between the countries of the East African Community (Burundi, Kenya, Rwanda, Uganda and Tanzania) has been ratified by Kenya and Rwanda only. It will not come into force until ratified by the other countries. A person may only take advantage of these treaties where 50% or more of the underlying
ownership of the person is held by individual(s) who are residents of the other contracting state or the person is listed on a stock exchange in that other contracting state.
16 Subscription and sale

The Notes were offered by the Issuer through the Placing Agents in respect of any Tranche of Notes in accordance with the Placing Agreement between the Issuer and Placing Agents. Following the offer, the Issuer:

(c) received from eligible investors commitments to invest in the Programme by subscribing for Notes of KES 4,262,000,000; and

(d) has drawdown commitments of, and issued Notes worth, KES 786,000,000 from committed investors ("Initial Tranche of Notes").

The Issuer may, upon seeking the prior written approval of the CMA and subject to the terms of the Notes Transaction Documents, reopen the offer for the Unsubscribed Portion of Notes for subscription by eligible investors. In that case, the Unsubscribed Portion of Notes would be offered by the Issuer through the Placing Agents in respect of any Tranche of Notes in accordance with the Placing Agreement between the Issuer and Placing Agents. Any agreement for the sale of Unsubscribed Portion of Notes provide for the form and terms and conditions of the relevant Notes, the price at which such Notes would be purchased or offered for placement by such Placing Agents and the commissions or other agreed discounts (if any) or placement fees payable or allowable by the Issuer in respect of such purchase or placement activities and the form of any indemnity to the Placing Agents against certain liabilities in connection with the offer and sale of the relevant Notes. The Information Memorandum makes provision for the resignation or termination of appointment of the existing Placing Agents, and for the appointment of additional or other Placing Agents either generally in respect of the Issue or in relation to a particular Series or Tranche of Notes. The Notes will be delivered to the subscriber for Notes in accordance with the Conditions.

Capitalised words used in this section shall bear the same meanings as used in the Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

APPLICATION PROCEDURE

Application forms (as set out in Appendix C) for the Unsubscribed portion of Notes may be obtained from the registered office of the Arrangers or any appointed Placing Agents. Applications must be submitted directly to the Arrangers at the relevant head office marked for the attention of the Head of Debt Capital Markets at Stanbic Bank Kenya Limited or any one of the Placing Agents so as to arrive no later than 17h00 on the date specified in the applicable Pricing Supplement. Successful applicants will be notified by the Issuer or the Placing Agents of the amount of Notes allotted to them immediately after the issue date specified in the relevant Pricing Supplement.

PAYMENT FOR THE NOTES AND DELIVERY

Payment for the Notes is to be made in full to the Issuer in cleared funds by the date set out in the applicable Pricing Supplement and drawdown schedule.

INTEREST PAYMENTS

Payment of interest on the Notes will be made by the Issue and Paying Agent in Kenya.

SELLING RESTRICTIONS
**General:** No action has been or will be taken in any jurisdiction by the Placing Agents or any one of them that would permit a public offering of the Notes, or possession or distribution of the Information Memorandum (in preliminary or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Placing Agents will comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver Notes or have in their possession or distribute the Information Memorandum (in preliminary or final form) or any such other material, in all cases at their own expense. They will also ensure that no obligations are imposed on the Issuer or the Placing Agents in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Placing Agents will have no responsibility for, and the Placing Agents will obtain, any consent, approval or permission required by them for, the acquisition, offer or sale by them of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Placing Agents are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in the Information Memorandum (in final form) or any amendment or supplement to it.

**Kenya:** The issue of Notes is by way of restricted public offer within the meaning of Section 30(b) of the Capital Markets Act (Chapter 485A, Laws of Kenya). In particular, the Notes are (a) offered to a restricted circle of sophisticated investors whom the offeror believes to be sufficiently knowledgeable to understand the risks involved in accepting the offer, or (b) directly communicated to a prescribed category and number of persons. Consequently, no party receiving this Information Memorandum from the Issuer or any of its advisors may disseminate it in any form to any other party whatsoever without the express written approval of the Issuer.

**United States:** The Notes have not been and will not be registered under the U.S. Securities Act, 1933 as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“Regulation S”) or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The Placing Agents have represented and agreed that, except as permitted by the Placing Agreement, they have only offered and sold Notes, and will only offer and sell Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither they, their affiliates, nor any persons acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and they have complied and will comply with the offering restrictions requirement of Regulation S. The Placing Agents agree that, at or prior to confirmation of sale of Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the restricted period a confirmation or notice to substantially the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”
EUROPEAN ECONOMIC AREA ("EEA"): PROHIBITION OF SALES TO EEA RETAIL INVESTORS

- The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (As amended or superseded, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”). Consequently no key information document by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

United Kingdom:

(a) The Placing Agents have complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) The Placing Agents have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitations or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

South Africa: The Placing Agents (i) will not offer the Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will themselves not sell or offer the Notes in South Africa in contravention of the South African Companies Act, 2008, the South African Banks Act, 1990, the South African Exchange Control Regulations, 1961 and/or any other applicable laws and regulations in South Africa in force from time to time.

Prior to the issue of any tranche of Notes, the Placing Agents who have agreed to place that tranche of Notes will be required to represent and agree that they will not make an “Offer To The Public” (as such expression is defined in the South African Companies Act, 2008 and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa.
17 Statutory and general information

17.1 Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes.

Authorized activities:

1. to set credit policies, credit lines, procedures and standards in conjunction with Affiliate LLPs;
2. negotiate and enter into service agreements with Affiliate LLPs, the Nominee or any other party as may be necessary for the Business;
3. to borrow or secure the payment of any sum or sums of money for the purposes of Acorn or its Affiliate LLPs;
4. to confer, negotiate and maintain relations with financial institutions and credit rating agencies;
5. to raise or secure the repayment of such moneys and interest payable thereon in such manner and upon such terms and conditions in all respects as they think fit and at such price or upon such terms and in such manner as the Managing Partner deems fit, of bonds or debentures or debenture-stock either charged upon the undertaking or the whole or any part of the property and assets of Acorn or not so charged, or in such other way as the partners may think expedient;
6. to enter into, perform and carry out contracts of any kind necessary or incidental to the accomplishment of the purposes of Acorn;
7. to bring, sue, prosecute, defend, settle or comprise actions at law related to the purposes of Acorn;
8. to execute and deliver all documents in connection with the sale of Acorn assets;
9. to incur all expenditures and pay Acorn expenses;
10. to engage in any kind of lawful activity, and perform and carry out contracts of any kind, necessary or advisable in connection with the accomplishment of the purposes of Acorn.

17.2 Incorporation

The Issuer is a limited liability partnership established under the laws of Kenya on 1 November, 2017 (registration number LLP-EL1BLM) whose registered office is at Acorn House, 97 James Gichuru, Nairobi, Kenya, Post Office Box number 13754 - 00100.

17.3 Conduct of a meeting or consent solicitation

The Managing Partner:

1. shall have full power and authority concerning the manner of conducting any meeting of the partners or solicitation of consents in writing, including the determination of persons entitled to deliver consents, the conduct of any consent solicitation, the validity and effect of any proxies and the determination of any controversies, consents or challenges arising in connection with or during a consent solicitation.
2. shall designate a person to serve as chairman of any meeting and shall further designate a person to take minutes of any meeting. All minutes shall be kept with the records of Acorn maintained by the Manager.

3. may make such other regulations consistent with applicable law and this Deed as it may deem advisable concerning the conduct of any meeting of the partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of consents, the submission and examination of proxies and other evidence of the right to deliver a consent, and the revocation of consents in writing.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors</td>
<td>Ernst &amp; Young</td>
</tr>
<tr>
<td></td>
<td>Kenya Re Towers, 3 P. O. Box 44286, Ragati Road, Nairobi, Kenya</td>
</tr>
</tbody>
</table>

**17.4 Ownership**

The Issuer is 99% owned by Acorn Holdings Limited and 1% by Acorn Management Services Limited.

**17.5 Borrowings**

As at the date of this Information Memorandum, the Issuer had no outstanding borrowings.

**17.6 Distribution Policy**

The Issuer shall neither declare nor pay profits or distributions to its partners other than any Distributable Profits made in relation to a Permitted Disposal of a Project Development.

In this paragraph, Distributable Profits means the net proceeds of a sale of a Project Development that meets the criteria set out in Schedule 3 paragraph 11 (Permitted Disposal of a Project Development) of the Trust Deed and in respect of which the Note Trustee has confirmed its approval in writing which it shall do so if no Event of Default has occurred or is subsisting and it is satisfied that the valuation of the remaining properties that are charged under the remaining legal charges are more than 1.3 times the Notes Outstanding by reference to the most recent Valuation Report of not more than twelve (12) months; and Permitted Disposal means a disposal of a Project Development or a disposal of a Project Development by way of sale of the Project Entity that owns such Project Development in accordance with Schedule 3 Condition 11 (Permitted Disposal of a Project Development) of the Trust Deed.

**17.7 Capital Markets Authority**

A copy of this Information Memorandum has been delivered to the Capital Markets Authority, and approval has been granted for a restricted public offer of the Notes for subscription and sale in Kenya. The approval was received on 31 July 2019.

On 9 January 2020, the Capital Markets Authority approved the listing of the Notes on the FISMS of the NSE.
As a matter of policy, the Capital Markets Authority assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the Note Issue and/or listing is not to be taken as an indication of the merits of Notes or the Issuer.

The NSE has authorised the Issuer to list the Notes on the FISMS. The NSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission to the FISMS of the NSE is not to be taken as an indication of the merits of the Notes or the Issuer.

The Notes will simultaneously with the listing on the NSE be listed on the International Securities Market of the London Securities Exchange.

17.8 Dematerialised Security

The Notes have been prescribed as dematerialised by the CDSC under section 24 of the Central Depositories Act.

17.9 Allotment

The allotment of the Notes shall be determined by the Issuer and the Arrangers.

The Issuer reserves the right to decline any application in whole or in part and, in the event of oversubscription, to make the allotment as it deems fit in accordance with the applicable Pricing Supplement and in consultation with the Arrangers and Placing Agents. Any applications not accepted will be given reasons for non-acceptance.

All applicants will be notified by email or telephone of their allotment and or non-acceptance by no later than the allotment and the notification date specified in the applicable Pricing Supplement. Telephone communication will be followed by an e-mail notice to the successful investors on the allocation results.

17.10 Significant or Material Changes

Save as disclosed in this Information Memorandum, there has been no material change in the business of the Issuer.

There has been no material adverse change in the prospects of the Issuer and its subsidiaries, taken as a whole, since the date of its incorporation, nor any significant change in the financial or trading position of the Issuer and its subsidiaries, taken as a whole, since the date of its incorporation.

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries, taken as a whole, since 31 December 2018, nor any significant change in the financial or trading position of the Guarantor and its subsidiaries, taken as a whole, since 31 December 2018.

There has been no material adverse change in the prospects of AHL and its subsidiaries, taken as a whole, since 31 December 2018, nor any significant change in the financial or trading position of AHL and its subsidiaries, taken as a whole, since 31 December 2018.
17.11 Material Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had in the recent past a significant effect on the Issuer’s financial position.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware), which may have or have had in the recent past, a significant effect on the Guarantor’s financial position.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which AHL is aware), which may have or have had in the recent past, a significant effect on AHL’s financial position.

17.12 Material contracts

As at the date of this Information Memorandum, the Issuer has not entered into material contracts (being a contract entered into outside the ordinary course of business) other than the Note Transaction Documents.

17.13 Conflicts of interest

At the date of this Information Memorandum, there are no potential conflicts of interest between any duties to the Issuer of the members of its administrative, management or supervisory bodies, any of the experts named in this Information Memorandum and their private interests or other duties. None of the experts named in the Information Memorandum owns an amount of shares in the Issuer or its subsidiaries which is material to that person. However, it cannot generally be ruled out that such persons have interests at the time of the offer or issue of Notes; whether this is the case will depend upon the facts at the time of the offer or issue. A description of any potential conflicting interests that are of importance to an offer or issue of Notes will be included in the applicable Pricing Supplement, specifying the persons involved and the types of interests.

17.14 Auditors

As at the date of this Information Memorandum, the auditors of the Issuer are Ernst & Young, Certified Public Accountants (Kenya), Kenya Re Towers, 3 P. O. Box 44286, Ragati Road, Nairobi.

17.15 Consents

The firm of Ernst & Young, Certified Public Accountants, acting as Auditors of the financial model, has given and has not withdrawn its consent to the issue of this Information Memorandum with the inclusion in it of their comfort letter in the form and context in which it is included.
The firm of Anjarwalla & Khanna LLP acting as transaction Legal Counsel in respect of the Notes, has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of their legal opinion in the form and context in which it is included.

The firm of BLC Robert & Associates (2nd Floor, The Axis, 26 Bank Street, Cybercity, Ebene 72201, Mauritius) acting as Mauritius Legal Counsel in respect of the Notes, has given and not withdrawn its written consent to the inclusion of their legal opinion in this Information Memorandum in the form and context in which it is included.

Mace YMR has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of their form of technical advisor certificate in the form and context in which it is included.

Trinity International LLP (Dashwood House, 69 Old Broad Street, London EC2M 1QS) has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of their legal opinion in the form and context in which it is included.

### 17.16 Summary of Costs and Expenses

A summary of the estimated costs and expenses of the Listing is set out in below:

<table>
<thead>
<tr>
<th>Expense</th>
<th>KES (Exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Adviser</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Legal Advisers</td>
<td>5,252,000.00</td>
</tr>
<tr>
<td>ISM Fee (application review fee and admission fee)</td>
<td>£2,300</td>
</tr>
<tr>
<td>CMA Approval fees</td>
<td>5,000,000.00*</td>
</tr>
<tr>
<td>NSE Listing and admission fee</td>
<td>625,000.00**</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>[●]</td>
</tr>
<tr>
<td>Total</td>
<td>[●]</td>
</tr>
</tbody>
</table>

*N.B.: The Issuer has received facilitation commitment from a third party markets facilitator who has promised to bear the above Listing costs and expenses for and on behalf of the Issuer.*

*The CMA approval fees indicated above assumes the issue and Listing of the entire Programme Amount. The fee payable would be paid in tranches at the rate of 0.1% of the total amount listed for each Tranche of the Notes listed on the NSE.

** The NSA fee indicated above assumes the issue and Listing of the entire Programme Amount. The fee payable would be paid in tranches at the rate of 0.0125% of the total amount listed for each Tranche of the Notes listed on the NSE.
17.17 Documents Available for Inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the offices of the Issuer in Nairobi, Kenya and the Specified Office of the Issue and Paying Agent:

1. copies of all constitutional documents for the Issuer and the Project Entities;
2. sale agreements relating to properties in the process of being acquired by a Project Entity;
3. audited financial statements of Acorn Holdings Limited for the financial years ended 31 December 2015 to 31 December 2018;
4. resolutions of the Board of Representatives approving the Issue and the Listing;
5. copies of the legal opinions;
6. a copy of the Agency Agreement between the Issuer and the Issue and Paying Agent dated 16 August 2019;
7. a copy of the Placing Agreement between the Placing Agents and the Issuer;
8. a copy of the Trust Deed dated 16 August 2019 (as may be amended or supplemented from time to time);
9. a copy of the deed of amendment of the Trust Deed dated 19 December 2019;
10. copies of the Transaction Security Documents;
11. a copy of the Guarantee provided by GuarantCo Limited dated 31 October 2019;
12. a copy of the Guarantee provided by AHL dated 4 September 2019;
13. copies of the property management agreements between AMSL and each Project Entity for the management and maintenance of the Project Development;
14. copies of the administrative agreements between AMSL and each Project Entity for the provision of administrative services by AMSL to each Project Entity;
15. a copy of this Information Memorandum;
16. a copy of the most recent Moody’s Report for the Issue;
17. certified copies of the appraisals or valuations relating to the immovable properties owned by the Project Entities;
18. copies of GuarantCo audited financial statements for the years ended 31st December 2017 and 31st December 2018;
19. a copy of the financial model with projections;
20. a copy of Ernst & Young letter on the reviewed financial model with projections;
21. a copy of the unaudited updated financial model of the Issuer with projections;
22. credit Rating reports prepared by credit rating agencies (Moody and Fitch) in relation to GuarantCo;
23. a copy of the approval of the Capital Markets Authority for the Listing of the Notes;
24. a copy of the approval of the Nairobi Securities Exchange for the listing of the Notes;
25. the Indicative Pricing Supplement in relation to the Initial Tranche of Notes; and
26. the two (2) Technical Advisor certificates dated 30 October 2019 issued by the Technical Advisor in relation to the Initial Tranche of Notes.

These documents can be made available electronically by contacting:

info@ahl-africa.com

Attention: Chief Executive Officer
Appendix A: Legal opinions

Kenyan Legal Opinion

Our Ref: SS/ALM/10212031
Your Ref: T.B.A
Date: [*], 2019

Ropat Trust Company Limited
Kenya Re Towers, off Ragati Road
Post Office Box Number 1243-00100
Nairobi

(as the Note Trustee and the Security Trustee)

Dear Sirs,

Issue of up to Kenya Shillings five billion (KES 5,000,000,000) Medium Term Note Programme by Acorn Project (Two) Limited Liability Partnership (the Issuer)

1 Request for opinion

We have acted as legal counsel to the Issuer and Stanbic Bank Kenya Limited (as the Arranger) in connection with the Trust Deed (as hereinafter defined) and made between the Issuer, GuarantCo Ltd (GuarantCo), Acorn Holdings Limited (AHL), the Project Entities (as defined in the Trust Deed) and the Note Trustee pursuant to which the Issuer will authorize the creation and issue of a medium term note programme of up to an aggregate of Kenya Shillings five billion (KES 5,000,000,000).

Save as otherwise defined in this letter, expressions defined in the Trust Deed bear the same meanings where used herein and the same principles of interpretation provided for in the Trust Deed shall apply herein.

2 Documents and enquiries

2.1 For purposes of this letter, we have examined the following documents:

i. the trust deed dated [*] and made between the Issuer, GuarantCo, AHL, the Project Entities and the Note Trustee (the Trust Deed);
ii. the Information Memorandum;

iii. the Intercreditor Agreement;

iv. the Agency Agreement;

v. the Placing Agreement;

vi. the Debenture;

vii. a legal charge dated [*] created by Linden Properties Limited Liability Partnership (Linden) over property known as land reference number 8393/26 (the Linden Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Linden Charge);

viii. a legal charge dated [*] created by Beech Properties LLP (Beech) over property known as land reference number 209/5663/2 (the Beech Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Beech Charge);

ix. a legal charge dated [*] created by Mahogany Creek Limited Liability Partnership (Mahogany) over a portion of the property known as land reference number 209/118/1 (the Mahogany Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Mahogany Charge);

x. a legal charge dated [*] created by Rowan Properties LLP (Rowan) over property known as land reference number 9509/44 (the Rowan Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Rowan Charge);

xi. a legal charge dated [*] created by Spruce Properties LLP (Spruce) over property known as land reference number 7820/1 (the Spruce Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Spruce Charge);

xii. [a legal charge dated [*] created by Hemlock Properties LLP (Hemlock) over property known as land reference number [*] (the Hemlock Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Hemlock Charge);]
xiii. [a legal charge dated [*] created by Scotchpine Properties LLP (Scotchpine) over property known as land reference number [*] (the Scotchpine Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Scotchpine Charge);]

xiv. [a legal charge dated [*] created by Juniper Properties LLP (Juniper) over property known as land reference number [*] (the Juniper Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Juniper Charge);]

xv. a legal charge dated [*] created by Ashvale Properties LLP (Ashvale) over property known as land reference number 209/346/49 and 209/346/50 (the Ashvale Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Ashvale Charge),

xvi. a legal charge dated [*] created by Acacia Vale Properties LLP (Acacia) over property known as land reference number 209/11654 (the Acacia Property) in favour of the Security Trustee to secure the obligations of the Issuer Group to the Secured Parties in a maximum principal amount of Kenya Shillings five billion (KES 5,000,000,000) plus interest, costs, taxes, liabilities, charges and expenses (the Acacia Charge),

(the Linden Charge, the Beech Charge, the Mahogany Charge, the Rowan Charge, the Spruce Charge, the Hemlock Charge, the Scotchpine Charge, the Juniper Charge, the Ashvale Charge and the Acacia Charge shall hereinafter collectively be referred to as the Charges and the term Charge shall refer to any of them);

xvii. the charge dated [*] over the DSRA made between the Issuer and the Security Trustee (the DSRA Charge);

xviii. the charge over accounts dated [*] made between Linden, the Issuer and the Security Trustee (the Linden Charge over Accounts);

xix. the charge over accounts dated [*] made between Beech, the Issuer and the Security Trustee (the Beech Charge over Accounts);

xx. the charge over accounts dated [*] made between Mahogany, the Issuer and the Security Trustee (the Mahogany Charge over Accounts);

xxi. the charge over accounts dated [*] made between Rowan, the Issuer and the Security Trustee (the Rowan Charge over Accounts);

xxii. the charge over accounts dated [*] made between Spruce, the Issuer and the Security Trustee (the Spruce Charge over Accounts);
xxiii. the charge over accounts dated [*] made between Hemlock, the Issuer and the Security Trustee (the **Hemlock Charge over Accounts**);

xxiv. the charge over accounts dated [*] made between Scotchpine, the Issuer and the Security Trustee (the **Scotchpine Charge over Accounts**);

xxv. the charge over accounts dated [*] made between Juniper, the Issuer and the Security Trustee (the **Juniper Charge over Accounts**);

xxvi. the charge over accounts dated [*] made between Ashvale, the Issuer and the Security Trustee (the **Ashvale Charge over Accounts**);

xxvii. the charge over accounts dated [*] made between Acacia, the Issuer and the Security Trustee (the **Acacia Charge over Accounts**);

xxviii. the pledge agreement dated [*] in respect of the partnership interest in the Issuer made between AHL and Acorn Management Services Limited (AMSL) as the pledgors and the Security Trustee (the **Issuer Pledge**);

xxix. the pledge agreement dated [*] in respect of the partnership interest in Linden, Beech, Mahogany, Spruce, Hemlock, Scotchpine Juniper, Ashvale and Acacia made between the Issuer and AMSL as the pledgors and the Security Trustee (the **LBMSHSJAAA Pledge**);

xxx. the pledge agreement dated [*] in respect of the partnership interest in Rowan made between the Issuer and Barika Limited (hereinafter Barika) as the pledgors and the Security Trustee (the **Rowan Pledge**);

xxx. the Subordination Deed;

xxxii. the Assignment of Rental Income dated [*] created by Linden over the Linden Property in favour of the Security Trustee (the **Linden Assignment of Rental Income**);

xxxiii. the Assignment of Rental Income dated [*] created by Beech over the Beech Property in favour of the Security Trustee (the **Beech Assignment of Rental Income**);

xxxiv. the Assignment of Rental Income dated [*] created by Mahogany over the Mahogany Property in favour of the Security Trustee (the **Mahogany Assignment of Rental Income**);
xxxv. the Assignment of Rental Income dated [*] created by Rowan over the Rowan Property in favour of the Security Trustee (the Rowan Assignment of Rental Income);

xxxvi. the Assignment of Rental Income dated [*] created by Spruce over the Spruce Property in favour of the Security Trustee (the Spruce Assignment of Rental Income);

xxxvii. [the Assignment of Rental Income dated [*] created by Hemlock over the Hemlock Property in favour of the Security Trustee (the Hemlock Assignment of Rental Income);]

xxxviii. [the Assignment of Rental Income dated [*] created by Scotchpine over the Scotchpine Property in favour of the Security Trustee (the Scotchpine Assignment of Rental Income);]

xxxix. [the Assignment of Rental Income dated [*] created by Juniper over the Juniper Property in favour of the Security Trustee (the Juniper Assignment of Rental Income);]

xl. the Assignment of Rental Income dated [*] created by Ashvale over the Ashvale Property in favour of the Security Trustee (the Ashvale Assignment of Rental Income);

xli. the Assignment of Rental Income dated [*] created by Acacia over the Acacia Property in favour of the Security Trustee (the Acacia Assignment of Rental Income);

(the Linden Assignment of Rental Income, the Beech Assignment of Rental Income, the Mahogany Assignment of Rental Income, the Rowan Assignment of Rental Income, the Spruce Assignment of Rental Income, the Hemlock Assignment of Rental Income, the Scotchpine Assignment of Rental Income, the Juniper Assignment of Rental Income, the Ashvale Assignment of Rental Income and the Acacia Assignment of Rental Income shall hereinafter be referred to collectively as the Assignment of Rental Income).

(the documents in paragraphs 2.1.1 to 2.1.41 (both inclusive) shall hereinafter together be referred to as the Documents).

2.2 In addition, for the purposes of this letter, we have examined and relied upon the following documents provided to us by the Issuer:

2.2.1 a letter from Robert Mwangi Ndung’u (the manager of the Issuer) dated [*] to ourselves;

2.2.2 a letter from Robert Mwangi Ndung’u (the manager of Linden) dated [*] to ourselves;

2.2.3 a letter from Robert Mwangi Ndung’u (the manager of Beech) dated [*] to ourselves;

2.2.4 a letter from Robert Mwangi Ndung’u (the manager of Mahogany) dated [*] to ourselves;
2.2.5 a letter from Robert Mwangi Ndung’u (the manager of Rowan) dated [*] to ourselves;
2.2.6 a letter from Robert Mwangi Ndung’u (the manager of Spruce) dated [*] to ourselves;
2.2.7 a letter from Robert Mwangi Ndung’u (the manager of Hemlock) dated [*] to ourselves;
2.2.8 a letter from Robert Mwangi Ndung’u (the manager of Juniper) dated [*] to ourselves;
2.2.9 a letter from Robert Mwangi Ndung’u (the manager of Scotchpine) dated [*] to ourselves;
2.2.10 a letter from Robert Mwangi Ndung’u (the manager of Ashvale) dated [*] to ourselves;
2.2.11 a letter from Robert Mwangi Ndung’u (the manager of Acacia) dated [*] to ourselves;
2.2.12 a letter from Kairu Mbuthia (the company secretary of Barika) dated [*] to ourselves;
2.2.13 a letter from Axis Kenya (the company secretary of AMSL) dated [*] to ourselves;
2.2.14 certified copies of the partnership deeds and certificates of registration in respect of each member of the Issuer Group provided to us by Robert Mwangi Ndung’u on [*];
2.2.15 certified copy of the memorandum and articles of association and the certificate of incorporation of Barika forwarded to us by Kairu Mbuthia;
2.2.16 certified copy of the memorandum and articles of association and the certificate of incorporation of AMSL forwarded to us by Axis Kenya;
2.2.17 copy of the written resolutions of the board of representatives of the Issuer dated [*];
2.2.18 a copy of the written resolutions of the board of representatives of Linden dated [*];
2.2.19 a copy of the written resolutions of the board of representatives of Beech dated [*];
2.2.20 a copy of the written resolutions of the board of representatives of Mahogany dated [*];
2.2.21 a copy of the written resolutions of the board of representatives of Rowan dated [*];
2.2.22 a copy of the written resolutions of the board of representatives of Spruce dated [*];
2.2.23 a copy of the written resolutions of the board of representatives of Hemlock dated [*];
2.2.24 a copy of the written resolutions of the board of representatives of Juniper dated [*];
2.2.25 a copy of the written resolutions of the board of representatives of Scotchpine dated [*];
2.2.26 a copy of the written resolutions of the board of representatives of Ashvale dated [*];
2.2.27 a copy of the written resolutions of the board of representatives of Acacia dated [*];
2.2.28 a copy of the written resolutions of the board of directors of Barika dated [*];
2.2.29 a copy of the written resolutions of the board of directors of AMSL dated [*];
2.2.30 the search results in respect of the Issuer dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.31 the search results in respect of Linden dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.32 the search results in respect of Beech dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.33 the search results in respect of Mahogany dated 10 July 2019 obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.34 the search results in respect of Hemlock dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.35 the search results in respect of Juniper dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.36 the search results in respect of Scotchpine dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.37 the search results in respect of Rowan dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.38 the search results in respect of Spruce dated [*] obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.39 the search results in respect of Ashvale dated 10 July 2019 obtained by us from the Registrar of Limited Liability Partnerships at the Companies Registry;
2.2.40 the search results in respect of Acacia dated 10 July 2019 obtained by us from the Register of Limited Liability Partnerships at the Companies Registry;
2.2.41 the search results in respect of Barika dated [*] obtained by us from the Registrar of Companies at the Companies Registry; and
2.2.42 the search results in respect of AMSL dated [*] obtained by us from the Registrar of Companies at the Companies Registry,

(the documents in paragraphs 2.2.1 to 2.2.39 (both inclusive) shall together be referred to as the Additional Documents).

2.3 We have not undertaken any other searches or enquiries in respect of the matters referred to in this letter and have not examined other documents entered into or affecting the Issuer or any other person, save as stated above. In addition, except where otherwise expressly stated in this letter, we have not carried out any further investigations in relation to the business or the assets of the Issuer or any member of the Issuer Group nor have we undertaken any independent verification of the information and documents provided to us by third parties and persons.

3 Assumptions

For the purposes of this letter, we have assumed each of the following:

3.1 in relation to each of the Documents each party to the Documents (other than the members of the Issuer Group, AMSL and Barika) has the capacity and power to:

3.1.1 execute and deliver the Documents; and

3.1.2 exercise its rights and perform its obligations under the Documents;

3.2 in relation to each of the Documents each party (other than the members of the Issuer Group, AMSL and Barika) to the Documents has taken all necessary corporate or other action required to authorize:

3.2.1 execution and delivery of the Documents; and

3.2.2 the exercise of its rights and performance of its obligations under the Document;

3.3 each of the Documents has been duly executed and unconditionally delivered by each party to it and has been entered into by the parties thereto:

3.3.1 in good faith and for the purpose of carrying on its business;

3.3.2 on arms' length commercial terms;

3.3.3 in the belief that the same would benefit such party; and

3.3.4 in furtherance of the objects in the partnership deed, memoranda and articles of association by-laws and other constitutional documents;

3.4 all signatures on the Documents and Additional Documents are genuine;

3.5 all copies of the Additional Documents provided to us as certified or photostatic copies are complete and in conformity to the originals of such documents and the originals of such documents are authentic;

3.6 none of the Documents and/or Additional Documents have been amended and all Documents and/or Additional Documents remain in full force and effect in the same form reviewed and/or prepared by us and none of the parties has taken any action or entered into any agreement, document or arrangement which is inconsistent with any of the Documents and/or Additional Documents to which it is a party or any of its rights and obligations thereunder;
3.7 the Documents constitute legal, valid, binding and enforceable obligations of each of the parties thereto (other than the members of the Issuer Group, AMSL and Barika) in accordance with their terms under all applicable laws;

3.8 the execution and delivery of the Documents and the performance of each obligation under the Documents is not illegal or contrary to public policy in any place outside of Kenya in which that obligation is to be performed;

3.9 save as expressed in paragraph 4 of this letter (Opinion), the representations and warranties given by any of the parties to any of the Documents are and will be when made true and accurate in all respects and such representations and warranties are at all relevant times true and accurate;

3.10 (other than the jurisdiction of Kenya) each party has obtained, complied with the terms of and maintained all authorizations, approvals, licenses and consents required in relation to the execution and delivery of the Documents and to ensure the legality, validity and enforceability of its obligations under the Documents and that all appropriate filings and registrations in connection with the Documents have been or will be duly effected in all relevant jurisdictions within all applicable time periods;

3.11 the terms of each of the Documents reflect correctly the intent and agreement of the parties thereto;

3.12 each party is the sole obligor in respect of obligations owed by it and sole beneficial owner in respect of all rights owed to it under each of the Documents and each transaction thereunder and no such rights are subject to any mortgage, charge, pledge, lien, encumbrance or other security interest and no creditor of a party has attached, executed, levied execution or otherwise exercised a creditor's process in respect of such party's rights under any of the Documents;

3.13 no party has entered into any of the Documents or any transaction thereunder in its capacity as agent or trustee save for the Security Trustee and the Note Trustee acting in that capacity;

3.14 the Documents are executed by each party prior to the commencement of any insolvency or bankruptcy proceedings (any similar proceedings under the relevant applicable laws) in respect of that party and that no party was at the time of entering into the Documents, or immediately thereafter, unable to pay its debts (as the case may be) within the relevant applicable laws;

3.15 that none of the Documents are void, voidable or unenforceable by reason of, for example:

3.15.1 non est factum (that is, circumstances in which one party executes an agreement believing it to be an essentially different agreement and that party was not careless in so doing); or

3.15.2 by a party thereto having been induced to enter into it by duress, fraud or misrepresentation or on the basis of a mistake of fact or law; or

3.15.3 all or any signatures and instruments and other documents not being genuine and/or authentic and, in the case of verification or attestation of execution, such execution having not in fact taken place before or in the presence of the person so verifying or attesting execution; or

3.15.4 the correct procedure not being carried out for calling and holding of meetings of the boards of representatives or board of directors (as applicable) for
approving the Documents and the assumption of obligations thereunder by a party; or

3.15.5 any attesting advocate not being the holder of a valid practising certificate at the time of attesting or a notary public who was not duly licensed at the time of attesting;

3.16 all material statements of fact, opinions and views expressed to us by or on behalf of each member of the Issuer Group, AMSL and Barika by the relevant party’s partners, directors, shareholders, employees, lawyers and managers (as applicable) and relevant to this letter were honestly held by them and that all such opinions expressed were made and continue to be based on reasonable assumptions and all statements of fact by any of the foregoing persons were made and continue to be true, accurate and not misleading in any way;

3.17 that the resolutions of the board of representatives of each member of the Issuer Group, AMSL or directors of Barika referred to in paragraph 2.2 above were duly passed and that in resolving that each member of the Issuer Group, AMSL and Barika (as applicable) executes the Documents to which it is a party and exercises its rights and performs its obligations thereunder, each of the partners of each member of the Issuer Group, each of the directors of AMSL and each of the directors of Barika is acting in good faith with a view to the interests of that member of the Issuer Group, AMSL or Barika (as applicable) and exercising due care, skill and diligence;

3.18 that nothing in the Documents contravenes, or could result in a contravention of any obligation of any of the parties thereto;

3.19 that there are no agreements, documents or arrangements other than the Documents expressly referred to herein as having been examined by us which materially affect, amend or vary the transactions envisaged in the Documents or restrict the powers and authority of the partners of the members of the Issuer Group or the directors of AMSL or the directors of Barika in any way;

3.20 that no party to the Documents has been, is or will be engaging in misleading, deceptive or unconscionable conduct or seeking to conduct any relevant transaction or any associated activity in a manner or for a purpose not evident on the face of the Documents or otherwise known to us which might render the Documents or any transactions contemplated thereby or associated activity illegal, void or voidable; and

3.21 there is no other fact, matter or document which would, or might, affect this letter and which was not revealed by the Documents or the Additional Documents examined or the searches and enquiries made.

4 Opinion

Based on and subject to the assumptions and other provisions set out above and the reservations set out below, we are of the opinion that:

4.1 Each member of the Issuer Group is duly registered under the laws of Kenya and has all requisite corporate power under their respective partnership deeds to carry on its business as now conducted.

4.2 There is no provision in the partnership deed of any member of the Issuer Group or any existing Kenyan law applicable to partnerships generally which has been or shall be contravened, breached or defaulted by the execution and delivery by each member of the Issuer Group of the Documents.
or the performance or observance of any of the terms thereof or the consummation of the transactions contemplated by each member of the Issuer Group.

4.3 The execution and delivery by each member of the Issuer Group, AMSL and Barika of the Documents to which it is a party do not, and the performance by each member of the Issuer Group, AMSL and Barika of its obligations thereunder and the consummation of the transactions contemplated thereby will not (a) result in any violations of the provisions of the constitutional documents of each member of the Issuer Group, AMSL or Barika or (b) result in the violation of any Kenyan law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority in Kenya or (c) result in a breach of, any provision imposing a limit upon the borrowing powers of the partners.

4.4 Each member of the Issuer Group has the necessary power to execute, where relevant deliver, exercise its rights under and perform its obligations under each Document to which it is a party and has taken all necessary action to permit such execution, delivery, exercise and performance and no such execution, delivery, exercise or performance is contrary to any law or any provision of its partnership deed.

4.5 Barika has the necessary corporate power to execute, and where relevant deliver, and exercise its rights under and perform its obligations under the Rowan Pledge and has taken all necessary corporate action to permit such execution, delivery, exercise and performance and no such execution, delivery, exercise or performance is contrary to any law or any provision of its memorandum and articles of association.

4.6 AMSL has the necessary corporate power to execute, and where relevant deliver, and exercise its rights under and perform its obligations under the Issuer Pledge and the LBMSHSJAA Pledge and has taken all necessary corporate action to permit such execution, delivery, exercise and performance and no such execution, delivery, exercise or performance is contrary to any law or any provision of its memorandum and articles of association.

4.7 The contractual obligations of each member of the Issuer Group, AMSL and Barika under each Document to which it is a party are legal, valid, binding and enforceable obligations.

4.8 Security

4.8.1 Pursuant to the provisions of section 5 of the Stamp Duty Act (Cap. 480 Laws of Kenya) (the Stamp Duty Act) an agreement whenever executed which relates to property or any other matter or thing done or to be done in Kenya is liable to stamp duty. A document which is liable to be stamped cannot be admitted as evidence in court proceedings unless it is stamped. This requirement does not apply to an instrument creating a security right in accordance with the Movable Property Security Rights Act (No. 13 of 2017) (the MPSRA). Agreements or documents that are required to be stamped should be so stamped within thirty (30) days after they are first executed or after they are first received in Kenya if executed outside Kenya. In this regard, save for stamping of the Trust Deed, the Intercreditor Agreement, the Agency Agreement, the Placing Agreement, the Assignment of Rental Income, and the Subordination Deed, it is not required in order to ensure the validity, effectiveness, performance or enforceability in Kenya of the Trust Deed, the Intercreditor Agreement, the Agency Agreement, the Placing Agreement, the Assignment of Rental Income and the Subordination Deed that (a) the same be notarized or filed or registered or recorded in a public office or elsewhere; or (b) any other instrument, document or notice relating thereto be executed, delivered, filed, registered, recorded or served; or (c) any consent, approval or authorisation of any person or authority (including without limitation, any
tax or other monetary authority) be obtained; or (d) any other action whatsoever be taken, in
each case in Kenya. The Trust Deed, the Intercreditor Agreement, the Agency Agreement, the
Placing Agreement, the Assignment of Rental Income, and the Subordination Deed have been
stamped in accordance with the provisions of the Stamp Duty Act within the statutory period of
thirty (30) days as required by section 6 (1) of the Stamp Duty Act.

4.8.2 The Debenture, each Charge, each Charge over Accounts, each Partnership Interest Pledge Deed
create for the benefit of the Security Trustee as trustee for the Secured Parties valid first ranking
security rights in that portion of the assets owned by the members of the Issuer Group (in the
case of the Debenture, each Charge and each Charge over Accounts) and the Issuer (in the case
of each Partnership Interest Pledge Deed) respectively that consists of types of assets in which a
security interest may be created thereunder.

4.8.3 The Rowan Pledge creates for the benefit of the Security Trustee as trustee for the Secured
Parties valid first ranking security rights in the portion of the partnership interest owned by Barika
in its partnership interest in Rowan as described in the Rowan Pledge.

4.8.4 The Issuer Pledge and the LBMSHSJAA Pledge create for the benefit of the Security Trustee as
trustee for the Secured Parties valid first ranking security rights in the portion of the partnership
interest owned by AMSL in its partnership interest in each member of the Issuer Group as
described in the Issuer Pledge and the LBMSHSJAA Pledge.

4.8.5 Under Kenyan law, in order for each of the Debenture, each Charge, each Charge over Accounts,
each Partnership Interest Pledge Deed to be perfected and made effective against third parties
and enforceable against the members of the Issuer Group (in the case of the Debenture, each
Charge and each Charge over Accounts) and the Issuer (in the case of each Partnership Interest
Pledge Deed), AMSL (in the case of the Issuer Pledge and the LBMSHSJAA Pledge) and Barika (in
the case of the Rowan Pledge), each of the Debenture, each Charge over Accounts and each
Partnership Interest Pledge Deed (a) must be stamped in accordance with the provisions
of the Stamp Duty Act within the statutory period of thirty (30) days as required by section 6 (1)
of the Stamp Duty Act and thereafter (b) the Charges must also be registered at the relevant
Lands Registry in accordance with the Land Registration Act 2012 (the Land Registration Act)
and (c) the Charges (to the extent that the same create a security right over movable property
attached to the Property), the Debenture, each Charge over Accounts and each Partnership
Interest Pledge Deed may also be registered at the Collateral Registry in accordance with the
MPSRA to achieve third party effectiveness. The Debenture, each Charge, each Charge over
Accounts and each Partnership Interest Pledge Deed have been duly stamped in accordance with
the Stamp Duty Act and the relevant notices in respect of the Debenture, the Charges (to the
extent that the same create a security right over movable property attached to the Property),
each Charge over Accounts and each Partnership Interest Pledge Deed are registered at the
Collateral Registry in accordance with the MPSRA. Each Charge has been registered pursuant to
the Land Registration Act at the relevant Lands Registry. Accordingly, the Debenture, each
Charge, each Charge over Accounts and each Partnership Interest Pledge Deed has been perfected
and made effective against third parties and enforceable against the members of the Issuer Group
(in the case of the Debenture, each Charge and each Charge over Accounts), the Issuer (in the
case of each Partnership Interest Pledge Deed), AMSL (in the case of the Issuer Pledge and the
LBMSHSJAA Pledge) and Barika (in the case of the Rowan Pledge).
4.8.6 Subject to paragraph 4.8.1, 4.8.2, 4.8.3, 4.8.4 and 4.8.5, the Documents shall constitute valid and legally binding obligations of each member of the Issuer Group, AMSL and Barika (as applicable) enforceable against the relevant member of the Issuer Group, AMSL and Barika (as applicable).

4.8.7 The term **enforceable** as used in paragraphs 4.7 and 4.8.5 means that the relevant obligations assumed by each member of the Issuer Group, AMSL and Barika under the Documents to which the member of the Issuer Group, AMSL or Barika is a party are of a type which the courts of Kenya enforce. It does not mean that those obligations will necessarily be enforced in all circumstances. We would draw your attention to the following:

1) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganisation and other laws of general application relating to or affecting the rights of creditors;

2) enforcement may be limited by general principles of equity, for example, equitable remedies such as specific performance may not be available, inter alia, when damages are considered to an adequate remedy;

3) where obligations are to be performed in a jurisdiction outside Kenya, they may not be enforceable in Kenya to the extent that performance would be illegal under the laws of that jurisdiction;

4) a certificate, determination, calculation or description under any agreement might be held by a court in Kenya not to be conclusive, final and binding if, for example, it could be shown to have been on an unreasonable or arbitrary basis or in the event of manifest error;

5) obligations to make payments that may be regarded as penalties will not be enforceable;

6) any agreement to negotiate in good faith may not create an enforceable obligation;

7) we reserve our opinion as to the extent to which a Kenyan court would, in the event of any relevant illegality, sever any offending provision of any relevant document and enforce the remaining provisions of that document notwithstanding any express provision in that regard;

8) the enforcement of obligations of parties to the Documents may be limited by the provisions of Kenyan law applicable to documents held to have been frustrated by events happening after their execution;

9) the enforcement of any obligations may be invalidated or vitiated by reason of fraud, duress, misrepresentations or undue influence;

10) claims may be time barred under the Limitation of Actions Act (Chapter 22, Laws of Kenya) or become subject to defences of set-off or counterclaim and failure or delay by any party in exercising any right may constitute a waiver of that right in spite of provisions to the contrary in that document;

11) Kenyan courts will not normally give full effect to the provisions requiring an indemnity for the costs of litigation or enforcement, even to the successful litigant;

12) the effectiveness and enforceability of the terms exculpating a party from liability are limited by law;
13) in certain circumstances exclusive jurisdiction may be granted to the courts of a particular country in relation to a specified proceeding and in such cases the Kenyan courts will decline jurisdiction; and

14) where any party is vested with any discretion or may determine a matter in its opinion or sole opinion, Kenyan law may require such discretion to be exercised reasonably or such opinion to be based on reasonable grounds.

4.8.8 The issue of the Notes has been duly authorised and when issued, the Notes will constitute valid, legally binding, direct and unconditional obligations of the Issuer in accordance with their terms except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors’ rights generally and by general principles of equity.

4.8.9 Subject to clause 5.2, the claims of the Security Trustee against each member of the Issuer Group, AMSL and Barika under the Documents to which each member of the Issuer Group, AMSL and Barika is a party will rank at least pari passu with the claims of all other unsecured and unsubordinated creditors of each relevant member of the Issuer Group (as applicable), save for those whose claims are preferred solely by any insolvency, liquidation or other similar laws of general application.

To the extent that they are secured under the Debenture, each Charge, each Charge over Accounts, each Assignment of Rental Income and each Partnership Interest Pledge Deed, the claims of the Security Trustee against each member of the Issuer Group, AMSL or Barika will rank in priority to the claims of all unsecured and unsubordinated creditors of the relevant member of the Issuer Group (as applicable) save for those whose claims are preferred solely by any insolvency, liquidation or other similar laws of general application.

5 Reservations

Our opinion is qualified by the following reservations and other matters of fact not disclosed to us:

5.1 We would point out that records at the Companies Registry and the Registry of Limited Liability Partnerships maintained at the Companies Registry in Kenya are not meticulously kept and searches are not always accurate or available.

5.2 It should be noted that section 582 of the Insolvency Act (No. 18 of 2015) (the Insolvency Act) allows the administrator to make a distribution to the creditors of the company (which includes a limited liability partnership). Section 471 and the Second Schedule of the Insolvency Act apply to a distribution in relation to the liquidation of a company (which includes a limited liability partnership). The same also provides for a class of preferential creditors who will rank in the case of administration, winding up or liquidation of a company (which includes a limited liability partnership) ahead of any other unsecured creditors and the holders of security by way of floating charge, which preferential creditors and rights thereof comprise the following:

5.2.1 first priority claims which include all expenses of the liquidation which are payable in the following order:

1) the remuneration of the liquidator and the fees and expenses properly incurred by that liquidator in performing the duties imposed and exercising the powers conferred by or under the Insolvency Act;
2) the reasonable costs of the person who applied to the Court for the order placing
the company in liquidation; and

3) in the case of a creditor who protects or preserves assets of the company for the
benefit of the creditors of the company by the payment of money or the giving of
an indemnity (i) the amount received by the liquidator by the realisation of those
assets up to the value of that creditor’s unsecured debt; and (ii) the amount of the
costs incurred by that creditor in protecting, preserving the value of, or recovering
those assets.

5.2.2 second priority claims up to a limit of two hundred thousand shillings each for
every employee in respect of the following:

a) all wages or salaries payable to employees in respect of services provided to the
bankrupt or company for four months prior to the relevant date;

b) any holiday pay payable to the employees on the termination of their employment
before, or because of, the commencement of the liquidation;

c) any compensation for redundancy owed to employees that accrues before, or
because of, the commencement of the liquidation;

d) amounts deducted by the company from the wages or salaries of employees in
respect of their obligations to other persons (including income tax);

e) any reimbursement or payment that does not relate to any matter specified in the
Labour Relations Act, 2007 in respect of wages or other money or remuneration
lost during the four months before the commencement of the liquidation;

5.2.3 in addition to the claims under paragraph 5.2.2 above, all amounts that are by
any other written law required to be paid in accordance with the priority
established by subparagraph 3(1) of the Second Schedule of the Insolvency Act
paid by a buyer to a seller on account of the purchase price of goods;

5.2.4 the following third priority claims to the extent that they remain unpaid:

a) tax deductions made by the company under the pay as you earn rules of the Income
Tax Act (Cap 470 Laws of Kenya);

b) non-resident withholding tax deducted by the company under the Income Tax Act;

c) resident withholding tax deducted by the company under the Income Tax Act;

d) duty payable within the meaning of section 2(1) of the Customs and Excise Act.

Accordingly, assets subject to a floating charge must be used to satisfy preferential debts in priority
to the creditors secured by the floating charge.

In addition section 474 (2) of the Insolvency Act provides that when realizing assets secured by
floating charges, the administrator, liquidator or provisional liquidator of the insolvent company
is required to set aside twenty percent of the proceeds of realization to cater for the debts due to
unsecured creditors.
5.3 Where obligations are to be performed in a jurisdiction outside Kenya, they may not be enforceable in Kenya to the extent that performance would be illegal under the laws of that jurisdiction.

5.4 Obligations to make payments that may be regarded as penalties like, for example, the obligation to pay default interest which if held to constitute a penalty will not be enforceable.

5.5 We reserve our opinion as to the extent to which a Kenyan court would, in the event of any relevant illegality, sever any offending provision of the Documents and enforce the remaining provisions of any of these notwithstanding any express provision in that regard.

5.6 So far as we are aware, there is no case law in Kenya that has generally considered the effectiveness or enforceability of contractual subordination provisions. In our view, a court in Kenya is likely to be persuaded by decisions of the courts of England and recognized English common law principles as to the effectiveness and enforceability of contractual subordination provisions.

5.7 We would point out that pursuant to the terms of the Trust Deed:

5.7.1 a Project Entity may resign or be replaced; and

5.7.2 property acquired by a Project Entity for a Project Development may be swapped, replaced or sold.

6 Limitation

We offer no opinion in relation to:

6.1 the law of any other jurisdiction other than the Republic of Kenya;

6.2 any changes in fact or law which may hereinafter occur;

6.3 any representation or warranty made or given by a member of the Issuer Group in the Documents to which it is a party save as expressly set out herein as to whether the member of the Issuer Group will be able to perform its obligations under the Documents to which it is a party;

6.4 the commerciality of the transactions envisaged in the Documents or whether the Documents and the transactions envisaged therein achieve the commercial, tax, legal, regulatory or other aims of the parties to the documents; or

6.5 as to whether the acceptance, execution or performance of each member of the Issuer Group, AMSL or Barika’s obligations under the Documents to which it is a party will result in a breach of or infringe any other document entered into or binding on the member of the Issuer Group.

7 Governing Law

7.1 This letter sets out our opinion on certain matters of Kenyan law as at the date of this letter. We have not made any investigations of, and do not express any opinion on any law other than Kenyan law. We express no opinion as to matters of fact or as to the effect that any future event or any act of the parties to the transaction or the Documents or any relevant supervisory authority or agency may have on the matters referred to therein. This letter is to be governed by and construed in accordance with the laws of Kenya.
7.2 This letter is limited to the laws of Kenya and is issued solely for the use of the Arranger, the Note Trustee, the Security Trustee and the initial subscribers for the Notes in connection with the Note Transaction Documents and may not be disclosed to or relied upon in whole or in part to any person to any other person or otherwise quoted or referred to or relied upon for any other purpose without our prior written consent.

7.3 This letter may be disclosed by you and your successors and assigns (a) if, and only to the extent, required by law or regulation to be so disclosed, or (b) for the purposes of information only, to any potential assignee or transferee, your professional adviser, auditor or regulator, but only on the express basis that such person may not rely on it.

Yours faithfully,

Sonal Sejpal
for ANJARWALLA & KHANNA
English Legal Opinion

[Final legal opinion to be issued upon satisfaction of the conditions precedent in the Trust Deed]

[Closing Date]

To: Ropat Trust Company Limited
Kenya Re Towers, off Ragati Road
Upper Hill
P.O. Box 1243-00100
Nairobi, Kenya

as Note Trustee and Security Trustee

1. DESCRIPTION OF TRANSACTION

We have acted as special legal advisers as to matters of English law to Stanbic Bank Kenya Limited (as the Arranger) in connection with a proposed loan note programme of up to an aggregate of Kenya Shillings five billion (KES 5,000,000,000) as set out in the Trust Deed (hereinafter defined). Specifically, we have been asked to opine on:

i. the enforceability of a guarantee to be given by GuarantCo Ltd ("GuarantCo") pursuant to a deed of guarantee dated [●] 2019 (the "Guarantee") and made by GuarantCo in favour of Ropat Trust Company Limited; and

ii. the enforceability of clause 5 (Obligations of AHL and GuarantCo) and Schedule 7 (Representations of AHL and GuarantCo) of a trust deed dated [●] 2019 (the "Trust Deed") and made between Acorn Project (Two) Limited Liability Partnership, Acorn Holdings Limited, GuarantCo, certain Project Entities identified therein and Ropat Trust Company Limited.

2. CERTAIN TERMS

2.1. Unless otherwise defined in this opinion or the Schedule to this opinion, terms defined in the Guarantee or the Trust Deed, as the case may be, have the same meanings in this opinion.

2.2. References in this opinion to copies include references to copies transmitted by email.

2.3. The Guarantee and the Trust Deed are referred to in this opinion as, collectively, the "Opinion Documents".

171
3. DOCUMENTS EXAMINED AND SEARCHES

3.1. For purposes of this opinion, we have examined copies of the Opinion Documents.

3.2. Except as stated above:

   a) we have not examined any agreements, deeds, instruments or other documents entered into by or affecting GuarantCo or its assets or any corporate records of GuarantCo; and

   b) we have not made any enquiries (including without limitation any review, search or investigation of any public files, records, dockets or other court or official records or registries) concerning GuarantCo or its assets.

3.3. We have not investigated whether GuarantCo is or will be by reason of the transactions and matters contemplated by the Opinion Documents in breach of any of its obligations under any agreement, document, deed or instrument.

3.4. Our role has been confined to reviewing the Opinion Documents from the point of view of English law to the extent necessary for the purpose of this opinion. Accordingly, except for those matters of English law which are specifically addressed in this opinion, we express no opinion or view on the transaction contemplated by the Opinion Documents, or any of the other documentation relating thereto, or any other legal issue including without limitation whether the Opinion Documents are effective or meet the commercial, accounting, tax or legal objectives or purposes of the parties thereto.

3.5. We have not advised any of the addressees on the content of the Opinion Documents or assisted any of the addressees in any way in relation to the negotiation of the Opinion Documents. On these matters, we understand that the addressees have been separately advised. The provision of this opinion letter is not to be taken as implying that we owe any duty of care to anyone other than our clients in relation to the content of the Opinion Documents.

4. OPINION LIMITED TO ENGLISH LAW

This opinion is given only with respect to English law as applied by the English courts as at today’s date and is itself governed by English law. We have not investigated and express no opinion on the laws of any jurisdiction other than England, and we assume that there is no law, including any rule of public policy, of any jurisdiction outside England that affects any of the conclusions stated below. In particular and without limitation, we have not investigated and express no opinion on European Community law as it affects any jurisdiction other than England.

5. NO OPINION OF FACT

We express no opinion as to matters of fact.

6. ASSUMPTIONS

This opinion is given based on the assumptions contained in Schedule 1 (Assumptions) to this opinion.
7. OPINION

Based upon the foregoing and subject to any matters not disclosed to us, and subject to the qualifications set out below, we are of the opinion that at the date hereof:

7.1 Legal Validity

Each of the Guarantee and clause 5 (Obligations of AHL and GuarantCo) and Schedule 7 (Representations of AHL and GuarantCo) of the Trust Deed insofar as that clause and that schedule pertain to GuarantCo and are governed by English law constitute the legal, valid, binding and enforceable obligations of GuarantCo (to the extent that an obligation is expressed to bind it).

7.2 Consents

No authorisations, approvals, consents, licences, exemptions, filings or registrations of or with any governmental, judicial or public body or authority of or in England are required as a condition to the entry by GuarantCo into or the performance or validity of its obligations under the Opinion Documents.

7.3 Stamp Duties

No stamp or registration duty or similar taxes or charges are payable in England in respect of the execution or delivery of the Opinion Documents.

7.4 Choice of Law

The express choice of English law as the governing law of the Guarantee and clause 5 (Obligations of AHL and GuarantCo) and Schedule 7 (Representations of AHL and GuarantCo) of the Trust Deed insofar as that clause and that schedule pertain to GuarantCo will be given effect by the English courts.

7.5 Submission to English Jurisdiction

English courts of competent jurisdiction will regard the express submission by GuarantCo in the Trust Deed as sufficient to confer jurisdiction upon them over proceedings within the scope of the submission.

7.6 Service of process

GuarantCo has, pursuant to the Guarantee, validly agreed that service of process may be effected on the agent(s) named in the Guarantee for the purpose described therein. Service of process effected in such manner will be effective to confer on the English courts valid personal jurisdiction over GuarantCo in any such action.

7.7 Agreement to arbitrate

English courts of competent jurisdiction will recognise and give effect to the agreement to arbitrate in the relevant provisions of the Guarantee. Any award made following an arbitration conducted in accordance with the requirements of the arbitration provisions in the Guarantee would be enforceable through the English courts, pursuant and subject to the provisions and exceptions set out in the Arbitration Act 1996.
7.8 Enforcement of Foreign Judgments

A judgment of a recognised court sitting in Kenya having jurisdiction to give that judgment, finally and conclusively establishing a debt, if duly registered in accordance with the Administration of Justice Act 1920, should be capable of enforcement in the English courts without a retrial or re-examination of the matters thereby adjudicated, provided that the defendant may have defences open to it, enforcement may not be permitted or registration may be refused or set aside if, inter alia, the judgment:

i. was obtained by fraud;

ii. is contrary to public policy of English law or is in respect of a cause of action which for reasons of public policy or for some other reason could not have been entertained by the English courts;

iii. relates to foreign penal or revenue laws;

iv. was obtained in proceedings contrary to natural justice;

v. amounts to judgment on a matter previously determined by an English court or a court in another state having jurisdiction;

vi. is not the subject of an application for registration within one year (or such longer period as may be allowed by the English courts) of the date of the judgment;

vii. is given in proceedings brought in breach of an agreement for the settlement of disputes;

viii. is restricted in its enforceability by the provisions of the Protection of Trading Interests Act 1980; or

ix. is the subject of a pending appeal or the judgment debtor is entitled to and intends to appeal against the judgment.

8. QUALIFICATIONS

This opinion is subject to the qualifications set out in Schedule 2 (Qualifications) to this opinion.

9. BENEFIT

This opinion is given for the sole benefit of the person(s) to whom it is addressed and is issued solely for the use of the Arranger, the Note Trustee, the Security Trustee and the initial subscribers for the Notes in connection with the Opinion Documents and is not to be relied upon by or communicated to any other person or for any other purpose, nor is it to be quoted or made public in any way without our prior written consent.

Yours faithfully

Trinity International LLP
SCHEDULE 1
Assumptions

In giving this opinion, we have assumed without independent investigation:

1. the genuineness of all signatures, stamps and seals and that all deeds and counterparts were executed in single physical form;

2. the authenticity and completeness of all documents submitted to us as originals;

3. the conformity to original documents of all documents submitted to us as copies and the authenticity and completeness of such original documents;

4. each Opinion Document has been entered into for the legitimate purposes of each party thereto and the entry into each Opinion Document by each party thereto may reasonably be regarded as having been in that party’s interest;

5. that where an Opinion Document has been examined by us in a draft or specimen form, it will be or has been executed in the form of that draft or specimen;

6. the absence of any arrangements between any of the parties to the Opinion Documents which modify or supersede any of the terms of the Opinion Documents;

7. that there is no contractual or similar restriction (other than in the Opinion Documents), or judgment, order or decree, binding on GuarantCo or any of its assets which would affect the conclusions in this opinion;

8. that each party to the Opinion Documents;

   (a) is duly formed, validly subsisting and (where the concept has a legal meaning) in good standing under the laws of its jurisdiction of incorporation;

   (b) has all requisite capacity, and corporate or other power and authority, to execute, deliver and perform its obligations and exercise its rights under, each of the Opinion Documents to which it is party and to participate in the transactions contemplated thereby;

   (c) has validly authorised the execution of, delivery of and performance of its obligations under, each of the Opinion Documents to which it is a party and the transactions and matters contemplated thereby; and

   (d) has validly executed and unconditionally delivered such Opinion Documents including, where applicable, as a deed;

9. that each of the Opinion Documents is legally valid, binding and enforceable against all parties thereto other than GuarantCo;

10. the person specified in the Guarantee as agent for service of process in England and Wales on behalf of GuarantCo exists, operates at the address stated and has accepted its appointment, and such appointment will continue for as long as GuarantCo has any outstanding obligation under the Guarantee; and
the accuracy of all representations as to fact made in the Opinion Documents by GuarantCo.
SCHEDULE 3
Qualifications

This opinion is subject to the following qualifications:

12  Enforceable

12.1 The term “enforceable” as used in this opinion means that the obligations assumed by GuarantCo under the Opinion Documents are of a type which the English courts, or an arbitral tribunal applying English law, would enforce. It does not mean that the obligations assumed by GuarantCo under the Opinion Documents will necessarily be enforced in all circumstances in accordance with their terms, and the term “enforcement” as used in paragraph 7.8 (Enforcement of Foreign Judgments) does not mean that any judgment referred to therein will necessarily be enforced in all circumstances in accordance with its terms. In particular:

(a) Enforcement may be limited by any winding up, administration, bankruptcy, insolvency, reorganisation, moratorium or similar laws affecting creditors’ rights generally.

(b) An English court, or arbitral tribunal applying English law, will not necessarily grant any remedy, the availability of which is subject to equitable considerations or which is otherwise in the discretion of the court. In particular, orders for specific performance and injunctions are, in general, discretionary remedies under English law and are not usually available where damages are considered by the court or arbitrator to be an adequate alternative remedy.

(c) Claims may be or become barred under the Limitation Act 1980 (as amended or re-enacted) or may be or become subject to a defence of set off or a counterclaim.

(d) Where obligations are to be performed in a jurisdiction outside England and Wales, they may not be enforceable under English law to the extent that performance would be illegal or contrary to public policy under the laws of that jurisdiction. Furthermore, an English court, or an arbitral tribunal applying English law, may apply the laws of another jurisdiction where they are mandatory irrespective of the laws otherwise applicable.

(e) Enforcement may be restricted by the principles relating to the frustration of contracts by events happening after their execution.

(f) An English court, or arbitral tribunal applying English law, would not enforce the Opinion Documents if the application of principles of Kenyan law to the Opinion Documents would involve applying foreign expropriatory legislation, foreign penal revenue or public laws or was contrary to public policy of English law.

(g) Enforcement may be affected by defences of set-off or counterclaim, whether or not any such defence is waived in the Opinion Documents.

(h) Enforcement may be affected by the conduct of a person being such that such person is estopped from enforcing such rights.
Enforcement may be affected by the limitation by law of the effectiveness of certain provisions in the nature of exclusion clauses or exemption clauses which seek to exclude or limit a liability otherwise owed by a person to another.

12.2 We express no opinion on how courts in jurisdictions outside England and Wales will apply English law or on the enforceability of the awards of such courts.

12.3 Each reference to the Trust Deed (including any indirect reference to the Trust Deed as an Opinion Document) in paragraphs (7.1 Legal Validity) to (7.6 Service of process) (inclusive) is a reference to clause 5 (Obligations of AHL and GuarantCo) and Schedule 7 (Representations of AHL and GuarantCo) of the Trust Deed insofar as those provisions pertain to GuarantCo and are governed by English law and not to any provision of the Trust Deed expressed to be subject to Kenyan law or Mauritius law.

13 Penalties

We express no opinion as to the validity or binding effect of the obligations of GuarantCo under any provision of the Opinion Documents providing for the payment by that party of a higher rate of interest on overdue amounts or any other penalty.

14 Concurrent or Prior Proceedings

An English court may refuse to accept jurisdiction or stay proceedings in certain circumstances, for example, if related proceedings are being brought concurrently elsewhere or if another forum is more convenient. An English court will only assume jurisdiction to hear the case and give judgment against a defendant on the basis of service. Consequently, where the defendant cannot be served, the English courts will not assume jurisdiction and we give no opinion in this respect. An English court may refuse to accept jurisdiction or stay proceedings in certain circumstances. If a judgment has been given in proceedings in another jurisdiction which is enforceable or capable of recognition in England and Wales, then the party in whose favour such judgment was given cannot bring proceedings between the same parties in England and Wales on the same cause of action.

15 Exculpatory

The effectiveness of terms exculpating (or, as in the case of an indemnity, having the effect of exculpating) a party from a liability or duty otherwise owed is limited by law.

16 Stamp Duty Indemnities

Indemnities in respect of stamp duties payable in the United Kingdom may be void under Section 117 of the Stamp Act 1891.

17 Best interests

A person may be unable to enforce a transaction which it has entered into with a company if it knew or should have known that the board of directors of that company has breached its statutory and common law duties with respect to the company and in such circumstances, that person may be liable to repay amounts which it received from the company under the transaction.
A contract may be avoided on the grounds of common mistake of the parties as to the subject matter of the contract.

A clause obliging a party to negotiate is not legally binding and this may apply to clauses to a similar effect.

There could be circumstances in which an English court, or arbitral tribunal applying English law, would not treat as conclusive those certificates and determinations which the Opinion Documents state are to be so treated.

A clause which provides that a notice shall be deemed to have been served at a fixed time after dispatch may not be effective where it is proved that the notice was not in fact received by the addressee.

The Opinion Documents may be amended orally or by a course of conduct by the parties thereto notwithstanding provisions therein to the contrary.

The question of whether any provisions of the Opinion Documents which may be invalid on account of illegality may be severed from the other provisions thereof in order to preserve the validity of those other provisions would be determined by an English court in its discretion.

The guarantees given by GuarantCo in the Opinion Documents are subject to all applicable principles of English law which may operate to exonerate, discharge, reduce or extinguish the liabilities of guarantors notwithstanding the express terms of such guarantees.

The case of *Holmes v Brunskill* (1878) 3 Q.B.D.485 is considered by some commentators and legal advisers to stand for the proposition that an English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee to make any material amendment to the obligations to which the guarantee relates without further reference to the guarantor (see Andrews and Millett, *Law of Guarantees*, Third Edition, (2000)).

The operation of non-competition and deferral of rights clauses in guarantees may be restricted or invalid following the case of *Mills & Ors v HSBC Trustee (C.I) Ltd & Ors [2009] EWHC 3377 (Ch).*
Currency

English courts are prepared to render judgments for a monetary amount in foreign currencies but the judgment may be converted into sterling for enforcement purposes. Foreign currency amounts claimed in an English liquidation must be converted into sterling at the rate prevailing at the commencement of the liquidation.

Judgments/Currency Indemnity and Interest

A court in England, or an arbitral tribunal applying English law, may hold that a judgment on an Opinion Document, whether given in a court in England or elsewhere, would supersede the relevant agreement or instrument. If so, any obligation to pay interest which might otherwise apply after as well as before judgment would not be held to survive such a judgment. Furthermore, a court in England and Wales, or an arbitral tribunal applying English law, might not enforce the provisions of any of the Opinion Documents which provide for the party thereto to indemnify or compensate any other party in respect of any loss arising out of a judgment, whether obtained in England or elsewhere, being expressed or payable in a currency other than the currency of payment required by the relevant Opinion Document.

Costs

(a) An English court, or an arbitral tribunal applying English law, may refuse to give effect to any provision in any Opinion Documents for the payment of, or indemnifying against:

(i) expenses in respect of the costs of enforcement (actual or attempted) or of unsuccessful litigation brought before an English court or where the court, or an arbitral tribunal applying English law, has itself made an order for costs;

(ii) in relation to the costs of an arbitral tribunal because no agreement by one party to pay another’s costs is valid unless the agreement to pay such costs is made after any dispute has arisen; and

(iii) legal costs generally because an English court, or an arbitral tribunal applying English law, may reduce the amount of such legal costs which are payable by operation of the taxation provisions of the Solicitors Act 1974.

(b) A court in England and Wales may at its discretion, under the rules of procedure applicable, order a plaintiff in an action, being a party who is not ordinarily resident in the United Kingdom, to provide security for costs.

Waivers

No opinion is expressed as to a clause which provides that a variation or waiver is ineffective unless in writing.
29 Bretton Woods

If the performance of the payment obligations of GuarantCo under any of the Opinion Documents is contrary to the exchange control regulations of Mauritius or Kenya those obligations may be unenforceable in England by reason of Section 2(b) of Article VIII of the International Monetary Fund Agreement and the Bretton Woods Agreements Order in Council 1946.

30 Sanctions

If a party to the Opinion Documents is controlled by or otherwise connected with a person or is itself resident in, incorporated in or constituted under the laws of a country which is the subject of United Nations, European Community or UK sanctions implemented or effective in the United Kingdom, or is otherwise the target of any such sanctions, then the obligations of GuarantCo to that party under the Opinion Documents may be unenforceable or void.

31 Certain Turn-over Provisions

Any obligation imposed on GuarantCo to hold certain moneys to the order of or in trust for the Security Trustee may constitute a charge which may be required to be registered in accordance with the Companies Act 2006. We draw your attention to the fact that it is not proposed to so register the provision imposing this obligation.

32 Arbitration

(a) Any provision of the Opinion Documents which constitutes an agreement to submit to arbitration present or future disputes, such as Clause 21.1 (Arbitration) of the Guarantee, is subject to the provisions of the Arbitration Act 1996. Specifically, but without limitation:

(i) a party to an arbitration agreement against whom legal proceedings are brought in England (whether by way of claim or counterclaim) in respect of a matter which under the agreement is to be referred to arbitration may (upon notice to the other parties to the proceedings) apply to the court in which the proceedings have been brought to stay the proceedings so far as they concern that matter; but

(ii) such an application may not be made by a person before taking the appropriate procedural step (if any) to acknowledge the legal proceedings against such person or after such person has taken any step in those proceedings to answer the substantive claim; and

(iii) Under section 4 of the Arbitration Act 1996, certain provisions of the Act are mandatory and have effect notwithstanding any agreement to the contrary by the parties.

(b) The English courts will not enforce an arbitral award where a party against whom it is sought to be enforced shows that the tribunal lacked substantive jurisdiction to make the award.
A party against whom any arbitral award is sought may apply to the English courts to challenge the arbitral award on the grounds set out in sections 67, 68 and 69 of the Arbitration Act 1996, namely, that:

(i) the arbitral tribunal lacked substantive jurisdiction to make the award, or

(ii) there was a serious irregularity affecting the tribunal, the proceedings or the award, or

(iii) the arbitral award erred on a question of law relating to an award made in the proceedings.

In respect of a dispute between the parties to any Opinion Document, an arbitral tribunal convened pursuant to the relevant provision of that Opinion Document may decline jurisdiction (or an English court may refuse to stay proceedings commenced before it in favour of arbitration) if:

(i) the dispute concerns subject matter which is non-arbitrable; or

(ii) the dispute falls outside the scope of the relevant provision of the Opinion Document.

The interpretation or application of English law by an arbitral tribunal applying English law may differ from that of an English court.

General standards

A contractual obligation which is to be performed pursuant to a general standard may be interpreted by an English court, or an arbitral tribunal applying English law, having regard to all the circumstances including the factual background in which the particular contractual obligation is to be performed and, consequently, may not be predictable in application. Certain standard terms which create general standards which have well-developed meanings and applications under the law of other jurisdictions (such as gross negligence or wilful misconduct) may have different or less well-developed, or even no meaning and application under English law.

Misrepresentation

A contract entered into as a result of an inducement involving misrepresentation or fraud will generally not be enforceable by the English courts, or an arbitral tribunal applying English law.

Submission to jurisdiction

(a) Whether a submission by any party in any Opinion Document to the jurisdiction of the English courts is considered exclusive or non-exclusive will not necessarily depend on the existence or absence of the words “exclusive” and “non-exclusive” but depends on the intention of the parties as ascertained by the courts.
(b) In decision no 11-26.022 (26 September 2012), the French Cour de cassation decided that a jurisdiction clause in a form similar to that in the Guarantee was ineffective because it did not comply with the requirements of article 23 of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters and, as a result, that the clause did not confer jurisdiction on the court identified in it. The decision of the Cour de cassation is not binding on other courts in the European Union, and we believe that there are strong arguments why its decision should not be followed. However, whilst we consider that currently the English courts would not on their own adopt the same approach, the matter might be referred to the Court of Justice of the European Union either by another court in the European Union or indeed by an English court, for example where the relevant court considered that the French decision resulted in the position being uncertain. It is possible that the Court of Justice of the European Union (whose decisions are binding on all courts within the European Union, including the English courts), would reach the same conclusion as the Cour de cassation. If so, the Guarantee may be ineffective to confer jurisdiction on the courts of England, in which case the jurisdiction of the English and other courts would be determined by reference to the general law applicable in those courts.

36 Third Parties

Insofar as they purport to impose obligations on entities that are not party to the Opinion Documents, such provisions of the Opinion Documents will not be binding on those third parties, and we express no opinion as to the enforceability of any obligation expressed to be assumed under the Opinion Documents by any person who is not a party to the Opinion Documents.

37 Statutes

Any provision of the Opinion Documents which constitutes, or purports to constitute, a restriction on the exercise of any statutory power by any party to the Opinion Documents or any other person may be ineffective.

38 Exercise of Rights

(a) A party who possesses a certain right may be deemed to have made an irrevocable election not to exercise the right if it does not exercise it reasonably promptly.

(b) Where a party to an Opinion Document is vested with a discretion or may determine a matter in its opinion, English law may require that such discretion is exercised reasonably or that such opinion is based upon reasonable grounds.

(c) English law provides that an agreement by a company not to exercise certain powers under its constitution may be an unlawful fetter on such powers and as such may be unenforceable as against the company.

(d) It is uncertain whether the parties can agree in advance the governing law of claims connected with an Opinion Document but which are not claims on such Opinion Document, such as tort claims.
39 Actual Knowledge

A party who possesses knowledge that a warranty, representation or other factual statement is inaccurate at the relevant time may be unable to obtain damages for breach of the relevant warranty, or recession, damages in lieu of rescission, or other remedies stemming from reliance on the relevant statement.

40 Fraud

A provision which excludes or limits a party’s liability for fraud, otherwise permits a party to avoid the consequences of such fraud, may be void, as may be a clause which contains such a provision.

41 Waiver of Defences

A provision under which a party waives its right to bring or agrees not to bring certain defences, or agrees that certain facts or events will be disregarded or deemed not to have occurred for the purposes of establishing such defences, may be ineffective or unenforceable.

42 Human Rights Act 1998

The enforcement of obligations under any Opinion Document may be limited or excluded by the provisions of the Human Rights Act 1998.

43 Confidentiality obligations

Provisions imposing confidentiality obligations may be overridden by the requirement of legal process.
To:

ROPAT TRUST COMPANY LIMITED

Kenya Re Towers,
Off Ragati Road Post Office Box Number 1243,
00100 Nairobi
(as Note Trustee and Security Trustee)

Attention: Robert Ndungu

PRIVATE AND CONFIDENTIAL

Dear Sirs,

RE: LEGAL OPINION IN RESPECT OF ACORN HOLDINGS LIMITED AND GUARANTCO LTD

1 INTRODUCTION

1.1 BASIS OF INSTRUCTIONS

(a) We have acted as Mauritian legal advisers in connection with the following:

(i) a Kenyan law governed trust deed dated [●] between, amongst others, (i) Acorn Project (Two) Limited Liability Partnership as issuer (the “Issuer”), (ii) Acorn Holdings Limited (“AHL”), (iii) Guarantco Ltd (“GuarantCo”) and (iv) Ropat Trust Company Limited (“Note Trustee”) (the “Trust Deed”);

(ii) a Kenyan law governed intercreditor agreement dated [●] between, amongst others, (i) the Issuer, (ii) AHL, (iii) GuarantCo, (iv) Stanbic Bank Kenya Limited (the “Issue and Paying Agent”), (v) CDSC Registrars Limited (the “Registrar”) and (vi) the Note Trustee in the capacity of note trustee and security trustee (the “Intercreditor Agreement”);

(iii) a Kenyan law governed agency agreement dated [●] between (i) the Issuer, (ii) AHL, (iii) GuarantCo, (iv) the Issue and Paying Agent, (v) the Registrar and (vi) the Note Trustee (the “Agency Agreement”);
(iv) a Kenyan law governed subordination deed dated [●] between amongst others, (i) AHL, (ii) the Issuer, and (iii) the Note Trustee in its capacity as note trustee and security trustee (the “Subordination Deed”);

(v) an English law governed deed of guarantee dated [●] between GuarantCo as guarantee and the Note Trustee (the “Guarantee”);

(vi) a Kenyan law governed partnership interest pledge agreement dated [●] between (i) AHL and Acorn Management Service Limited as the pledgors, (ii) the Issuer, and (ii) the Security Trustee as security trustee (the “Interest Pledge Agreement”); and

(vii) a Mauritian law governed guarantee agreement dated [●] between (i) AHL as guarantor and (ii) the Note Trustee (the “AHL Guarantee Agreement”).

(b) The Trust Deed, the Intercreditor Agreement, the Agency Agreement, the Subordination Deed, the Guarantee and the Interest Pledge Agreement are collectively referred to as the "Foreign Agreements" and each a “Foreign Agreement”.

(c) The Foreign Agreements and the AHL Guarantee Agreement are collectively referred to as the "Agreements".

(d) AHL and GuarantCo are collectively referred to as the "Mauritian Entities" and each a “Mauritian Entity”.

(e) Expressions defined in the Trust Deed and not re-defined in this opinion shall have the same meaning in this opinion, unless the context otherwise requires.

(f) The laws governing the Foreign Agreements, namely the laws of Kenya and English law are collectively referred to as the "Foreign Laws".

1.2 **Scope and purpose of the opinion**

(a) This opinion is confined to matters of Mauritian law as at today's date.

(b) This opinion is delivered on condition that it is governed by Mauritian law and that any action or proceeding based on it is subject to the exclusive jurisdiction of the Mauritian courts.

(c) This opinion is provided for the sole benefit of the Note Trustee, the Security Trustee, Stanbic Bank Kenya Limited (as the Arranger) and the initial subscribers for the Notes in connection with the Agreements. It may not be relied on by any other person. It should not be disclosed to anyone else (except your successors and permitted assignees under the Agreements) without our written consent (each an Addressee).

(d) This opinion may not be relied upon by any other person without our express written consent. It may not be disclosed to any other person without our express written consent, except that it may be disclosed, but only on the express basis that it may not be relied on:
(i) to any professional adviser or auditor of an Addressee;
(ii) to the extent required by any applicable law or regulation; or
(iii) to any regulatory authority having jurisdiction over an Addressee.

2 DOCUMENTS

For the purpose of issuing this opinion, we have reviewed originals or scanned copies of the following documents.

2.1 The executed and duly dated Agreements.

2.2 In respect of AHL:

2.2.1 A certificate by an officer dated [●], to which are attached, amongst other things, copies of the following documents certified as true and complete:

(a) The constitution dated 25 September 2015.
(b) The certificate of incorporation issued by the Registrar of Companies on 29 September 2015.
(c) The Category 2 Global Business Licence issued by the Financial Services Commission on 30 September 2015.
(d) The receipt for renewal of fees in respect of the Category 2 Global Business Licence for the period 1 July 2018 to 30 June 2019.
(e) [A letter confirming payment of the renewal fees in respect of the Category 2 Global Business Licence for the period 1 July 2019 to 30 June 2020]
(f) The certificate of current standing issued by the Registrar of Companies on 23 January 2019
(g) A register of members.
(h) A register of directors.
(i) The written resolutions of the directors dated [●] [OR] minutes of meeting of the board of directors held on [●] (the “AHL Directors’ Resolution”).
(j) The written resolutions of the shareholders dated [●][OR] minutes of meeting of the shareholders held on [●] (the “AHL Shareholder Resolution”).

2.2.2 A litigation certificate issued by the Registrar of the Supreme Court of Mauritius on 22 July 2019 (the “AHL SC Certificate”).

2.2.3 A litigation certificate issued by the Registrar of the Bankruptcy Division of the Supreme Court of Mauritius on 15 July 2019 (the “AHL BD Certificate”).
2.3 In respect of GuarantCo:

2.3.1 A certificate by an officer dated [●], to which are attached, amongst other things, copies of the following documents certified as true and complete:

(a) The constitution adopted by the special resolutions of shareholders passed on 28 June 2018.

(b) The certificate of incorporation issued by the Registrar of Companies on 26 August 2005.

(c) The Category 1 Global Business Licence issued by the Financial Services Commission on 7 October 2008.

(d) The receipt for renewal of fees in respect of the Category 1 Global Business Licence for the period 1 July 2018 to 30 June 2019.

(e) A letter confirming payment of the renewal fees in respect of the Category 1 Global Business Licence for the period 1 July 2019 to 30 June 2020.

(f) The certificate of current standing issued by the Registrar of Companies on 19 July 2019.

(g) A register of members.

(h) A register of directors.

(i) A register of charges.

(j) A subscription agreement (No.9) relating to shares in the Company dated 23 May 2019.

(k) The management agreement relating to the Company dated 09 May 2016 as amended and restated on 19 July 2018 (the “Management Agreement”) giving delegated authority to the credit committee of GuarantCo Management Company Limited (“GMC”) (the “GMC Credit Committee”).

(l) The written resolutions of the board of directors of GuarantCo dated 25 April 2018 approving the Management Agreement (the "GuarantCo Directors’ Resolution", and collectively with the AHL Directors’ Resolution, the "Directors’ Resolutions").

(m) The GMC Schedule of Authorities as defined in the Management Agreement.

2.3.2 [A certificate of delegated authority issued by GMC dated [●]].

2.3.3 A litigation certificate issued by the Registrar of the Supreme Court of Mauritius on 22 July 2019 (the “GuarantCo SC Certificate” together with the AHL SC Certificate, the “SC Certificates”).

2.3.4 A litigation certificate issued by the Registrar of the Bankruptcy Division of the Supreme Court of Mauritius on 15 July 2019 (the “GuarantCo BD Certificate” together with the AHL BD Certificate, the “BD Certificates”).
2.4 On 31 January 2019, we carried out a search of each Mauritian Entity at the Registrar of Companies.

2.5 We have not examined any other document or records nor made any other enquiries.

3 ASSUMPTIONS

This opinion is delivered on the basis of the following assumptions. We have made no independent investigation of the accuracy of these assumptions.

3.1 All original documents supplied to us are complete, authentic and up to date, and all copy documents supplied to us are complete and conform to the originals.

3.2 The persons who signed the Agreements on behalf of the Mauritian Entities are the persons authorised to do so by the Directors’ Resolutions and the GMC Schedule of Authorities as applicable.

3.3 The Directors’ Resolutions and the AHL Shareholder Resolutions were duly passed. They have not been amended and/or rescinded.

3.4 The powers of the directors of the Mauritian Entities have not been modified by any agreement among the shareholders of the Mauritian Entities.

3.5 Neither the constitution nor the certificate of incorporation of each Mauritian Entity have been altered or revoked since the date on which the copies were certified.

3.6 At the time the Agreements were entered into no party who can take the benefit of this opinion was on actual notice of any prohibition or restriction on any of the other parties to the Agreements entering into them (nor did any such party deliberately refrain from making enquiries in circumstances where it had any suspicion of such matters).

3.7 The information stated in the Category 1 and Category 2 Global Business Licences referred to in paragraph 2 remain accurate as today’s date.

3.8 The information and advice provided to us by government, regulatory and other like officials and the registries we have consulted are accurate and up to date.

3.9 The Agreements have been duly authorised, executed and delivered by the parties to them (other than the Mauritian Entities) and create legal, valid, binding and enforceable obligations of the parties (other than the Mauritian Entities) to the Agreements in accordance with their terms.

3.10 Each Mauritian Entity was not unable to pay its debts within the meaning of the Insolvency Act 2009 at the time it entered into the Agreements to which it is party, and it will not, as a result of its entry into the Agreements to which it is party, be unable to pay its debts within that meaning.

3.11 No steps have been taken or are being taken to wind up, dissolve or amalgamate the Mauritian Entities, to propose a compromise or an arrangement to the creditors or shareholders of the Mauritian Entities, or to appoint a liquidator, receiver or similar officer in respect of the Mauritian Entities or any of their property.
3.12 No party to the Agreements has entered into the Agreements in consequence of bad faith, fraud or misrepresentation or on the basis of a mistake of fact or law or believing the Agreements to be fundamentally different in substance or in kind from what they are.

3.13 The Agreements have not been amended or terminated and no right under the Agreements have been waived.

3.14 The Foreign Agreements create under the applicable Foreign Laws, legal, valid, binding and enforceable obligations of the parties in accordance with their terms.

3.15 No material documents have been deliberately or inadvertently withheld from us.

3.16 All statements as to matters of fact contained in any document we have examined were accurate and complete at all relevant times.

3.17 GMC validly exists and is in good standing in its jurisdiction of incorporation, it has the power and capacity to perform its obligations under the Management Agreement.

3.18 The delegation of powers made by GuarantCo to GMC under the Management Agreement has not been terminated or varied.

3.19 The Management Agreement is valid and enforceable in accordance with its terms.

3.20 The relevant resolutions have been passed by GMC to authorise the entry into the Guarantee.

3.21 The persons who signed the Guarantee on behalf of GuarantCo are the persons authorised to do so by GMC in accordance with the Management Agreement.
4 OPINIONS

Based upon and subject to the assumptions and other matters referred to above and subject to any matters not disclosed to us and the qualifications set out below, it is our opinion that, so far as the present laws of Mauritius are concerned:

4.1 INCORPORATION

Each Mauritian Entity is duly incorporated in Mauritius and validly exists with limited liability.

4.2 POWER AND AUTHORISATION

(a) Each Mauritian Entity has the corporate power and capacity to execute and deliver the Agreements to which it is a party and to perform its obligations under the Agreements to which it is a party.

(b) Each Mauritian Entity has taken all necessary corporate action to authorise its execution and delivery of the Agreements to which it is a party and the performance of its obligations under the Agreements to which it is a party.

4.3 NO CONTRAVENTION

The execution and delivery by the Mauritian Entities of the Agreements to which they are a party and the performance by the Mauritian Entities of their respective obligations under the Agreements to which they are a party does not and will not:

(a) contravene or result in a breach of their respective constitutions; and

(b) contravene any law or regulation of Mauritius.

4.4 APPROVALS AND AUTHORISATIONS

No consents, licences, approvals or authorisations of any governmental authority or agency, regulatory body, court, or other similar entity having jurisdiction are required by law or regulation in connection with the execution and delivery by the Mauritian Entities of the Agreements.

4.5 EXECUTION

The Mauritian Entities have duly executed the Agreements to which they are party.

4.6 VALIDITY AND ENFORCEABILITY

The AHL Guarantee Agreement creates legal, valid, binding and enforceable obligations in accordance with its terms under Mauritian law.

4.7 FILINGS AND INSCRIPTIONS

No filings or inscriptions with any governmental authority or agency, regulatory body, court or other similar entity having jurisdiction are required by law or regulation
applicable to Mauritian companies generally in order to ensure the legality, validity, binding nature or enforceability of the Agreements.

4.8 **STAMP DUTIES**

No stamp, registration or similar duty, tax or charge is payable in Mauritius in order to ensure the legality, validity, binding nature or enforceability of the Agreements.

4.9 **IMMUNITY**

In any proceeding taken in Mauritius in relation to the Agreements, the Mauritian Entities will not be entitled to claim for themselves or any of their property or assets immunity from service, suit, attachment, execution or other legal action.

4.10 **RANKING**

Obligations of the Mauritian Entities resulting from the Agreements rank at least *pari passu* in Mauritius in right of payment with all other unsecured obligations of the Mauritian Entities, except obligations that are mandatorily preferred by law.

4.11 **NO DEEMED RESIDENCY**

The Issue and Paying Agent, the Note Trustee, the Security Trustee and the Registrar will not be deemed to be resident, domiciled or carrying on business in Mauritius by reason only of the execution, performance or enforcement of the Agreements.

4.12 **NO LICENSE REQUIRED**

It is not necessary for the execution, performance or enforcement of the Agreements that the Issue and Paying Agent, the Note Trustee, the Security Trustee and the Issuer be licensed, authorised or qualified to carry on business in Mauritius.

4.13 **CHOICE OF LAW**

(a) If the Foreign Agreements are sought to be enforced in any action or proceeding in Mauritius in accordance with the law chosen by the parties, namely the Foreign Laws, the choice of each such law:

(i) would be upheld by a court of competent jurisdiction in Mauritius as valid; and

(ii) applied by such a court to the relevant Foreign Agreement;

except to the extent that:

(iii) any term of a Foreign Agreement or any provision of a Foreign Law applicable to a Foreign Agreement is manifestly incompatible with the international public policy of Mauritius; or

(iv) mandatory provisions of Mauritian law or the laws of another jurisdiction may be given effect by a Mauritian court if and insofar as, under Mauritian
law or the laws of such other jurisdiction respectively, those provisions must be applied irrespective of the chosen law.

No term of a Foreign Agreement is manifestly incompatible with the international public policy of Mauritius.

(b) The choice of Mauritian law as the governing law of the AHL Guarantee Agreement [(Clause 14.2) and clause 5 (Obligations of AHL and GuarantCo), Schedule 7 (Representations of AHL and GuarantCo), Schedule 8 (Covenants by AHL) and Schedule 9 (Undertakings by AHL)] of the Trust Deed insofar as that clause and that schedule pertain to AHL would be upheld by a court of competent jurisdiction in Mauritius subject to the conditions as set out in clauses 4.13(a)(iii)-(iv). ]

4.14 SUBMISSION TO JURISDICTION

(a) The submission by AHL to the jurisdiction of the courts of Kenya pursuant to:

(i) paragraph 15 (b) of schedule 3 of the Trust Deed;

(ii) clause [20.2] of the Intercreditor Agreement;

(iii) clause [15.2] of the Agency Agreement; and

(iv) clause [18] of the Interest Pledge Agreement,

would be recognised and given effect by a court of competent jurisdiction in Mauritius.

(b) The submission by GuarantCo to the jurisdiction of the courts of Kenya pursuant to:

(i) clause [20.2] of the Intercreditor Agreement; and

(ii) clause [15.2] of the Agency Agreement,

would be recognised and given effect by a court of competent jurisdiction in Mauritius.

(c) The submission by GuarantCo to the jurisdiction of the courts of England pursuant to clause[22.1(a)] of the Guarantee would be recognised and given effect by a court of competent jurisdiction in Mauritius.

4.15 EXEQUATUR OF FOREIGN JUDGMENT

The Supreme Court may register and enforce, by way of exequatur under article 546 of the Code de procédure civile, an in personam judgment of a foreign court obtained against
the relevant Mauritian Entity with respect to a claim arising out of the Foreign Agreements, without reconsideration of the merits, if:

(a) the judgment remains valid and capable of execution in the country where it was delivered;

(b) the relevant Mauritian Entity has been regularly summoned to the proceedings leading to the judgment; and

(c) the foreign court had jurisdiction over the relevant Mauritian Entity and the matter submitted to it.

The Supreme Court will not recognise and enforce a foreign judgment if:

(d) the judgment is contrary to any principle affecting public order, as such term is interpreted under Mauritian law;

(e) the judgment was obtained by fraud or in a manner contrary to the principles of natural justice, including in respect of procedure; or

(f) the judgment is for a claim that under Mauritian law would be characterised as based on a tax, expropriatory, penal or other public law.

The Supreme Court has discretion to stay or decline to hear an action on the foreign judgment if the foreign judgment is under appeal or there is another subsisting judgment in any jurisdiction relating to the same cause of action as the foreign judgment.

4.16 SUBMISSION TO ARBITRATION

The submission by GuarantCo to arbitration pursuant to clause [21] of the Guarantee ("Arbitration Clause") would be recognized and given effect by a court of competent jurisdiction in Mauritius.

4.17 CONVENTION ON THE RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAL AWARD

Mauritius has ratified and implemented the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (United Nations, Treaty Series, Vol. 330, No 4739). Accordingly an award made in London pursuant to the Arbitration Clause may be recognized and enforced by the Supreme Court. Recognition and enforcement of an arbitral award may be refused by the Supreme Court only:

(a) at the request of the party against whom it is invoked, if that party furnishes to the Supreme Court proof that:

(i) a party to the Arbitration Clause was under some incapacity; or the Arbitration Clause is not valid under English Law or, failing any indication thereon, under the law of the country where the award was made;

(ii) the party against whom the award is invoked was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present its case;
(iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award that contains decisions on matters submitted to arbitration may be recognized and enforced;

(iv) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or

(v) the award has not yet become binding on the parties or has been set aside or suspended by a court of the country in which, or under the law of which, that award was made; or

(b) if the Supreme Court finds that

(i) the subject-matter of the dispute is not capable of settlement by arbitration under the law of Mauritius; or

(ii) the recognition or enforcement of the award would be contrary to the public policy of Mauritius.

If an application for the setting aside or suspension of the award has been made to a competent authority referred to in paragraph 4.17(v), the Supreme Court may, if it considers it proper, adjourn the decision on the enforcement of the award. On the application of the party claiming enforcement of the award it may also order the other party to give suitable security.

4.18 NO USURY LAWS OR EXCHANGE CONTROLS

(a) There are no usury laws in Mauritius which restrict the payment of interest in accordance with the Agreements.

(b) No exchange control consents are presently required in Mauritius to enable any Mauritian entity to enter into the Agreements or to make payments (in any currency) thereunder.
4.19 INSOLVENCY AND LITIGATION

(a) Based on the certificates of current standing of the Mauritian entities, the Mauritian Entities are not:

(i) in receivership;
(ii) in administration; and
(iii) in the process of being dissolved and wound up.

(b) Based on the SC Certificates, no judgment has been delivered against the Mauritian Entities and no litigation is pending against the Mauritian Entities, as at the date of the SC Certificates.

(c) Based on the BD Certificates, there is as at the date of the BD Certificates, no judgment delivered or any litigation pending against the Mauritian Entities.

5 QUALIFICATIONS

This opinion is subject to the following qualifications:

5.1 The rights and obligations resulting from the Agreements are subject to all laws relating to insolvency, bankruptcy, reorganisation, arrangement, winding-up, administration and similar procedures affecting generally the rights of creditors.

5.2 The rights and obligations resulting from the Agreements are subject to the doctrine of good faith and to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of a court.

5.3 The mention that obligations are "legal, valid, binding and enforceable" means that the obligations are of a type which Mauritian courts could enforce; it does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms.

5.4 Except as specifically stated, we express no opinion as to any taxation matters, or the rights or remedies of any taxation authority in respect of non-payment of taxes or the failure to comply with laws and regulations relating to taxation.

5.5 We express no opinion as to matters of fact.

5.6 Claims may be barred under provisions of Mauritian law imposing limitation periods.

5.7 The ability of any party to recover costs in respect of any proceedings in a Mauritian court, or to recover interest after judgment on any sum awarded in a judgment of a Mauritian
court, is in the discretion of the court; the court has the power to determine to whom and to what extent such costs should be paid.

5.8 Our opinions in paragraph 4.1 are based solely on the certificates of incorporation and the certificates of current standing referred to in paragraph 2.

Yours faithfully

BLC ROBERT & ASSOCIATES
Appendix B: Form of Pricing Supplement

Issue of up to [ ] of Fixed Rate Notes Under the up To KES5,000,000,000 Medium Term Note Programme

This document constitutes the applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 16 August 2019. This applicable Pricing Supplement must be read in conjunction with such Information Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Information Memorandum, the provisions of this Pricing Supplement shall prevail.

<table>
<thead>
<tr>
<th>1. Description of the Notes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Issuer</td>
<td>Acorn Project (Two) Limited Liability Partnership</td>
</tr>
<tr>
<td>1.2. Status of the Notes</td>
<td>Senior Secured and Guaranteed</td>
</tr>
<tr>
<td>1.3. Issue:</td>
<td></td>
</tr>
<tr>
<td>a. Fixed Rate Series Number*</td>
<td>01</td>
</tr>
<tr>
<td>b. Fixed Rate Tranche Number</td>
<td>[APTLLPFXD01/2019/5]</td>
</tr>
</tbody>
</table>

Note:
* explanation of the series number:
APTLLP – Acorn Project Two Limited Liability Partnership; FXD01 – first series of fixed rate notes; 2019 – year of issue; 5 – tenor of notes

<table>
<thead>
<tr>
<th>1.4. Redemption/Payment Basis</th>
<th>[Redemption at par]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5. Programme Amount</td>
<td>Up to [KES5,000,000,000]</td>
</tr>
<tr>
<td>1.6. Series Amount,</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.7. Guarantee amount</td>
<td>50% of Principal and Interest</td>
</tr>
<tr>
<td>1.8. Form of Notes</td>
<td>Book-entry</td>
</tr>
<tr>
<td>1.9. Issue Date</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.10. Business Centre</td>
<td>Nairobi</td>
</tr>
<tr>
<td>1.11. Specified Denomination of the Notes</td>
<td>[KES1,000,000 with integral multiples of KES100,000 thereof]</td>
</tr>
<tr>
<td>1.12. Issue Price</td>
<td>[100%]</td>
</tr>
<tr>
<td>1.13. Interest Commencement Date</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.14. Interest Termination Date</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.15. Redemption Date</td>
<td>[ ]</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>1.16. Specified Currency</td>
<td>[Kenya Shillings]</td>
</tr>
<tr>
<td>1.17. Applicable Business Day convention</td>
<td>[Following Business Day Convention (if an Interest Payment Date (or other date) falls on a date which is not a Business Day, such date shall be postponed to the next day which is a Business Day)]</td>
</tr>
<tr>
<td>1.18. Issue and Paying Agent</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.19. Specified office</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.20. Of the Issue and Paying Agent</td>
<td>[ ]</td>
</tr>
<tr>
<td>1.21. Of the Issuer</td>
<td>Acorn House, 2nd Floor, 97 James Gichuru Nairobi, Kenya</td>
</tr>
<tr>
<td>1.22. Final Redemption Amount</td>
<td>[Tranche Amount]</td>
</tr>
<tr>
<td>1.23. Record Date</td>
<td>[15 days prior to each Interest Payment Date]</td>
</tr>
</tbody>
</table>

2. Provisions relating to Interest Payable

2.1 Fixed Rate Note Provisions
   i. Fixed Rate of Interest | [ ]     |
   ii. Interest Payment Dates | [ ]     |
   iii. Default Rate | Fixed Rate of Interest + 200 basis points |
   iv. Other terms relating to the method of calculating interest for the Fixed Rate Notes | [Not Applicable]     |

2.2 Floating Rate Note Provisions | Not Applicable |

3. Provisions regarding Redemption

3.1 Redemption at the option of the Issuer | Applicable |

If applicable,
   a. Optional Redemption Dates | [On an interest payment date]     |
   b. Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) | [None]     |
   c. Minimum period of notice | [30 days]     |
   d. If redeemable in part |   |
<table>
<thead>
<tr>
<th></th>
<th>Minimum Redemption Amount</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum Redemption Amount</td>
<td>[KES100,000,000 with integral multiples of KES50,000,000]</td>
</tr>
<tr>
<td>e.</td>
<td>Higher Redemption Amount</td>
<td>None</td>
</tr>
<tr>
<td>e.</td>
<td>Other terms applicable on Redemption</td>
<td><a href="#">the Issue and Paying Agent has received from the Issuer not less than 30 days prior written notice (which such notice shall also have been given to the Noteholders in accordance with [ ] specifying the date on which the principal amount is to be redeemed, such date to be a Principal Repayment Date or an Interest Payment Date;</a></td>
</tr>
</tbody>
</table>

**GENERAL**

4. Other terms or special conditions | [None] |
5. Board approval for issuance of the Notes | [ ] |
6. Additional Selling Restrictions | The Notes will be placed with sophisticated investors |
7. Allotment policy | [In the event of an oversubscription, allotment will be at the discretion of the Issuer.] |
8. Settlement Procedures and Settlement Instructions | same day funds on [ ] |
9. Details of bank account(s) to which payments are to be made in respect of the Notes | To be provided in the application form |
10. Last Day to Register, which shall mean that the "books closed period" (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption | [5.00 p.m. Nairobi time fifteen (15) calendar days prior to each Interest Payment Date] |
11. Method of Distribution | [Public] |
12. Total Notes in issue (excluding the current issue) | KES0 |
13. Rights of Cancellation | [The Notes will be delivered to investors on the Issue Date/Settlement Date provided that: (i) no event occurs prior to the settlement process being finalised on the Issue Date/Settlement Date which the Issuer (in its sole discretion) consider to be a force majeure event; or (ii) no event occurs which the Issuer (in its sole discretion) considers may prejudice the issue, the Issuer or the Notes] |
<table>
<thead>
<tr>
<th>14. Tax</th>
<th>[Interest earned on the Notes is subject to 15% withholding tax (Attach copy of certificate of exemption where applicable).]</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Material Change</td>
<td>[Save as disclosed in the Information Memorandum as read together with this applicable Pricing Supplement, there has been no significant change in the Issuer's financial position since the date of the Issuer's last audited financial statements.]</td>
</tr>
<tr>
<td>16. Responsibility Statement</td>
<td>[The LLP accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum [referred to above, contains all information that is material in the context of the issue of the Notes.]</td>
</tr>
<tr>
<td>17. ISIN</td>
<td></td>
</tr>
<tr>
<td>18. FiSN</td>
<td></td>
</tr>
<tr>
<td>19. CFI</td>
<td></td>
</tr>
<tr>
<td>ADDITIONAL INFORMATION</td>
<td></td>
</tr>
<tr>
<td>20. Additional steps that may be taken following approval of the Extraordinary Resolution (in accordance with the Conditions)</td>
<td>[None]</td>
</tr>
<tr>
<td>21. Specify Agents and Specified Offices if new or other Agents appointed</td>
<td>[Not Applicable]</td>
</tr>
<tr>
<td>Authorised Signatories</td>
<td></td>
</tr>
</tbody>
</table>
Appendix C: Form of Application Form

Up to KENYA SHILLINGS FIVE BILLION (KES5,000,000,000) MEDIUM TERM NOTE PROGRAMME
For the offering of [Acorn Project (Two) Limited Liability Partnership] Notes

I/We, the undersigned hereby apply, or as agent on behalf of the applicant (as applicable), I/we confirm that the applicant applies to purchase the amount specified below of the notes (the “Notes”) to be issued by [Acorn Project (Two) Limited Liability Partnership] (“Issuer”) upon the terms and conditions set out in this application form and the Information Memorandum dated 16 August 2019.

Applications must be made in accordance with the instructions set out in this document. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult the Placing Agents for guidance.

Please complete all relevant sections of this Form USING BLOCK LETTERS WHERE APPLICABLE

<table>
<thead>
<tr>
<th>APPLICANT STATUS (PLEASE TICK ✓)</th>
<th>DATE (DD/MM/YYYY)</th>
<th>CONTROL NO. (FOR REGISTRARS’ USE ONLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident</td>
<td>/</td>
<td></td>
</tr>
<tr>
<td>Non-Resident</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Exempt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DECLARATION (PLEASE TICK ✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/We note or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant notes that the Issuer and the Placing Agents are entitled in their absolute discretion to accept or reject this application.</td>
</tr>
<tr>
<td>1/We confirm or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant confirms that I/we have or the applicant has (as applicable) read the Information Memorandum dated [*] [year] and that my/our application(s) is/are made on the terms set therein.</td>
</tr>
<tr>
<td>1/We agree or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant agrees to accept the Principal Amount as may be allocated to me/us or the applicant (as applicable) subject to the terms in this Pricing Supplement.</td>
</tr>
<tr>
<td>1/We authorize or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant authorizes you to enter my/our name or the applicant’s name (as applicable) on the Register of Noteholders of the Notes that may be allotted to me/us or the applicant (as applicable) and to register my/our address or the applicant’s address (as applicable) as given below.</td>
</tr>
<tr>
<td>1/We hereby irrevocably undertake and confirm or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant irrevocably undertakes and confirms my/our application(s) or the applicant’s application (as applicable) for Notes is on the terms outlined in the relevant Pricing Supplement.</td>
</tr>
</tbody>
</table>

| APPELLANT DETAILS (INDIVIDUAL/CORPORATE/JOINT) (Please use one box for one alphabet leaving one box blank between first word and second) |

SURNAME/CORPORATE NAME

FIRST NAME (FOR INDIVIDUALS ONLY) OTHER NAMES (FOR INDIVIDUALS ONLY)

JOINT APPLICANT’S FIRST NAME (IF APPLICABLE) OTHER NAMES (FOR JOINT APPLICANT ONLY)

CONTACT PERSON AND FUND MANAGER (FOR CORPORATE APPLICANT)/NEXT OF KIN (FOR INDIVIDUAL APPLICANT)

ADDRESS IN FULL (PLEASE DO NOT REPEAT APPLICANT’S NAME). POST BOX NO. ALONE IS NOT SUFFICIENT

<table>
<thead>
<tr>
<th>CITY</th>
<th>COUNTY</th>
<th>EMAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PARTICIPATION AND ALLOTMENT DETAILS

FACE VALUE:

Please credit my/our Account as detailed below to the extent of the Notes are allotted:

<table>
<thead>
<tr>
<th>APPLICANT’S ACCOUNT NO:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

BANK DETAILS FOR INTEREST PAYMENTS

<table>
<thead>
<tr>
<th>BANK NAME</th>
<th>BRANCH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNT NO.</td>
<td>CITY/COUNTY</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>SIGNATURES</td>
<td>2ND SIGNATURE (CORPORATE/Joint)</td>
</tr>
<tr>
<td>NAME OF AUTHORISED SIGNATORY (Corporate only)</td>
<td>NAME OF AUTHORISED SIGNATORY (Corporate/Joint)</td>
</tr>
<tr>
<td>DESIGNATION (Corporate only)</td>
<td>DESIGNATION (Corporate only)</td>
</tr>
</tbody>
</table>
Notes:

1. Completing the form
This completed form should be forwarded by email or by hand to [the Arrangers or Placing Agents] at the following address:

Debt Capital Markets – Kenya
Stanbic Bank Kenya Limited
1st Floor, Stanbic Centre
58 Westlands Road
Nairobi
Tel: +254 20 363 8616
Email: projectoptimus@stanbic.com

Application lists will close at [*]h00 on [*]

◼ All alterations to this application form must be authenticated by full signature. All applications must be made without any conditions stated by applicants and all declarations must be ticked.
◼ Under no circumstances whatsoever may the name of the applicant be changed and if this is done then the application form will be invalid.
◼ Applications are made subject to the provisions of the Information Memorandum to which this form is attached and the Trust Deed
◼ Applications are irrevocable and may not be withdrawn or amended without the written consent of the Issuer

2. Acceptance
By signing an application form, the applicant:
(i) acknowledges that it is a Professional Investor; and
(ii) undertakes to pay to the Issuer the purchase price for the Notes allotted in multiple tranches (up to the allotted amount) subject to the Issuer fulfilling all conditions precedent for each tranche and in accordance with the provisions of the Trust Deed.

For the purposes of this clause (and clause 3 below), a Professional Investor refers to (i) any person licensed under the CMA Act; (ii) an authorised scheme or collective investment scheme; (iii) a bank or subsidiary of a bank, insurance company, cooperative, statutory fund, pension or retirement fund; or (iv) a person including a company, partnership, association or a trustee on behalf of a trust which, either alone, or with any associates on a joint account subscribes for Notes with an issue price of at least five million shillings.

3. Commitments from investors and drawdown mechanics
a) Investors shall provide legally binding commitments (in form and substance satisfactory to the Placing Agents) in relation to their total participation in the Programme
b) The Issuer shall, upon satisfaction of the relevant drawdown conditions, issue a utilisation request (in pre-agreed form) to the [Note Trustee] no later than [ ] days prior to the proposed utilisation date
c) Each investor shall make its participation in each drawdown available by the relevant utilisation date
d) The amount of each investor’s participation in each drawdown will be equal to the proportion borne by its Available Commitment under the Programme to the Available Facility under the Programme immediately prior to making that disbursement.
e) The [Note Trustee] shall notify each investor of the amount of each tranche and the amount of its participation in that tranche, in each case no later than [ ] days prior to the proposed drawdown date of the relevant tranche
f) Each drawdown will be pre-approved by the Technical Advisor

Defaulting subscriber

a. Each Subscriber acknowledges and agrees that if a Defaulting Subscriber fails to fund its participation pursuant to a payment request received from the Placing Agent on or before the Settlement Date, then for purposes of that request:
   i. the Defaulting Subscriber shall not be required to make its participation available; and
   ii. its Available Commitment shall be reduced and cancelled by the Unpaid Commitment Amount.

Such cancellation shall be without prejudice to a request to the Note Trustee to re-instate the cancelled commitments in relation to any increased participation by that Subscriber in any future payment requests where amounts requested for would not have been achieved as a result of any Subscriber failing to fund their participation.
b. Other than in respect of the Unpaid Commitment Amount, the commitment of a Subscriber and its obligations to fund the balance of that Subscriber’s Commitment shall remain in full force and effect.
c. A Subscriber may (upon request by a Placing Agent), request that its total Subscriber’s Commitment be increased (and its total Subscriber’s Commitment shall be so increased upon execution of an increase confirmation) in an aggregate amount of the total Subscriber’s Commitment so cancelled in Condition 13(a). Alternatively, any such cancelled total Subscriber’s Commitment may be funded by another Subscriber who provides a commitment letter to a Placing Agent within five (5) days of such request.
d. The Placing Agent may, after a Subscriber has become and continues to be a Defaulting Subscriber, transfer that portion of the Subscriber’s Commitment of the Defaulting Subscriber equal to the Unpaid Commitment Amount to an existing or to a new Subscriber and the costs for such transfer shall be borne by the Defaulting Subscriber.
Definitions:
Available Commitment means, an investor’s commitment under the Programme minus:

a) the amount of its participation in any outstanding utilisations under the Programme; and
b) in relation to any proposed utilisation, the amount of its participation in any utilisations that are due to be made on or before the proposed utilisation date.

Available Facility means the aggregate for the time being of each investor’s Available Commitment.

4. Settlement procedure

Payment of the purchase price for the Notes may be made by bank transfer/remittance using real time gross settlement (RTGS), to be made on the instructions of the successful applicant to his bank of the funds for credit of the Issuer’s Account No. [*] or such other accounts as may be provided in the books of the Issue and Paying Agent, [*] branch, not later than [*]h00 (Nairobi time) on the settlement date of each issue.

5. General

The Information Memorandum and any contracts resulting from an acceptance of an application for the Notes shall be governed and construed in accordance with Kenyan law.
Appendix D: Form of Technical Advisor Certificate

PART A

FORM OF TECHNICAL ADVISOR CERTIFICATE - PRIOR TO FIRST ISSUE OF EACH SERIES

To: [ ] as Note Trustee

From: [Technical Advisor]

Dated:

Dear Sirs

ACORN PROJECT (TWO) LIMITED LIABILITY PARTNERSHIP UP TO KES 5,000,000,000 Medium Term Fixed Rate Notes due [◆] 2024

We refer to the Trust Deed. This is a Technical Advisor Certificate in respect of Tranche 1 of Series [*] (state the particular project entity and location). Terms defined in the Trust Deed have the same meaning when used in this Technical Advisor Certificate unless given a different meaning in this Technical Advisor Certificate.

We confirm that based on the information made available to us as the Technical Advisor it is our reasonable opinion that:

a) the sums to be received from issue of the Notes requested for this Tranche are duly and properly payable in connection with and for the Project Development (all interim payment certificates and invoices are in line with the budget prior to each utilisation request etc);

b) the timing, costs and completion of the Project Development for this Series are in accordance with the relevant construction programme;

c) the contractor and each professional is qualified to undertake the Project Development;

d) the overall feasibility report on the Project Development, budget capital costs, cash flow forecast and construction programme in the context of the design, highlighting any potential risks and proposed mitigation measures for the Project Development is attached to this document;

e) all approvals necessary for the Project Development have been obtained including NEMA approval and planning permissions;

f) the Project Entity has executed a project management agreement with AMSL and that all related party contracts have been agreed on ‘arms-length’ commercial terms;

g) the Project Development fits the project criteria (i.e. the Project Entity is for student housing, is located within a 2.5 kilometre radius of a target university within Nairobi, has access to utilities and road infrastructure);
h) all standard statutory documentation necessary for the Project Development is in place and is effective;

i) the environmental and safety program and its performance indicators have been met to date;

j) there is no evidence of any material issues with the current or the expected future quality of any completed construction works;

k) all architectural and engineering drawings and the complete building specifications are in line with the validly issued building permits and in conformity with generally recognized norms;

l) all necessary insurances and bonds as required by the Client are in place;

m) [we confirm that the amount being requested to be drawn down is not more than sixty five per cent (65%) of the Project Costs incurred to date and the Issuer Group has invested thirty five percent (35%) of the Project Costs incurred to date];

n) Confirmation of the amount to be refunded as Pre-funded project Costs;

o) a confirmation of the solvency and net wealth of the Project Entity;

p) based on the current programme and taking into account any allowable extensions approved by the Technical Advisor the project team are aiming for practical completion to occur on or before [*];

q) No Project Entity event of default is subsisting or would occur as a result of further issuance of securities;

r) we have no reason to believe that any Funding Shortfall exists;

s) the Project Development is proceeding in accordance with progress reports, the drawings, plans and specifications for the development in all material respects and all construction milestone certificates and approvals have been complied with; and

t) the Project Development designs and Bill of Quantities are in line with IFC Edge Standards;

[Insert details of any other required confirmations/comments].

Signed

……………………..……………………..
Director Director
Of Of
[Technical Advisor] [Technical Advisor]

[insert applicable certification language]
for and on behalf of

[name of Technical Advisor]
PART B

FORM OF TECHNICAL ADVISOR CERTIFICATE - ONGOING DEVELOPMENT

To: [ ] as Note Trustee

From: [Technical Advisor]

Dated:

Dear Sirs

ACORN PROJECT (TWO) LIMITED LIABILITY PARTNERSHIP UP TO KES 5,000,000,000 Medium Term Fixed Rate Notes due [◆] 2024

1 We refer to the Trust Deed. This is a Technical Advisor Certificate in respect of Tranche [*] of Series [*] (state the particular project entity and location). Terms defined in the Trust Deed have the same meaning when used in this Technical Advisor Certificate unless given a different meaning in this Technical Advisor Certificate.

2 We confirm that based on the information made available to us as the Technical Advisor it is our reasonable opinion that:

a) the sums received from issue of the Notes requested for this Tranche are duly and properly payable in connection with and for the Project Development;

b) the timing, costs and completion of the Project Development for this Series are in accordance with the relevant construction programme;

c) the contractor and each professional remains qualified to undertake the Project Development;

d) attached is the quarterly project report on the Project Development;

e) there is no evidence of any material issues with the current or the expected future quality of any completed construction works;

f) the environmental and safety program and its performance indicators have been met to date;

g) all necessary insurances and bonds as required by the Client are in place;

h) attached is a list of all known charges that are more than 2.5% of the construction costs;

i) all interim payment certificates and invoices are in line with the budget prior to each request for drawdown;

j) there is suitable evidence to confirm that the relevant equity injections (the ratio of the Project Entity’s financial indebtedness to its total equity does not, at any time, exceed 65:35) have been completed;
k) confirmation of the amount to be refunded as Pre-funded Project Costs (if any)

l) based on the current programme and taking into account any allowable extensions approved by the Technical Advisor, the project team are aiming for practical completion to occur on or before [*];

m) No Project Entity Event of Default is subsisting or would occur as a result of further issuance of securities;

n) we have no reason to believe that any Funding Shortfall exists;

o) the Project Development is proceeding in accordance with progress reports, the drawings, plans and specifications for the development in all material respects and all construction milestone certificates and approvals have been complied with; and

p) the Project Development designs and Bill of Quantities are in line with IFC Edge Standards;

[Insert details of any other required confirmations/comments].

Signed .............................. ..............................
  Director  Director
  Of  of
  [Technical Advisor]  [Technical Advisor]

[insert applicable certification language]

..............................

for and on behalf of

[name of [Technical Advisor]]
To: [ ] as Note Trustee

From: [Technical Advisor]

Dated:

Dear Sirs

ACORN PROJECT (TWO) LIMITED LIABILITY PARTNERSHIP UP TO KES 5,000,000,000 Medium Term Fixed Rate Notes due [◆] 2024

1 We refer to the Trust Deed. This is a Technical Advisor Certificate in respect of of Series [*] (mention the particular project entity and location). Terms defined in the Trust Deed have the same meaning when used in this Technical Advisor Certificate unless given a different meaning in this Technical Advisor Certificate.

2 We confirm that based on the information made available to us as the Technical Advisor it is our reasonable opinion that:

   a) the Project has been satisfactorily executed in line with the construction programme and the project manager/principal agents final payment certificate;

   b) there has been no significant under performance by the appointed consultants and contractors; and

   c) The Project Entity remains suitable for occupation

We attach a close-out report on the Project Entity.

[Insert details of any other required confirmations].

Signed .......................... .......................... ..........................
  Director  Director  Director
  Of  of
  [Technical Advisor] [Technical Advisor] [Technical Advisor]

[insert applicable certification language]
for and on behalf of [name of Technical Advisor]
# Appendix E: Advisers to the transaction

<table>
<thead>
<tr>
<th>Advisor</th>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
<td>Acorn Project (Two) Limited Liability Partnership</td>
<td>Acorn House, 97 James Gichuru, P.O Box 13754 – 00100 Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Arrangers</strong></td>
<td>Stanbic Bank Kenya Limited and SBG Securities Limited</td>
<td>Stanbic Bank Centre, 1st Floor, Westlands Road, P.O. Box 72833 – 00200, Nairobi Kenya</td>
</tr>
<tr>
<td><strong>Guarantors</strong></td>
<td>GuarantCo Ltd</td>
<td>Alexander House, 35 CyberCity, Ebene Mauritius</td>
</tr>
<tr>
<td><strong>Obligors</strong></td>
<td>Issuer, Acorn Holdings Limited and Project Entities</td>
<td>Acorn House, 97 James Gichuru, P.O Box 13754 – 00100 Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Placing Agents</strong></td>
<td>Stanbic Bank Kenya Limited and SBG Securities Limited, KCB Capital Limited and Standard Investment Bank</td>
<td>Stanbic Bank Centre, 1st Floor, Westlands Road, P.O. Box 72833 – 00200, Nairobi Kenya, Standard Investment Bank: Standard Investment Bank, 16th Floor, JKUAT Towers, Kenyatta Avenue, CBD, P.O Box 13714-00800 Nairobi Kenya, KCB Capital Limited: Kencom House, 2nd Floor, Moi Avenue, P.O Box 48400-00100, Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Note and Security Trustee</strong></td>
<td>Ropat Trust Company Limited</td>
<td>Kenya-Re Towers, Off Ragati Road Upper Hill, P.O Box 44286 – 00100 Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Issue and Paying Agent</strong></td>
<td>Stanbic Bank Kenya Limited</td>
<td>Stanbic Bank Centre, 1st Floor, Westlands Road, P.O. Box 72833 – 00200, Nairobi Kenya</td>
</tr>
<tr>
<td><strong>Registrar</strong></td>
<td>CDSC Registrars Limited</td>
<td>Occidental Plaza, 1st Floor Muthihi Road, Westlands P.O. Box 6341-00100 GPO Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Auditor</strong></td>
<td>Ernst &amp; Young</td>
<td>Kenya Re Towers, 3 P. O. Box 44286, Ragati Road, Nairobi</td>
</tr>
<tr>
<td><strong>Legal Counsel</strong></td>
<td>Anjarwalla &amp; Khanna LLP</td>
<td>ALN House, Eldama Ravine Close off Eldama Ravine Road Westlands, Nairobi, Kenya</td>
</tr>
<tr>
<td><strong>Issuer Listing Legal Counsel for the International Securities Market</strong></td>
<td>DLA Piper UK LLP</td>
<td>160 Aldersgate Street, Barbican, London EC1A 4HT</td>
</tr>
<tr>
<td><strong>Issuer Listing Legal Counsel for the Nairobi Stock Exchange</strong></td>
<td>Iseme Kamau &amp; Maema Advocates</td>
<td>IKM Place, Tower A, 1st Floor, 5th Ngong Avenue, Off Bishops Road, Nairobi Kenya</td>
</tr>
<tr>
<td><strong>Technical Advisor</strong></td>
<td>Mace YMR</td>
<td>Lion Place, Waiyaki Way , 4th Floor, PO Box 2403-00606 , Nairobi, Kenya</td>
</tr>
<tr>
<td>Advisor</td>
<td>Name</td>
<td>Address</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>Rating Agency</td>
<td>Moody’s Investor Services</td>
<td>The Forum, 2 Maude Street, 2196 Sandton</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Johannesburg</td>
</tr>
<tr>
<td></td>
<td></td>
<td>South Africa</td>
</tr>
</tbody>
</table>