

CERTIFICATES OF MUSHARIKA SCHEME OF ORIX MODARABA
Terms and Conditions

1. DEFINITIONS

Unless anything herein is repugnant in the subject or context:

- a) "ORIXM" means ORIX MODARABA formed under the Ordinance and managed by ORIX Services Pakistan (Pvt.) Limited.
- b) "ORIXM Fund" means the daily product of the following, based on the books of account of ORIXM: (i) paid up fund of ORIXM; (ii) revenue and capital reserves; (iii) un-appropriated profit; and (iv) accumulated losses, if any, which shall be deducted from the aggregate of (i), (ii) and (iii) above.
- c) "Certificate of Musharika (COM) or Certificates" means Certificate of definite denomination issued by the ORIX MODARABA (ORIXM) to the Contributory acknowledging the receipt of money contributed by him under the Guidelines on the basis of the arrangement described in this Scheme.
- d) "Contribution Amount" means the amount of initial contribution made by a Contributory and specified on the face of each Certificate.
- e) "Contributory" or "Contributories" means the holder(s) of a valid Certificate as reflected in the Register.
- f) "Contributories Fund" means the amount contributed by the Contributories through the Certificates.
- g) "Encashment Value" means, the Contribution Amount plus the Registered Holder's share of Total Profits or the Contribution Amount less the Registered Holder's share of the loss, as applicable.
- h) "Guidelines" means the guidelines issued on September 7, 1994 by the Registrar of Modarabas for allowing Modarabas to issue Certificate of Musharika.
- i) "Loss" means the net loss of ORIXM after charging all expenses and provisions, which shall be calculated on an accrual basis and in conformity with the generally accepted accounting principles applied on a consistent basis.
- j) "Ordinance" means the Modaraba Companies and Modaraba (Floatation & Control) Ordinance, 1980, as amended from time to time.
- k) "Over the Counter" means any trading whatsoever of the Certificates other than trading of the Certificates on any stock exchange in Pakistan.
- l) "Principles of Sharia" means the pertinent principles of Sharia as interpreted by the Religious Board.
- m) "Profit Allocation Period" means the quarter for which the profit from the overall business activity of ORIXM are calculated and allocated between ORIXM and COM holders at the end of the period.
- n) "Redemption Purchase Price" means the Encashment Value plus any positive amount as may be determined by ORIXM, provided such positive amount shall not exceed 1% (one percentage) of the Encashment Value.
- o) "Redemption Reserve Fund" shall mean a fund to be maintained by ORIXM in the manner described in Section 16 of this Scheme.
- p) "Redemption Sale Price" means the Encashment Value less any positive amount as may be determined by ORIXM provided such positive amount shall not exceed 1% (one percentage) of the Encashment Value.
- q) "Register" means a register of holders of the Certificates maintained in the manner required in respect of register of shareholders under the Companies Ordinance, 1984.
- r) "Registered Holder" means any Contributory whose name for the time being is recorded in the Register as the owner of the Certificate(s).
- s) "Registrar" means the Registrar appointed by the Federal Government in terms of Section 3 of the Ordinance.
- t) "Religious Board" means the Board constituted under Section 9 of the Ordinance.
- u) "Requested Redemption Date" means the date, prior to maturity, on which redemption of the Certificate is desired by the Registered Holder in accordance with Section 17 of this Scheme.
- v) "Reserve Replenishment Date" means the first of each calendar month except that if such date is a Saturday, Sunday or a public holiday, the immediately next day.
- w) "Scheme" means the terms and conditions for issuance of Certificates as contemplated by this document.
- x) "Total Fund" means the aggregate of the Contributories Fund and the ORIXM Fund.
- y) "Total Profits" means the net profits of ORIXM after charging all expenses, provisions and management fees, which shall be calculated on an accrual basis and in conformity with the generally accepted accounting principles applied on a consistent basis.
- z) "Transfer Deed" means the Deed to be executed by intended transferee(s) and transferor(s) of the Certificate(s) in terms of Section 12 of this Scheme, a proforma of which shall be provided by ORIXM.
- aa) "Trustee" means Anjum Asim Shahid Rahman, a firm of Chartered Accountants having its head office at Modern Motors House, Beaumont Road, Karachi.

2. REGULATORY APPROVAL

This Scheme is approved by the Registrar, Modaraba Companies and Modarabas, Securities and Exchange Commission of Pakistan, Government of Pakistan vide its letter no.7(04) Reg-Mod/95-449 dated April 4, 1995.

3. REGISTERED CERTIFICATES

The Certificates are Rupee denominated REGISTERED CERTIFICATES issued to be issued by ORIXM on profit and loss sharing basis.

4. OVER THE COUNTER

Subject to Section 12 of this Scheme, the Certificates may be traded over the counter.

5. MATURITY AND PAYMENT OF ENCASHMENT VALUE

The maturity period of the certificates will not be less than three months. The maturity period of Certificates may be for three months, six months, one year, two years, three years, four years or five years. Each certificate on its face shall specify the maturity period and maturity date applicable thereto. Upon maturity, ORIXM shall pay the Encashment Value as of the maturity date to the Registered Holder against: (a) surrender of original Certificate(s) by such Registered Holder; and

(b) duly signed discharge and surrender by such Registered Holder in the form specified on the reverse of the Certificate.

6. CONTRIBUTION AMOUNT

The Contribution Amount of the Certificates shall be a minimum of Rs.5,000/- (Rupees Five Thousand). ORIXM in its sole discretion may increase the Contribution Amount by multiples of Rs.5,000/- (Rupees Five Thousand). The Contribution Amount will be denominated on the face of each Certificate.

7. DETERMINATION OF TOTAL PROFIT AND LOSS

- (a) The Registered Holder may, at any time in accordance with these Terms and Conditions, place funds (the "Musharika Funds") in ORIXM. The amount received by ORIXM from the Registered Holders shall be invested in the overall business activity of ORIXM on the basis of full participation in the profit and loss of ORIXM.
- (b) Total Profits of ORIXM shall be shared by the COM Registered Holders and ORIXM in accordance with ratio declared by ORIXM and accepted by the contributories. In the absence of such declaration, the total profits shall be shared between the COM Registered Holders and ORIXM in proportion to their contribution in the Total Fund.
- (c) Total Profit allocated to the Registered Holders shall be shared by the Contributories in accordance with the ratio/weightages announced.
- (d) The projected rate of profit on the basis of predetermined weightages based on their respective category/tiers shall be announced by the Modaraba at the beginning of each quarter or any other period as the case may be. The same shall be disclosed and placed on the web-site of Modaraba and made available at the counter of every branch of Modaraba duly signed by its *Shariah* Advisor.
- (e) In the event of Loss, such loss shall be shared between the Registered Holders and ORIXM in proportion to their fund in the Total Fund.
- (f) If the Certificates are not encashed on maturity, ORIXM shall not be liable to pay any profit for the period beyond the maturity date.

8. DISTRIBUTION OF PROFIT AND LOSS AND PUBLICATION

- (a) The Registered Holders' share of total profits (as determined in terms of Section 7 of this Scheme) shall be distributed at such quarterly intervals as may be specified by ORIXM, provided the applicable certificate(s) have not been earlier redeemed or matured. The quarterly distribution of the Registered Holder's share of Total Profits or Loss shall, however, be subject to final determination and adjustment by ORIXM against the total sum payable to the Registered Holders on maturity of the Certificates held by them or their earlier redemption.
- (b) The COM redeemed before the final adjustment of profit and any amount where recovery is not possible or where the amount payable to the COM holder is less than Rs.1,000/- shall be a closed transaction. All such undistributed profit shall become part of the income for distribution amongst the contributories in the next quarter.
- (c) Where the amount of adjusted profit payable to the COM holder is Rs.1,000/- or more, ORIXM shall endeavour to pay the amount to the COM holder at his available address.
- (d) Profit payment option (quarterly or any other) and roll-over option upon maturity shall be decided between the contributories and the Modaraba at the time of investment.
- (e) No profit shall be paid to the contributories if COM is encashed before one month from the date of investment.
- (f) The Registered Holders shall have no responsibility to make payment to ORIXM in the event of any loss, except that their share of such loss shall be adjusted against the payments due to them on maturity of the applicable certificate(s) or their earlier redemption.
- (g) The quarterly profit and loss account of ORIXM shall be displayed on ORIXM's website.

9. TAXES, ZAKAT

The payment of profits, Encashment Value, Redemption Sale Price and Redemption Purchase Price shall be subject to deduction of Zakat and withholding tax, if applicable, in accordance with the provisions of law. Any Registered Holder entitled to exemption from compulsory deduction of Zakat must submit such evidence as may be prescribed in the Zakat and Ushr Ordinance.

10. APPLICATION AND NOTICE

Application for purchase of certificates may be made on the prescribed format of ORIXM. In case of a joint applicant, delivery of certificates or any notice or communications by ORIXM to anyone of the joint holders shall be sufficient delivery or notice to all the joint holders. In case of corporate bodies, firms, registered societies and trusts, the application must be signed by authorised signatories and accompanied by supporting resolution, mandate, memorandum and articles of association, partnership deed, trust deed, constitution, as the case may be. ORIXM at its absolute discretion may refuse any application for purchase of Certificates without assigning any reason whatsoever.

11. SUCCESSION

In case the Certificates are recorded in the Register in joint names of two or more persons, the survivor(s) shall be only person(s) recognised by ORIXM having title or interest in the Certificates. In the event of death of a Registered Holder, ORIXM may transfer the certificates or pay the proceeds thereof to the heir(s) of the deceased holder subject to production of succession certificate, letter of administration or probate from the court of law or against such indemnity and/or guarantee as ORIXM may at its sole discretion consider appropriate. However, the succession certificate shall not be required if the amount in question is less than Rs. 25,000/- and in that situation the ORIXM shall distribute the amount amongst the legal heirs after obtaining the Indemnity Bond from them.

12. REGISTER AND TRANSFERS

- (a) ORIXM shall maintain the Register at its principal office located at 601, 6th Floor, Syedna Tahir Saifuddin Memorial Trust Building, Beaumont Road, Civil Lines, Karachi, Pakistan. It may also maintain sub-registers at its other offices in Pakistan. The Register, inter-alia, shall include the following information:
 - (i) The name and address of the certificate holder named first in the application form. Upon any transfer of the certificate(s), the name and address of the first named transferee of Certificate(s) mentioned on the Transfer Deed.
 - (ii) The Contribution Amount, serial numbers and maturity period of the Certificate(s) held by the Registered Holder.
 - (iii) Date on which ORIXM issued the Certificate to the Registered Holder or the date on which ORIXM recognises any transfer of certificate in the manner described below.
- (b) The registration of transfer of the Certificates shall be made in the manner specified for the registration of transfer of Modaraba Certificates under Rule 22 of the Modaraba Companies and

Modaraba Rules, 1981, as amended from time to time; provided that within ten (10) business days of lodgement with ORIXM of a duly completed Transfer Deed, ORIXM shall register the transfer of the Certificates, unless within such ten (10) day period ORIXM is prima facie, satisfied that any of the conditions to recognise transfer set forth in sub-section (c) of this Section of the Scheme are not satisfied and has so notified the prospective transferor and transferee; provided further that ORIXM shall recognise the Registered Holders as the absolute owners thereof and shall not be bound to take notice or see to the execution of any trust, whether express implied or constructive, to which any Certificate may be subject. Payment to the Registered Holders for the time being, or in the case of joint Registered Holders, the first person named in the application form or the first named transferee on the Transfer Deed, as applicable, for any money payable in respect of the Certificate(s) shall be good discharge to ORIXM, notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other person to or in such moneys.

(c) ORIXM shall not be bound to recognise any transfer of certificate(s), unless: (i) the transferor(s) and transferee(s) have executed and duly stamped the Transfer Deed and have delivered such Deed to ORIXM along with the Certificate(s); (ii) ORIXM in its discretion is satisfied as to transferor's title or his right to transfer the Certificate (s); and (iii) transfer charges of Rs.100/- have been paid to ORIXM.

(d) All Transfer Deeds pursuant to which transfers are recorded by ORIXM shall be retained by ORIXM.

13. DUPLICATE CERTIFICATES

Duplicate certificate in lieu of lost, stolen, misplaced or mutilated Certificate may be issued by ORIXM at its discretion against the production of such proof and completion of such formalities as may be determined by ORIXM and in case of mutilation against surrender of the original certificate. Further, ORIXM may require an appropriate indemnity to be provided by the Registered Holder.

14. NO GUARANTEE BY THE GOVERNMENT ETC

ORIXM is exclusively responsible for payment of profits, Encashment Value, Redemption Purchase Price and the Redemption Sale Price and the same is not guaranteed by the Government of Pakistan or by any other person.

15. LIMITATIONS ON RIGHTS OF CERTIFICATE HOLDERS

This scheme has, inter alia, been entered into in reliance on Section 6-A of the Partnership Act, 1932. Notwithstanding the foregoing, no holder of the Certificate(s) shall: (a) be entitled in any way, take part in the conduct of the business of ORIXM; (b) have duties whatsoever in the conduct of ORIXM's business; (c) have a right to have access to and to inspect and copy any books or records of ORIXM; (d) be entitled to receive any remuneration or payment except as specifically provided herein; (e) share in the profits and losses of ORIXM except as specifically provided herein; and (f) be entitled to any indemnification whatsoever by ORIXM.

16. REDEMPTION RESERVE FUND

(a) Promptly upon the receipt of money in respect of issue of any Certificate(s), at least five percent (5%) of the Contribution Amount of such Certificate(s) shall be kept in the Redemption Reserve Fund. The Redemption Reserve Fund may only be utilised for the purpose set forth in Section 17 of this Scheme. If on any Reserve Replenishment Date, the aggregate Contribution Amount outstanding as of that date in the Redemption Reserve Fund is less than five percent (5%) of the aggregate Contribution Amount outstanding as of that date, the Fund shall be replenished by ORIXM to make up the deficit. Such replenishment, if required, shall be made within ten (10) business days after each Reserve Replenishment Date. The amount of replenishment shall be the amount of the deficit on the applicable reserve replenishment date.

(b) The monies standing to the credit of the Redemption Reserve Fund may be invested by ORIXM in such a manner as it may deem prudent; provided nevertheless that ORIXM shall solely be responsible to replenish the redemption reserve fund (in the manner stated above) in the event the value of such investment on any Reserve Replenishment Date falls below the amount initially so invested.

17. REDEMPTION

(a) A Registered Holder may, at his option and in consideration of the Redemption Sale Price, cause ORIXM to redeem all or any part of the Certificate(s) owned by him prior to maturity if all of the following conditions are satisfied:

(i) the Registered Holder shall have notified ORIXM at least seven (7) days in advance of the "Requested Redemption Date";

(ii) the opening balance of Redemption Reserve Fund on the Requested Redemption Date is equal to or greater than the Redemption Sale Price in respect of the Certificate(s) being redeemed, otherwise sub-section (b) of Section 17 of this Scheme shall be applicable; and

(iii) ORIXM has received from the Registered Holder a redemption letter alongwith the Certificate(s).

(b) In the event the condition in clause (ii) of sub-section (a) above is not satisfied, ORIXM shall notify the concerned Registered Holder to the effect that such redemption cannot be effected because of insufficient funds standing to the credit of Redemption Reserve Fund on the Requested Redemption Date. In such event, unless otherwise specifically instructed by such Registered Holder, ORIXM shall redeem the Certificate(s) -- at the Redemption Sale Price as of the Requested Redemption Date -- promptly after there are sufficient funds in the Redemption Reserve Fund, provided such Certificate(s) have not earlier matured. ORIXM, on a first come first served basis, shall determine the priority on which payments shall be made in respect of requests for redemption received from Registered Holders.

(c) ORIXM may, at its option, redeem all or any part of the outstanding Certificate(s) on such date that it may specify prior to maturity; provided

(i) it offers to pay the Redemption Purchase Price, as of the date it specifies, to the Registered Holders of the outstanding Certificates it wishes to redeem against delivery of the applicable Certificates by the Registered Holder and has so notified the Registered Holders;

(ii) Within fifteen (15) business days of having been so notified by ORIXM, the applicable Registered Holder has, in his discretion, consented to the terms of the redemption offered by ORIXM; and

(iii) there is sufficient balance standing to the credit of the Redemption Reserve Fund to pay for the aggregate Redemption Purchase Price, which Price shall be approved by the Trustee.

(d) Nothing contained in this Section and in Section 16 of this Scheme shall be construed to require ORIXM to maintain amounts in the Redemption Reserve Fund in excess of five percent (5%) of the aggregate Contribution Amount at any time (though ORIXM, at its sole discretion, may maintain balances in excess of the aforesaid amount). It is clarified that as a result of redemptions prior to maturity that may be made by ORIXM and/or any Registered Holder, the amount standing to the credit of the Redemption Reserve Fund may be below five percent (5%) (and may be zero) of the outstanding aggregate Contribution Amount, provided such deficit is replenished as of the Reserve Replenishment Date in the manner described in Section 16 of this Scheme.

18. INTERPLEADER

In the event of any dispute with respect to title of any Certificate (whether on account of succession or any transfer), ORIXM, at its discretion, may file an interpleader action in any competent court of

law. All legal and other expenses with regard to: (a) all legal proceedings including such interpleader actions; and/or (b) investigating the dispute with regard to title, shall be deducted from the Encashment value.

19. SAFEGUARDS

(a) The regulatory framework applicable on Modarabas shall apply to the Certificates issued by ORIXM

(b) Subject to the Principles of Shariah, in all cases international accounting standards as adopted by the Government of Pakistan shall be followed.

(c) ORIXM shall submit such periodical statements, information or reports in such forms and manner and within such time as may be prescribed by the Registrar Modaraba from time to time.

20. UTILIZATION OF FUNDS

The amounts standing to the credit of the Contributories, except the Redemption Reserve Fund, may be utilized for the overall business activities of ORIXM, being the business of leasing modaraba financing and other related businesses.

21. PRIORITY OF PAYMENTS

By way of abundant caution, it is clarified that all payments of whatsoever nature to the Registered Holders in terms of this Scheme shall rank in priority to, and shall not be subordinated in any way to, all payments made or to be made by ORIXM to its Modaraba Certificate holders.

22. TRUSTEE AND DISPUTE RESOLUTION

As required by the Guidelines and in terms more fully set forth in a letter from ORIXM to the Trustee.

(a) The Trustee shall oversee the Redemption Reserve Fund and the use of fund for the purchase of the Certificates before their respective maturities.

(b) The Trustee shall report to the Registrar any discrepancy or lack of compliance with the Guidelines in respect of the Redemption Reserve Fund or its usage for purchase of the Certificates before the respective maturities. The amount of Redemption Sale Price and the Redemption Purchase Price, as applicable, shall be approved by the Trustee prior to its payment by ORIXM. Such approved amount shall be posted/disclosed by ORIXM to any Registered Holder.

(c) Any dispute between the Trustee and ORIXM shall be referred to the Registrar and his decision in such matters shall be final.

(d) Any dispute pertaining to the Encashment Value before or after maturity of any certificate or arising between ORIXM and a Registered Holder shall be referred for decision to the Trustee and any party aggrieved by the said decision shall have the right of representation before the Registrar, whose decision shall be final.

(e) The remuneration of the Trustee shall be 0.025% per annum of the total Contributory Fund as at end of each calendar quarter and shall be paid quarterly. A copy of the above referenced letter may be obtained from the principal office of ORIXM without charge.

23. STAMP DUTY

Stamp duty on: (a) issuance of Certificate shall be paid by the intended Registered Holder(s); and (b) any subsequent transfer of the Certificate(s) shall be paid by either the transferor, transferee or both.

24. AMENDMENTS

This Scheme may only be amended by ORIXM, provided it has the consent of: (a) the Registrar; and (b) the Registered Holders holding more than fifty percent (50%) of the outstanding aggregate Contribution Amount. With respect to Registered Holders, whenever ORIXM desires any amendment to this Scheme, it shall solicit the Registered Holders' consent or dissent to the proposed amendment by so notifying them by registered mail. In the event, any Registered Holder does not notify ORIXM in writing of its consent or dissent within Fifteen (15) days after the registered mail is dispatched to him, such Registered Holder shall have deemed to have consented to the proposed amendment and shall thereafter be precluded from dissenting to such proposed amendment.

25. JURISDICTION

Notwithstanding, anything contained hereinabove and subject to the principals of Shariah as determined by the Shariah Advisor of ORIXM, which shall always be subject to the interpretation by the Religious Board, the Registered Holder will irrevocably and unconditionally agree and undertake at all times to comply, fulfil, abide by and be bound and governed by all terms and conditions of ORIXM as well as such other terms and conditions which have been prescribed as per directives of Securities & Exchange Commission of Pakistan and as per laws of Islamic Republic of Pakistan, in all respects and circumstances. The parties submit and agree to the exclusive jurisdiction of Pakistani Courts.

26. ENTIRE AGREEMENT

This Scheme represents the entire agreement between ORIXM and Registered Holders and supersedes all prior agreements or understandings between them, whether written or oral.

27. HEADINGS

The headings contained in this Scheme are for purposes of convenience only, and shall not be deemed to form a substantive part of this Scheme.

28. OVERRIDING SECTION

Notwithstanding anything contained in this Scheme:

(a) All payments to be made to Registered Holders in terms of this Scheme shall be: (i) determined on the basis of the disclosures made in the quarterly profit and loss account of ORIXM (published in accordance with sub-section (b) of Section 8 of this Scheme) immediately preceding the date on which such payments to Registered holders are due and payable; and (ii) by a crossed cheque or in accordance with written instructions of the Registered Holder; and

(b) All calculations relating to determination and distribution of Total Profits, Loss, Encashment Value, Redemption Purchase Price and Redemption Sale Price shall be based on the weighted average of daily product on 365 days a year basis.

(c) The Registered Holders shall sign the application form as a token of acceptance of the aforesaid Terms and Conditions, and that they have fully read and understood these Terms and Conditions prior to such signing.

Name

Signature