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KEP trust

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Kosovo

To: - Muriithi Bedan Kagai

Cc: - Board of Directors of KEP trust

- Arten Zikaj, Acting Executive Director

By registered post to home address and by email to personal email address

By courier to PO Box 20, Kagaio, Kenya

13 December 2010

Strictly Confidential

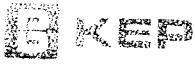
Dear Mr Kagai,

Termination of Employment

We refer to your employment contract with KEP dated January 2006 and to your suspension of 19 November 2010, notified to you in writing.

We hereby notify you that your employment is terminated with effect from 13 December 2010. You are also terminated from all positions with ICCED.

You are hereby requested to repay your salary advance in full and to return all property of KEP/Affiliates to the KEP Headquarters or make appropriate arrangements regarding the same. Please liaise directly with Arten Zikaj, Acting Executive Director (azikaj@keponline.net) in relation to your termination issues generally and Ismet Pireva (ipreva@keponline.net), Head of Administration in relation to solving any practical issues.



Background

This termination is for Cause under Clause 7 of your Employment contract. Below we refer to specific clauses and breaches thereof. This is not an exhaustive list. It contains only apparent breaches. Additional information may arise after further investigation.

Section 7 (c)(i) of Employment Contract

"Wilful, intentional or negligent/failure to perform his duties under this Agreement diligently and in accordance with the directions of the Board of the Directors.

You were negligent as Secretary of the Board in not ensuring the formal renewal of the mandate of the Board members. This could have been addressed easily as suggested by the external lawyers and a Plan of Action was agreed with the external lawyers and the Board from October 7 to 10 and emailed to you but you refused to follow this Plan.

Instead you exploited the non compliance so as to cause problems for KEP by going unilaterally to the authorities and communicating only part of the situation and providing incomplete and misleading documents. You did not liaise with Board members (Ken Patterson, Leo MacGillivray or Albert Musliu) re your acts in relation to the NGO Office, nor provide them copies of the documents sent. You also did not liaise with CBRK.

We believe you did this with a view to get a potential Board that would be favorable to your exit package and renewal of your contract because this had been refused by the existing Board members. You made approaches to people and took steps to identify as potential Board candidates without notifying or receiving approval from all of the existing Board members (just Michael Conlon).

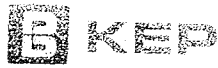
You refused to compile the minutes of the 3 day meeting in October or to respond to requests by Ken Patterson, Chairman of the Board. You refused to compile an Executive Director report for the October Board meeting although this was a specific Board request and was a pre-condition for your leave to Africa in September.

You refused to Leo MacGillivray in October to organize any handover pending the expiry of your contracts.

You were abusive and disrespectful to several members of the Board and refused to recognize the Board members authority and instructions, not just since October but also prior to that time.

Section 7c (iii)

"Executive Director's commission of an act of fraud against, or Executive Director's material misappropriation of property belonging to the group of companies comprising KEP and ICCED and its affiliate entities"



You removed the original of your Personnel (HR) file from KEP. This amounts to misappropriation/theft of KEP assets and must have been done with a view to hampering KEP's ability to defend itself.

Further, you have claimed verbally at one stage in the first two weeks of November that you have a renewal to your employment contract. You know full well that your contract expires on 31 December 2010 your email previous correspondence acknowledged that. No such amendment was approved by the Board and after you had received a notice of expiration of your contract on 29 October 2010.

Section 7 c(iv)

"Any material breach by Executive Director of any provision of this Agreement that is not remedied by Executive Director within 30 days of Executive Director's receipt of written notice from the board of the group of companies comprising KEP and ICCED and its affiliate entities, which notice shall include a detailed and specific description of the alleged material breach or breaches"

Your recent behavior has been unprofessional and has seriously damaged KEP as an institution.

You were as mentioned above, abusive and disrespectful to some Board members, including by email.

In particular you threatened breaches of confidentiality and lines of instruction when you threatened in October to contact potential investors so as to disrupt the proposed sale of KEP's assets. Further, you caused divisiveness amongst the staff by encouraging staff to ally with or against specific Board members.

We refer to Point 4.7 of the Staff Policy :-

"KEP Trust recognizes that continuous, two-way communication between staff members and their immediate supervisors is of vital importance in maintaining moral and harmonious relations in the workplace..."

You also used KEP Trust stationery and stamp in your letter of 25 November 2010 to the NGO Office which related to your own views on your suspension and not the official KEP view.

See Point 12.7 of the Employee Manual:-

"Official KEP Trust stationery may not be used in outside business, personal and other private and political activities of employees"

Section 7c (v) Significant underperformance/failure of the institution to attain its key annual targets by more than 50%.



KEP has failed to meet its targets in 2010. In particular, the quality of assets has deteriorated significantly. The "Portfolio at Risk" reached above 8% while the maximum permitted in the targets and even the lenders covenants was 5%. Because of that the net financial result is negative and significantly under the budgeted amounts. In addition, this performance has resulted in default due to breaches of covenants with lenders that have exposes the institution to high risk.

Furthermore, there has been substantial underachievement of the growth target as the volume of loans has stagnated.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken Patterson'.

Ken Patterson
Chair, KEP Trust Board of Directors

