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....., UK

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Kwamtili Estate Ltd
P.O. Box 120
Tanga

DRAFT

Re: Future financial arrangements for Kwamtili Esatate Ltd, Tanga

Dear colleagues

This is to the Board of Kwamtili Estate Ltd (KEL) to inform the Board by circulation to Board members of a proposed new arrangement Alex and I have agreed upon for our shareholdings in the company.

Before describing the arrangement and the reasons for the changes, we would like to point out that we shall be inviting all shareholders to join us in the new arrangement.

1. Background

KEL as you know owns the titles to occupy 2899 acres (1173 ha) in Mkinga District that is known as Kwamtili Estate. The Kwachawa Mountain forest and adjacent heavily forested areas cover some 600 ha of the estate. They are bordered on the west by some 300 ha of less heavily forested land along the headwaters of the Muzi River (Tanga's main water source) that is suitable in parts for cocoa. Some 40 ha is currently productive.

To protect the forest, KEL has for many years worked to have the estate's forested area, known as Kwamtili Forest, incorporated into the adjacent Kwamgumi Forest Reserve, a world-recognised biodiversity "hotspot".

KEL also recognises the estate's economic potential for cocoa, spices and other crops. It has worked to ensure that their production preserves natural resources and an outstanding cultural heritage which together create important opportunities for tourism.

2. A new approach

Owing to its numerous and varied economic activities, investing in and managing Kwamtili Estate requires a broad range of skills, an important management capacity and access to several types of markets and sources of finance.

We (Dennis Fielder and Alex Tamé) are the major KEL shareholders (jointly we own 82.5% of Ordinary Shares and 75.8% of Founder Shares). We are in discussion with the owners of Industrial Enterprises Ltd, Tanga, regarding the company's shareholdings (6.2% of Ordinary Shares and 15.5% of Founder Shares).

We wish to inform the Board that we think the KEL ownership should be adjusted to allow Kwamtili Estate to access the newer forms of management and investment resources. In particular, mitigating climate change is opening up completely new sources of finance aimed at protecting forests. Secondly, continuing to access the rapidly growing market for Kwamtili's high-quality, special varieties of bio-friendly cocoa requires dealing with specialised, highly skilled and well equipped companies.

3. Status

The Board as you know has authorised the Managing Director to arrange for the incorporation of Kwachawa Mountain and some surrounding areas into the adjacent forest reserve. This process is ongoing. A preliminary survey has been completed and discussions are underway to finalise the specific area that would comprise Kwamtili Estate.

It is envisaged that there will be an agreement between KEL and the Tanzania Forest Service to allow the forest area within Kwamtili Estate to be managed jointly, thereby ensuring that as much as possible of Kwamtili Forest is protected, notably the forest bordering the Muzi River on the estate's western boundary.

Clearly KEL must be in strong position, both managerially and financially, to continue to expand Kwamtili Estate's commercial activities and to act as an effective partner in protecting Kwamtili Forest.

4. A new association

We feel that the best way forward to meet the challenges is to transfer our KEL shareholdings to a not-for-profit association that has the necessary experience, resources and outlook.

Our efforts have led us to identify a Swiss-based foundation established to organise an association that promotes and undertakes sustainable business projects worldwide. The association aims to "make a significant contribution to the development and implementation of environmentally sustainable economic activity".

The foundation and association have agreed to establish a dedicated association to which we would transfer our shares thereby, becoming the majority shareholder. The new association, with the suggested title "The Kwamtili Forest Sanctuary Association", would draw upon an extensive membership base from most business sectors, significant financial resources and appropriate management skills so it is ideally placed to direct and manage KEL.

The association would be organised in the normal manner with an elected Board taken from individual members of the association and including members of our families and representatives of the Kwamtili Group described below.

The proposed approach will ensure that all proceeds are reinvested in Kwamtili Estate and Kwamtili Forest, and the association, established under Swiss law, would have this as a principal requirement.

The association's funds would come from membership fees and third-party donations in the same way as for other projects organised by the mother organisation.

Finally, as is usual for an association of this kind, it is the association and not the members who is liable (the association's assets are held liable for any commitments). This means that we as shareholders donating our shares remain heavily involved in ensuring KEL's success but are not liable as Directors of KEL

5. The Kwamtili Group

We believe very strongly that KEL's success with Kwamtili Estate and Kwamtili Forest will continue to depend upon having a strong and effective partnership with the local community that brings direct benefits to the community together with the accompanying commitments and responsibilities.

The company has organised a Kwamtili Group as an association that operates commercial activities on Kwamtili Estate under a licence agreement in exchange for providing security and facilities' maintenance to the Kwamtili Estate and protecting and supervising Kwamtili Forest.

Membership in the group is limited to 15 individuals drawn from the local community. The group elects officers every two years and carries out, usually together with members of the members' families, all of the work needed to grow, harvest and process cocoa. Extensions of the agreement are envisaged for other activities such as beekeeping for honey.

The group's skill and experience are unique in Tanzania owing to its members' former staff positions on Kwamtili Estate, which is in the invaluable position of having grown the rare Criollo cocoa variety by hand grafting for over 60 years.

6. General Meetings

At this stage we do not think it necessary to call an Extraordinary General Meeting under Article 51 of the company's Articles of Association since a Special Resolution of the Board is not required for the share transfer.

The Board will meet in due course in the normal way in Ordinary Meeting to handle company matters. We look forward to this opportunity to discuss with other Board members their interest in joining us in the new arrangement. The new arrangement which will clearly ensure KEL's continuing success and help preserve and develop an unique cultural, ecological and economic heritage.

Sincerely,

Dennis Field
Managing Director
Kwamtili Estate Ltd

Alex Tamé
Director
Kwamtili Estate Ltd