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Kwamtili Estate Ltd  
P.O. Box 120  
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DRAFT

Re: Future financial arrangements for Kwamtili Estate Ltd, Tanga

Dear colleagues

This is to the Board of Kwamtili Estate Ltd (KEL) to inform the Board 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 some 2840 ha in Mkinga District that is known as Kwamtili Estate. The Kwachawa Mountain forest and adjacent heavily forested areas cover some 1200 ha of the estate. They are bordered on the west by some 450 ha of less heavily forest 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 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 Field and Alex Tamé) are the major KEL shareholders (jointly we own 82.5% of Ordinary Shares and 75.8% 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 remaining within the reduced Kwamtili Estate to be managed jointly, thereby ensuring that as much as possible of Kwamtili Forest is protected, notably the forest boarding some 8 km of 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 a membership association that promotes and undertakes sustainable business projects worldwide.

The foundation and association have agreed to establish a member association to which we would transfer our shares thereby becoming the majority shareholder. The new association, currently titled The Kwamtili Forest Sanctuary Association, draws 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's funds would by statute be procured from membership fees and third-party donations and other proceeds in the same way as for other projects organised by the main association. Important to note is that personal liability is excluded for all members, with the association's assets held liable for any commitments and liabilities of the association. 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.

Another major reason for us to choose the proposed approach is to ensure that all proceeds are reinvested in Kwamtili Estate and Kwamtili Forest. The association, established under Swiss law, has this as its main requirement.

### **5. Kwamtili Estate Group**

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 Estate Group.

Kwamtali Estate Group is organised as an association and operates commercial activities on Kwamtali Estate under a licence agreement with KEL in exchange for providing security and facilities maintenance to the Kwamtali Estate and protecting and supervising Kwamtali Forest.

The group is limited to 15 individuals member drawn from the local community who elect officers every two years and carry out, usually together with members of their families, all of the work needed to grow, harvest and process cocoa. The group's skill and experience are unique in Tanzania owing to its members' former positions on the Kwamtali Estate, which is in the invaluable position of having grown the rare Criola cocoa variety by hand grafting for over 60 years.

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

## **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  
Kwamtali Estate Ltd

Alex Tamé  
Director  
Kwamtali Estate Ltd