APPENDIX A

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this appendix shall be construed to as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Since the Government of Uganda introduced universal primary education in 1997, primary school enrollment has doubled. This increased enrollment has fueled a sharp increase in demand for school uniforms. In addition, the continued growth in governmental institutions, non-governmental organizations, and private companies contributes to expansion of the market for uniforms.

School Outfitters, Limited's (SOU's) current share of the Ugandan uniform market is small. It supplies uniforms to six of the country's fifty-six school districts, and produces approximately 3,000 pairs of uniforms annually for all other institutions. The company's production capacity is constrained by lack of working capital, machinery, and equipment.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section.1 of the Agreement.

B. Grantee Contribution

The Grantee will contribute a total of Ush. 386,859,384 of owners' equity and loans in the form of equipment, machinery, inventory, and cash.

1V. Project Goal

The goal of the Project is to promote the growth and development of women entrepreneurship.

V. Project Purpose

The purpose of the Project is to increase incomes of shareholders and workers of the enterprise and expand employment opportunities in the community, as indicated by the following.

1.1 Number of jobs created increased from current 31 to:

Year 1	52
Year 2	65
Year 3	65
Year 4	65
Year 5	70

1.2 SOU's total wage bill and Provident Fund contributions grow from Ush. 58,000,000 to:

Year 1	Ush 86,263,250
Year 2	Ush 132,499,120
Year 3	Ush 175,847,894
Year 4	Ush 233,977,705
Year 5	Ush 271,755,741

1.3 SOU's net income grows from Ush 25,939,352 to:

Year 1	Ush (32,121,781)
Year 2	USh 66,562,443
Year 3	Ush 168,156,748
Year 4	Ush 294,260,613
Year 5	Ush 428,434,947

V1. Project Outputs

SOU's increased capacity to produce and market quality uniforms is the major output of this Project, as indicated by the following.

1. Production of uniforms increased from 38,000 to:

Year 1	38,971
Year 2	72,000
Year 3	108,000
Year 4	144,000
Year 5	180,000

2. Sales revenue increased from Ush 233,548,300 to:

Year 1	Ush 330,619,500
Year 2	Ush 662,544,000
Year 3	Ush 1,063,383,120
Year 4	Ush 1,502,914,810
Year 5	Ush 1,991,362,123

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3. Increased number of distribution outlets from 4 to:

Year 1	4
Year 2	6
Year 3	8
Year 4	9
Year 5	10

VII. Major Activities to be funded under this Agreement

A. Manufacture of Uniforms

During the life of the Project, SOU plans to improve the quality of the uniforms it produces and expand its annual output of uniforms more than four-fold. To this end, the Project will enable SOU to establish a modern and viable uniform manufacturing operation. SOU will lease and renovate space in Kampala that is adequate to house the machinery and equipment it will purchase under the Project and its existing equipment. In addition, SOU will enhance its capacity by recruiting the following skills sets:

- a quality control supervisor, accounts assistant, additional cutter, and additional technician by the end of the first year of the Project;
- approximately fifteen (15) additional tailors by the end of the first year of the Project and approximately five (5) more by the end of the Project consistent with changes in production requirements.
- two (2) finishers during the first year of the Project and an additional three (3) by the end of the second year of the Project.

In accordance with the National Security Fund Act of 1985 and other relevant Ugandan law and as an incentive to employees, SOU will establish and manage a Provident Fund. All full time employees will have the option to contribute five percent or more of their gross income to the Fund. SOU will contribute five percent of each participating employees' salary to his or her Fund account. A committee consisting of employees, SOU's Managing Director, and Accounts Manager will manage the Fund. The committee will direct the broad investment strategy for asset management professionals who will handle the actual day-to-day management of the Fund.

B. Marketing

SOU's Marketing/Account Manager will lead the formulation and implementation of the company's marketing plans. SOU will promote its products aggressively through various venues including brochures, samples, television, and radio.

C. Training

ADF's Partner organization in Uganda will train SOU staff in preparation of mandatory ADF reports and accounting.

VIII Roles and Responsibilities of the Parties

A. Management

SOU has primary responsibility for ensuring that Project activities are properly implemented. Within SOU, the Board of Directors will be the highest decision making body. It will determine strategies, policies, and the direction of the entire business. The Board will establish a Project Management Team that will supervise and coordinate implementation of the Project. Five divisions within the company will assist the Board: Finance and Administration, Production, Marketing and Sales.

Pursuant to Article 10 of the Agreement, the Uganda Development Trust (UDET), ADF's Partner, will provide SOU technical assistance and advice during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

SOU will establish three bank accounts: (a) an account to receive ADF funds; (b) an account to manage the reinvestment funds; and (c) the SOU current account. SOU will use the reinvestment account to receive regular deposits for equipment replacement and reserves to acquire additional equipment. It will make deposits to the account at least quarterly beginning as soon as SOU receives its new equipment and machinery or when production significantly increases, whichever comes earlier.

ADF ______ Grantee ______