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

The Government of Uganda has embarked on a ten-year national road construction program. This program is estimated to build and upgrade 10,000 km of major roads in Uganda between 1998 and 2008. Kelvin Shawn Investments Ltd (KSIL) has agreements with two major contractors under Uganda's road construction program. The contracts require KSIL to supply 21,300 tones of hydrated lime over a period of 15 to 18 months, which translates into approximately 2,000 metric tons of hydrate limestone per month. To meet its contractual requirement and capitalize on the increased demand for its product, KSIL needs to expand its operations. KSIL's main constraint is lack of working capital.

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's total contribution is estimated at Ush 667,951,736, of which Ush 5,000,000 is for construction of workers facilities. Ush 165,585,421 for plant and machinery, Ush 25,000,000 for purchase of a bulldozer for the mining process, and Ush 24,000,000 in working capital requirement.

IV. Project Goal

The Project's goal is to raise the standard of living for residents of Muhokya and neighboring communities.

V. Project Purpose

The purpose the project is to increase the incomes of workers and shareholders of KSIL as indicated by the following:.

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1. The number of job opportunities created increase from current 23 to:

Year 1	90
Year 2	133
Year 3	159
Year 4	185
Year 5	212

2. The total KSIL wage bill including Provident Fund will grow from USH 10,093,691 to:

Year 1 USH	127,012,500
Year 2 USH	205,884,617
Year 3 USH	257,744,314
Year 4 USH	317,917,114
Year 5 USH	387,547,026

3. KSIL's net income grows from USH 32,872,643 to:

Year 1 USH	33,298,900
Year 2 USH	429,067,600
Year 3 USH	616,893,900
Year 4 USH	849,109,800
Year 5 USH	1,073,385,000

VI. Project Outputs

The Project's major output is increased capacity to extract limestone and market hydrated lime as indicated by the following.

A. KSIL's extraction of limestone will increase from 2,640 tons to:

Year 1	6,732 tons
Year 2	15,444 ‘’
Year 3	19,008 ‘’
Year 4	22,572 ‘’
Year 5	26,136 ‘’

B. KSIL's sales revenue will increase from USH 440 046, 492 to USH:

Year 1	678,585,600
Year 2	1,668,841,800
Year 3	2,201,843,800
Year 4	2,802,947,200
Year 5	3,479,195,100

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VII. Major Activities to be funded under this Agreement

A. Production of Hydrated Lime

During the life of the Project, KSIL plans to expand its annual output of hydrated lime more than four-fold. To this end, the Project will enable KSIL to establish a modern and viable limestone mining and processing operation. Under the Project, KSIL will expand and improve its present facilities at its Kasese mine and processing site, and purchase additional equipment and supplies. In addition, KSIL will enhance its capacity by:

- improving its packaging of its product;
- hiring 67 additional production workers in first year of the Project; and
- purchasing a bulldozer and a 10 ton truck to be used in excavation and transportation of limestone.

In accordance with the National Security Fund Act of 1985 and other relevant Ugandan law and as an incentive to employees, KSIL 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. KSIL will contribute five percent of each participating employees' salary to his or her Fund account. A committee consisting of employees, KSIL'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

KSIL's Managing Director assisted by an Account Manager, will lead the formulation and implementation of the company's marketing plans. KSIL will promote its products aggressively through direct marketing and brochures.

C. Training

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

VIII. Roles and Responsibilities of the Parties

A. Management

KSIL has primary responsibility for ensuring that Project activities are properly implemented. Within KSIL, 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

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the Board: Finance and Administration, Production and Engineering, Marketing and Sales and Procurement and Farmer Relations

Pursuant to Article 10 of the Agreement, the Uganda Development Trust (UDET), ADF's Partner, will provide Muhokya Lime works with technical Assistance and advice during the implementation of this 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

Kelvin Shaun Investments Ltd will establish three bank accounts: (a) an account to receive ADF funds, (b) an account to manage the reinvestment funds and (c) the KSIL current account. KSIL 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 on a quarterly basis (minimum) beginning as soon as MLW receives its grant to finance the major project activities outlined or when production significantly increases, whichever comes earlier.

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