

**INVESTMENT DESCRIPTION
SANKUYO TSHWARAGANO MANAGEMENT TRUST
SANTAWANI LODGE ECO-TOURISM**

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 A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

The community of Sankuyo Village runs Santawani Lodge, one of the oldest lodges in Botswana, ideally located in a prime wildlife area just outside the Moremi Game Reserve. The six-chalet lodge and small restaurant have been under the management of the community trust, Sankuyo Tshwaragano Management Trust (STMT), since 2001 under a 15-year lease, which also includes photographic safari rights over the coveted districts of NG33 and NG34. Despite the tourism potential, since ending their collaboration with private sector operators, the community has not displayed the management and marketing capability to attract clients in sufficient volume to operate the business profitably.

STMT received an Enterprise Development Investment from USADF to assist STMT in developing a business and marketing plan as a first step to improving and expanding the operation of the lodge. Based on the analysis completed, STMT determined that a joint venture partnership was the business model most likely to result in a successful tourist enterprise and longer-term sustainability for the trust and the community it supports. STMT has thus selected, with input from the community, Lodges of Botswana (Pty) Limited as its joint venture partner for developing the lodge infrastructure and increasing its commercial value, while at the same time equipping members of the community with the skills necessary to successfully take over complete operation of the lodge in the future. STMT, however, lacks the capital investment needed to renovate the lodge and increase the capacity and profitability of its operations.

III. Funding

A. USADF Contribution

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

B. Client Contribution

STMT is also expected to contribute the existing Santawani Lodge infrastructure and equipment towards the implementation of the Investment. STMT will retain 100 percent ownership of the lodge, all existing infrastructure and improvements, and will sub-lease the use of the facilities to the joint venture partnership in exchange for royalties and dividends to be paid to STMT by the joint venture partnership.

C. Other Contributions

STMT's joint venture partner, Lodges of Botswana ("LOB"), is expected to provide, pursuant to the partnership agreement between STMT and LOB, the necessary training and technical assistance to members of STMT and the Sankuyo community to enable them to manage and operate the lodge; LOB's marketing expertise; and soft furnishings, equipment, and working capital in the amount of Botswana Pula (P) 1,500,000.

IV. Investment Goal

The goal of the Investment is to reduce poverty and raise the standard of living in Sankuyo Village and the surrounding area through increased access to sustainable income-generating opportunities.

V. Investment Purpose

The purpose of the Investment is to increase the incomes of STMT, its employees, and the community as measured by the following:

A. Increased royalties received by STMT from a baseline of zero in 2007 to:

- P 52,563 in Year I;
- P 143,533 in Year II;
- P 219,299 in Year III;
- P 234,211 in Year IV; and
- P 250,137 in Year V.

B. Increase dividends distributed to STMT from a baseline of zero to:

- P 149,635 in Year II;
- P 589,359 in Year III;
- P 637,109 in Year IV; and
- P 778,045 in Year V.

- C. Increased salaries for full-time workers of Santawani Lodge from a baseline of P 219,912 in 2007 to:
- P 272,600 in Year I;
 - P 501,105 in Year II;
 - P 535,181 in Year III;
 - P 571,572 in Year IV; and
 - P 610,450 in Year V.
- D. Increased salaries for contract employees of Santawani Lodge from a baseline of zero in 2007 to:
- P 135,000 in Year I;
 - P 270,000 in Year II;
 - P 288,360 in Year III;
 - P 307,968 in Year IV; and
 - P 328,910 in Year V.

VI. Outputs

USADF's Investment will help expand the capacity of Santawani Lodge as a profitable tourism enterprise operated under a joint venture partnership, as indicated by the following:

- A. An increase in Santawani Lodge's total annual sales from a baseline of P 924,865 to:
- P 1,314,088 in Year I;
 - P 3,588,336 in Year II;
 - P 5,482,463 in Year III;
 - P 5,855,271 in Year IV; and
 - P 6,253,429 in Year V.
- B. An increase in Santawani Lodge's net profits before taxes and depreciation from a baseline of negative (P 448,560) to:
- (P 234,207) in Year I;
 - P 636,716 in Year II;
 - P 1,747,962 in Year III;
 - P 1,882,094 in Year IV; and
 - P 1,983,623 in Year V.

C. An increase in the total number of employees at Santawani Lodge (full-time and part-time) from a baseline of 16 to:

- 19 in Year I;
- 40 in Year II;
- 45 in Year III;
- 45 in Year IV; and
- 45 in Year V.

D. Improved fiscal and social responsibility, as indicated by the following:

Reinvestment by STMT of a portion of the dividends received from the joint venture partnership in the Sankuyo community for scholarships; assistance to the elderly, indigent, and orphans; and other social and economic development needs.

VII. Activities to be Financed Under the Agreement

A. Environmental Impact Assessment ("EIA")

STMT will hire a consultant to assess the environmental impact of the planned expansion of Santawani Lodge to ensure compliance with Government of Botswana requirements and will address and implement any recommendations of the EIA.

B. Expansion and Renovation of the Santawani Lodge Facilities

The USADF investment will help fund construction of the main lodge facilities consisting of 8 chalets, a lounge, and a dining room; the support buildings, including a laundry, kitchen, and workshop; and the staff housing and administration buildings, including a manager unit, staff unit, and guide unit. STMT will ensure that the building contractor selected for the construction has demonstrated good performance in working on environmentally sensitive sites. Soft furnishings and equipment for the lodge will be procured from STMT's joint venture partner, Lodges of Botswana.

C. Improved Financial Management Systems

A bookkeeper will be hired and trained to maintain a full set of accounting records.

D. Training and Technical Assistance to STMT and Community Members

STMT will ensure that, pursuant to the terms of the Shareholders Agreement between STMT and LOB, staff for the lodge are recruited to the maximum extent possible from members of STMT and the local community and receive on-the-job training, including apprenticeships at other LOB tourism facilities in the region, in such areas as hospitality management, tourism, and marketing to equip them to take over operation of the lodge.

VIII. Roles and Responsibilities of the Parties

USADF's Partner in Botswana, AEET, will provide the necessary standard USADF training in bookkeeping, monitoring and assessment.

STMT is responsible for ensuring the proper management and implementation of the Investment. USADF, through its Partner AEET, will provide the Client with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

AEET will closely monitor the activities of STMT to ensure proper reporting, adherence to the Project implementation plan by the Client and movement towards the achievement of Project objectives. AEET will continuously assess the Project risk and take remedial actions as needed. Monitoring by AEET will be an important aspect of the ongoing coaching and advisory service. AEET will review STMT's quarterly reports and will submit comments and observations to the management of STMT as a part of the annual Project evaluation. The two organizations will jointly design the evaluation process.