

plantations as a sustainable integrated living environment where equal opportunities, education, and health and welfare for employees are developed in an open, transparent and equitable manner. Socially, we are committed to a multi-ethnic, multi-religious workforce where traditional cultural values are encouraged. Misty Mountains does not participate in any socially reprehensible practices, such as abusive child labor, and actively discourages these practices by others. We encourage and promote people-to-people ties among employees, area artisans, artists, teachers, health practitioners and neighbors.

MISTY MOUNTAINS

FAIR TRADE COMMITMENT

“Decent work reflects the aspiration of men and women everywhere to obtain productive work in conditions of freedom, equity, security and human dignity. Decent work encompasses respect for basic rights, access to employment, safe and healthy working conditions, and social security. Decent work comes about through social dialogue.” UN-ILO

- * Pay a fair wage within the local context in line with or exceeding regional average and official minimum wages
- * Offer employees opportunities for advancement
- * Be proactive in the implementation of actions to stop management abuse of workers
- * Provide equal employment opportunities for all people
- * Engage in environmentally sustainable practices
- * Be open to public accountability
- * Build long-term local trade relationships
- * Provide healthy and safe working conditions
- * Provide financial and technical assistance to employees as appropriate
- * Ensure that there is no abuse of child labor
- * Value and preserve traditional cultures
- * Educate consumers about the Tea trade and Sri Lankan culture
- * Promote people-to-people ties among employees, area artisans, educators, medical professionals and our consumers
- * Provide quality resources for education, health care, and community development
- * Promote environmental stewardship
- * Promote democratic participation in cooperative group structures

Misty Mountains has made an internal commitment to *social entrepreneurship* and will support the creation of self employment opportunities within our communities by looking for local solutions to Plantation needs, sharing our Agriculture technology, providing low interest loans for the creation of producer co-ops and, where needed, aiding in the creation of local cooperative credit unions or banks that target low income clients with affordable credit.

Dragonseed foundation (Sri Lanka) is being provided with an endowment of Misty Mountains Holdings Limited shares by Alan Lipscomb and Dr. Ranil Senanayake. Mr. Lipscomb and Dr. Senanayake are the cotrustees of the Foundation which is dedicated to supporting environmental projects in Sri Lanka. The Foundation will look to the local villages and communities of Misty Mountains Holdings Limited operating units first and then to the whole of Sri Lanka when making grants.

ECONOMIC GROWTH

Misty Mountains Holdings Limited is the result of efforts by shareholders of *Misty Mountains Tea Merchants, Inc.* of Seattle, USA and Toronto, Canada and *Dragonseed Digital World, Inc.* of Seattle, USA to amplify their movement into the Tea industry. Having identified potential Tea growth areas and marketing advantages, the companies have now moved into the realization process. Through the actions of these shareholders, the new firm of *Misty Mountains Holdings Limited* offers a *structure for social/economic growth*. The shareholders believe that their combined efforts will lead the Tea industry in progressive management, product development, brand development, Certified Environmentally Friendly agriculture, forest garden agriculture, and research and marketing programs for years to come.

With the creation of *Misty Mountains Holdings Limited*, the inherent strength of a public company will be brought to bear, giving the business, ecological and social principles of the founders a life that will live into the future of Sri Lanka.

The management team of *Misty Mountains Holdings Limited* has determined that while there are structural problems existing within the Tea Industry and new issues on the horizon, it can best serve its shareholders, employees and the industry by efficiently implementing its solutions and by so doing provide *leadership by example*. With its holistic approach to problem solving and emphasis on creativity and real time solutions, management feels that *Misty Mountains Holdings Limited* is well prepared to solve the structural tribulations of today, face the new issues on the horizon and adjust to yet unknown challenges.

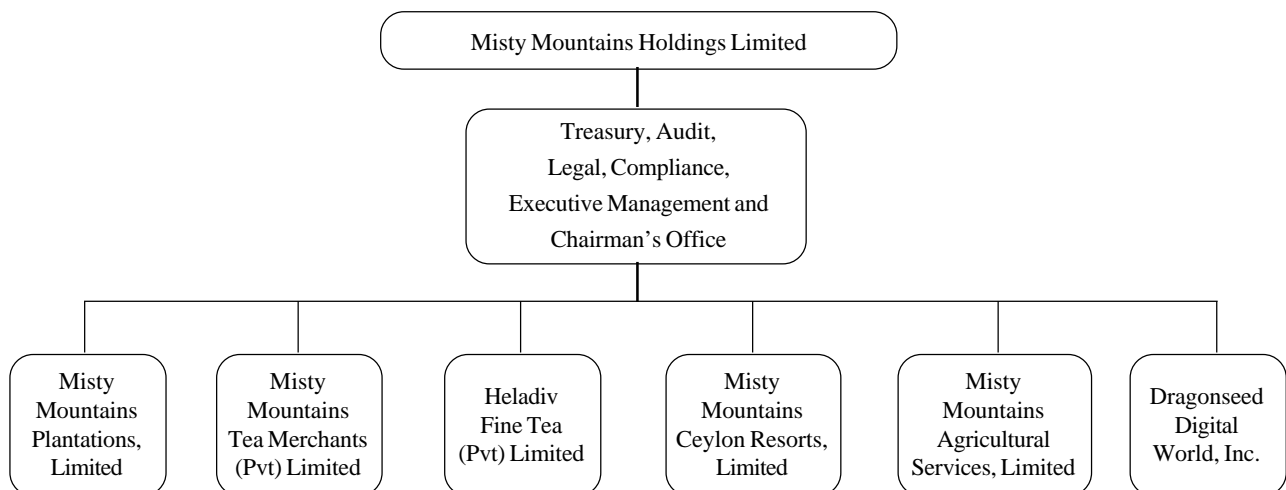
The foundation of the *Misty Mountains Holdings Limited* business plan is Product Stewardship of its *Branded Products* from the earth to the end user. The natural *Life Cycle* (or Chain of Custody) that we are called to shape begins with the growing and harvesting of tea and spices and continues through the processing and transportation to sales and end user consumption. The process will provide the world's finest quality products and build on the traditional profit structures. This approach to the market place requires the integration of exceptional quality control, cost controls, an understanding of customer desires, product development, brand building, and direct distribution to specialty wholesalers, retailers and customers.

With our "earth to customer" market approach comes a high degree of visibility which can be considered "leadership currency" that we can spend to demonstrate our business and agronomy solutions to the domestic Tea Industry, and our overall, worker, conservation and environmental programs to our customer base, to all of Sri Lanka, and other concerned food producers globally.

Misty Mountains will be well placed to provide a leadership role to the Sri Lankan Tea Industry while building on its unique program. Judith Cordova, in an email to a business associate, explained Misty Mountains' Leadership by Example: "*Mr. Lipscomb's original and innovative marketing plan will surely shine a light on the future of the tea industry in Sri Lanka, while the "Certified Environmentally Friendly," nature of the agricultural aspect of his plan is a model for sustained agriculture anywhere.*" Future growth focuses on achieving greater operating synergies through investment in the employee base, research and development, market growth, and acquisitions from within the otherwise fractionalized Tea industry.

ENTERPRISE OVERVIEW

Misty Mountains Holdings Limited (Misty Mountains) is the acquiring and development company in a program to build a new style of fully integrated international Tea production and marketing group.



BUSINESS STRATEGY

The first step in Misty Mountains development process was basic research into current Tea production and marketing systems by *Dragonseed Digital World, Inc.* Expanding on that original research, *Misty Mountains Tea Merchants, Inc.* of Seattle, Washington, USA and *Misty Mountains Tea Merchants (Canada)* Toronto, Canada were founded for the purpose of developing operational structures and expanding on non-traditional direct marketing, to design a new type of wholesale distribution system, and for product research and brand development. The keystone strength of the Misty Mountains resolve to lead the Tea industry is consolidation of these firms with key Sri Lankan Tea Industry participants, as well as providing progressive management, research and development, product development, employee training and welfare, environmentally friendly agriculture, fair trade, forest garden development and premium quality teas for years to come.

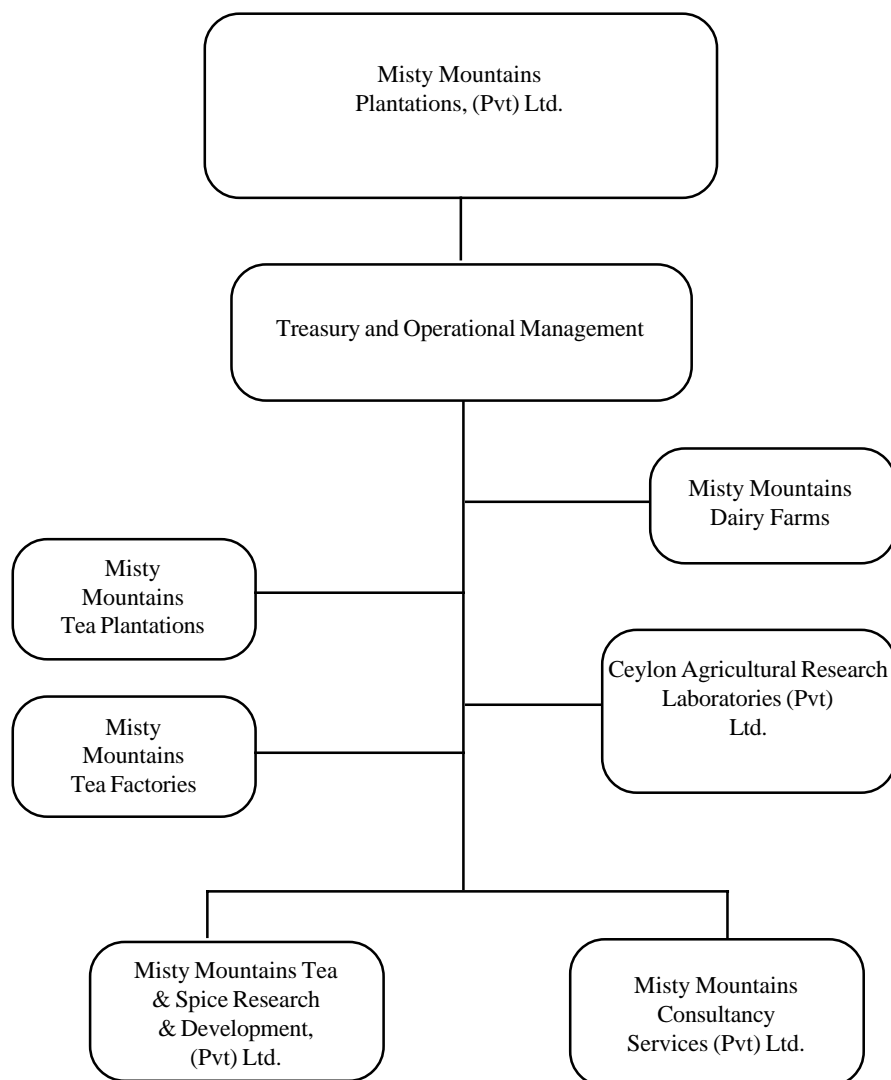
The Second step in Misty Mountains business strategy was to identify existing companies and/or assets to be restructured and allocated into a set of Foundation Companies. They provide Misty Mountains with the structure and muscle needed to produce and market Premium Quality Teas, Specialty Teas, Ayurveda and Medicinal Teas and related lifestyle products under Misty Mountains Brand names and localized Brand names to retail customers, retailers and wholesalers. The essence of the financial assumptions in Misty Mountains Business Strategy is to control all phases of the life process of Tea from production to usage. This allows for substantial rates of return on lower distribution and marketing costs of premium quality, specialty and value added Tea and related products.

Company wide staff adroitness and coordination are vital to the establishment of efficient interfaces between Misty Mountains, customers, product quality, changing consumer tastes and product development. Micro - Marketing techniques allow Misty Mountains to create value in customer relationships by better understanding customer desires and perceptions, then dynamically matching product development and marketing programs.

Consumers who purchase finer quality Tea products are seeking to experience individualized preferences that give shape, substance and satisfaction to their lifestyles. The Misty Mountains customer has an appreciation for perfection and a developing awareness of what the Tea Experience can bring to a refined and healthy lifestyle. A unique marketing program called "*Misty Mountains Romance with Tea*" reflects fundamental preferences of individual tastes and lifestyles. The process of production, development and marketing of the Misty Mountains Teas and the "*Misty Mountains Lifestyle*" creates an accessible, meaningful and enjoyable sense of Community in which its customers share the "Romance of Tea". This sense of Community empowers the Misty Mountains customer to explore and experience the world of tea and share with Misty Mountains the vivacity of the Plantation way of life.

Misty Mountains artisan products reflect strong ideals through Bird Friendly, Shade Grown (Forest Garden), Free Trade product standards, allowing consumers to demonstrate their environmental and social concerns and/or personal success to their peers, while developing self-expression through the refinement of their tastes and enjoyment of exploration.

Misty Mountains Plantations, (Pvt.) Limited



Key in Misty Mountains' efforts was the creation of Misty Mountains Plantations (Pvt) Limited, one of the Misty Mountains Holdings Limited Foundation Companies. Misty Mountains Plantations (Pvt) Ltd. brings to Misty Mountains a strong Plantation sector management team, an ongoing commitment to Research and Development and a strong desire to produce and sell the world's finest quality Teas, Spices and other agricultural products.

- * Dessford Tea Plantation
- * Clarendon Tea Plantation
- * Calsay Tea Plantation
- * Mahaeliya Tea Plantation

The original Misty Mountains Plantations are being sub-leased from Talawakella Plantations Limited. As part of the sub-lease processes all existing employees on these plantations will continue to be employed by Talawakella Plantations Limited. Misty Mountains will assume management of all employees and continue the employment of all the employees on the same terms and conditions that are applicable at the date of take over. Misty Mountains will make monthly contributions to the Employees Provident Fund and the Employees Trust Fund while setting all future employee compensation rates. During the period of the sub-lease Misty Mountains will jointly operate the Gratuity Fund with Talawakella Plantations Limited. Talawakella Plantations Limited will monitor Misty Mountains fund contributions and compensation programs.

PLANTATION DEVELOPMENT

KEY AREAS OF INCREASED EMPLOYMENT:

- * Increase in ratio of workers to Tea hectors.
- * Substantial ongoing replanting program.
- * Increase in the inplanting Program.
- * Increase in planted Tea acres.
- * Addition of specialty Teas.
- * Processing of specialty Teas.
- * Plantation based bagging and packaging.
- * Plantation based production of Tea related textile items.
- * Creation of a rock terraces, roads and erosion control crew.
- * Introduction of inter-planting programs.
- * Processing of inter-planted production.
- * Construction of environmental friendly mini-hydro projects.
- * Reopening of Silent Clarendon Tea Factory for CTC.
- * Opening of a multi function specialty Tea processing center.
- * Remodeling all factories to requirements of quality Tea production and increased safety and hygiene standards.
- * Implementation of a cooperative (Plantation/Worker) milk cow program.
- * Implementation and ongoing support of Forest Garden Programs.
- * Development of a cluster carpentry facility and apprentice training program.
- * Construction and operation of cluster vehicle repair facility and apprentice training program.
- * Implementation of fire control programs.
- * Implementation and support of conservation and environmental protection programs.
- * Construction and operation of a Bread Bakery for the non-profit supply of Bread to the plantation cluster together with an apprentice baking and hygiene training program.
- * Increase in plant nurseries.
- * Development of agricultural demonstration plots.
- * Construction and operation of Eco Resort together with staff training programs.

TEA REPLANTING

Misty Mountains Plantations, Ltd. has been directed to rapidly commence a Tea replanting program with the goal of replanting all category C fields and selected areas of category B fields needing attention within five years. On some plantations, Misty Mountains will be able to expand onto currently unused acreage within this period. Infilling will be aggressively pursued in areas that are not scheduled for replanting in the five years program. The initial infilling program is projected to be completed within five years followed by continued monitoring of infilling needs.

TEA FACTORIES

Misty Mountains Holdings Limited will hire Laksiri Peiris of Helix Engineering (Pvt) Ltd. and his team to survey each of the Tea Factories. Misty Mountains Plantations, (Pvt) Ltd. Management team will be tasked with first assessing the factories for the production of the Targeted Specialty Teas and developing an Engineering and Cost assessment for the best use of existing assets and the integration of required

equipment. The Helix Team, together with the TRI and other consultants, will also review the Factories for efficiency, quality control, and hygiene, safety and energy conservation techniques to be incorporated in a board-spectrum refitting of each factory. Their proposals will be submitted to a management committee which will include the President of Misty Mountains Plantations, (Pvt) Ltd., & representatives of all of the Tea Factories, the Industrial Safety Officer, the Cluster Electrical Engineer, a member of the Food Science staff, and appropriate members of the Misty Mountains Holdings Limited Tea Product Laboratory for review. Mr. Peiris and his team, together with the Management of each Factory, will then work together on the creation of an implementation plan designed to move production between Factories while upgrades are made. The currently silent Clarendon Tea Factory will be included in this process and will be reopened for CTC production.

Misty Mountains Plantations, Ltd., & Plantations and Factories are to be run with the distinctive requirements of Certified Environmentally Friendly food production and with high levels of hygiene at all times. Each Factory will have a food science graduate assigned to the management staff to support quality control and hygiene. In addition to the Daily ritual of Team Tea Tasting at each factory, each day a set of samples will be sent to each of the other Factories, to Misty Mountains Plantations, Ltd. President Tony Perera, to the Heladiv (Pvt) Limited Tasting Center, to Misty Mountains Holdings Limited, Chairman, Alan Lipscomb and to the Tea and Spice Product Development Lab (currently projected for opening in the second half of 2004 in Nuwara Eliya). The Cluster Safety Officer will work closely with the Factory Management Team in upgrading the safety of production processes, creating safety standards, testing fire and safety equipment and systems and creating emergency response procedures.

UNDERUSED SPACES

The unused Tea Factory space will be converted into a Conference Room, Classrooms and a Cluster Resource Center. This facility will be used as a training centre in support of the Misty Mountains Plantations, Ltd. Extension Service, cluster employee training, management meetings, team meetings, USA and Canadian University work study programs, environmental work groups and conferences hosted by Dr. Ranil Senanayake. Some of the unused loft spaces throughout the cluster will be converted into individual offices. A Tea related 800 sq. ft. tea related textile production area and a tea bagging and packaging center will be housed at the Dessford Tea Factory for Misty Mountains Lifestyle Products (Pvt) Ltd. A Tea Bagging and Packaging area will be established at one of the cluster Factories.

SCHEDULED CONSTRUCTION

In 2004 a Nuwara Eliya area facility will be leased or constructed to accommodate the Tea Product Laboratory, the Microbiology Laboratory, a classroom for staff training and in support of USA and Canadian university Work Study Programs, the Misty Mountains Holdings Limited Chairman's Highland Office, and the offices and sales and storage center of Misty Mountains Plantation Services, Ltd. Misty Mountains Holdings Limited has determined to limit its reliance on its Colombo headquarters. Though the idea is not consistent with that of other Tea companies, Misty Mountains feels that distinct advantages will be gained by locating the Chairman's office in Nuwara Eliya.

Misty Mountains Holdings Limited anticipates building an Oolong Factory on Calsay/Mahaeliya in 2006. Additionally, in 2006 a coffee processing plant will be constructed in a central highland location. In 2006/07 a liquid tea and herb extract processing plant will be constructed in a central highland location.

In 2004 within the Nuwara Eliya plantation cluster a Veterinary Medicine Center will be constructed, an Agronomy Research Center and new staff housing in support of various additions to the clusters professional staff.

DAIRY

Misty Mountains Holdings Limited is in the final stages of acquiring two existing Dairy Farms. In addition Misty Mountains Plantations, Ltd. will conduct a study of needed conditions for locating an addition Commercial Dairy Farm within or near its Plantation cluster.

These farms are being outfitted with like-new refurbished contemporary feeding systems, milking parlors, cleaning systems and milk pasteurization, processing and storage equipment imported from Wisconsin, USA. The cattle herd will be developed by the importation of embryos which will be transferred to local host cows, creating exceptional seed stock for all of Sri Lanka, and the use of Artificial insemination will be used to sustain the herd quality while expanding its genetic base.

Two Veterinarians will be employed to provide for oversight and care of all livestock. They will provide 24/7 on-call service for the Dairies and Plantations along with free medical care for all employee animals.

Following on the excellent work at few other plantations, a chain of small multi cow feeding and milking stations will be located near areas of available grass and within easy reach of worker villages. Each station will be the joint responsibility of selected worker families. Each plantation will establish a joint venture cooperative with employees to implement and manage a family cow program with each participating family provided with a cow. The cow will supply milk, calves, and manure for the families. The milk, calves and or the manure can be sold back to Misty Mountains or retained for family or village use.

Once fully operational the company dairy farms will provide, as available, free pasteurized milk and yoghurt from the company's Dairies, distributed five days a week, to the Plantation Child Care Centers and Schools. The balance of the milk production will be sold into the wholesale market. In addition to the milk production, the Dairies will provide organic material (manure) needed to rebuild the plantation cluster soil.

ROCK TERRACES, ROADS AND EROSION CONTROL

The Plantation cluster will have a full time crew dedicated to the maintenance of roads and existing rock terraces and the implementation of new rock terraces and erosion protection programs. With the aid of a new field and road mapping technology developed by Dragonseed Digital World, Inc., the impact of erosion control and water management efforts should be greatly increased. This new technology incorporates Global Positioning Satellite (GPS) signals and altimeter data into 3D maps and drawings that are accurate to within 6 inches.

Working closely with the Cluster Safety Officer, the Agronomy Team and the Plant Nurseries, this dedicated maintenance crew will have a major impact on erosion control, water usage and the overall environmental impact of the Plantation cluster development. Dr. Ranil Senanayake will set up specific standards for this crew's work and provide planning oversight for its integration with an overall Environmental Master Plan for the Plantation Cluster.

FIRE DETECTION AND SUPPRESSION

All buildings will be surveyed for fire hazards and plans will be developed to eliminate and/or reduce the risk of fires at all locations. Additional fire suppression equipment will be added where needed. A plantation cluster plan will be developed to communicate the existence of a fire and activate predetermined plans to commit manpower and equipment to deal with any fire. All fire suppression systems will be tested regularly by the Cluster Safety Officer, and he will conduct regular training sessions among all employees. Where appropriate, fire break areas will be developed and replanted with ground covers that retain a high percentage of water. A Water Tank/Pump Truck will be available 24/7 to support efforts to control grass, forest and building fires.

HEALTH CARE

The health care system on the estate cluster will be upgraded with the addition of a full time MBBS Doctor. All medical facilities will be surveyed and improvements given a priority scheduled.

EMPLOYEES

The Misty Mountains Holdings Limited business model creates new employment opportunities for management, staff and workers alike. The major initial objective of management, both culturally and from an on - going operating standpoint, is identifying inherent "Best Practices" while integrating all operating units. Maximum involvement of existing management, staff and workers in early stages is beneficial, bringing substantial knowledge of both the Tea Industry and the original operating units.

Certified Environmentally Friendly agriculture requires a larger number of employees than conventional agriculture. We anticipate and immediate increase from 2.5 workers per hectare to 3 workers per hectare without taking into account other associated increases in employment within the plantation cluster. In year two we expect an increase to 3.25 and in year three and an increase to 3.5. When combined with our drive for quality and specialty tea products, the opportunities will be endless for all.

Misty Mountains' Social and Agricultural Policies will be applied at any Tea plantation or Facility that the firm acquires or develops. Management, Staff and Worker policies and support programs apply across the entire firm. As "*a successful and innovative entrepreneur*" (Peter Brown, former President of RJR Nabisco, Brazil) Chairman Alan Lipscomb will work to inspire among all employees a sense of respect for Creativity, the Benefits of hard work and Pride in *their* company. Reading Mr. Lipscomb's biography, you get an instant understanding of his relationships with employees. "*Managing and growing long - term productive, responsive and creative employees and employee relationships was the key to our success. I was a hands - on - CEO that translated daily customer contact into service and employee development efforts*" (Alan Lipscomb).

MANAGEMENT & STAFF

In the process of restructuring the original operating units for improved efficiency and the consolidation of duplicated functions, every effort will be made to reassign and, as needed, re - train affected employees. No employee will be left without an appropriate job. The effect of aggressively working to re-integrate reassigned employee in a professional and caring manner will pay long term dividends in relationships with all employees.

Misty Mountains Plantations, Ltd. is committed to the absorption of existing management staff. Ongoing training programs in support of Certified Environmentally Friendly agriculture, crop management and production, computers, conservation, hygiene, quality control, electrical engineering, livestock management, livestock health care, safety, milk production, cheese production, management techniques and cost control will be offered at various levels of intensity to all employees.