

**APPENDIX A
PROJECT DESCRIPTION:**

ERNIMICH PROCESSING & MARKETING OF AFRICAN ETHNIC FOODS

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

Ernimich Company Limited (Ernimich) is an African ethnic foods processing and marketing company that exports to the United States. The American ethnic food market segment is projected to grow approximately 50 percent over the next decade, from US\$50 billion to US\$75 billion. Market analysts project that African ethnic foods will account for \$1 out of every \$7. With access into the American market, the Company sees an opportunity to grow its African ethnic foods business resulting in higher incomes for its shareholders, workers, and farmers within the community.

Over the years, the Company's products have received strong acceptance from Ghanaians and other West Africans living in the United States. To expand production, increase their market share, and more firmly establish their position in the American ethnic foods market, Ernimich needs working capital, international marketing, and capable personnel. These inputs will allow Ernimich to increase its access to raw materials, improve their operational capacity, and become a more dominant player in the African ethnic foods exports market.

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 make ADF's contribution to exceed the obligated amount specified in Article 3, section 3.1 of the Agreement.

B. Grantee Contribution

The Grantee (Ernimich) will contribute its existing assets and 533,377,500 Cedis towards meeting the following costs:

- partial costs of a truck;
- incremental costs in purchasing printed poly bags and boxes, labels and other packaging material under the working capital requirements;

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- costs related to quality assurance improvement under HACCP, GMP and other quality protocols.

It will be Ermimich's responsibility to pay for these items regardless of the actual final cost.

In addition, Ermimich will create a Provident Fund for its employees with up to a 5 percent matching contribution. It will also provide financial support to an education and skills upgrade program in the company's surrounding community.

IV. Project Goal

The goal of the Project is to improve the living standards of Ghanaian private sector workers and farmers in the Greater Accra region

V. Project Purpose

The purpose of this Project is to increase income for the Ermimich business owners, employees, and participating farmers.

Two indicators will be used to track the attainment of the project purpose:

- A. Ermimich's operating profit or earnings before interest, taxes, depreciation and amortization (EBITDA) increases from 1,232,755,000 Cedis in 2005 to:
 - 1,730,701,000 Cedis in Year 1;
 - 2,359,798,000 Cedis in Year 2;
 - 3,043,392,000 Cedis in Year 3;
 - 3,901,280,000 Cedis in Year 4; and
 - 4,994,478,000 Cedis in Year 5.
- B. Employees' total annual income from payroll increases from 650,000,000 Cedis in 2005 to:
 - 788,300,000 Cedis in Year 1;
 - 1,038,959,000 Cedis in Year 2;
 - 1,236,339,000 Cedis in Year 3;
 - 1,483,607,000 Cedis in Year 4; and
 - 1,780,329,000 Cedis in Year 5.
- C. Participating farmers' income from the sale of produce to the grantee will increase.

VI. Project Outputs

In order to achieve the Project's purpose, Ermimich will accomplish the following:

- A. Ermimich will increase its capacity to produce items that are competitive on international and domestic markets.
 1. Production increases annually by 15 percent to:
 - 1,980 metric tons in Year 1;

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- 2,277 metric tons in Year 2;
 - 2,619 metric tons in Year 3;
 - 3,011 metric tons in Year 4; and
 - 3,463 metric tons in Year 5.
2. Total sales for 2005 are projected to be 8,400,000,000 Cedis. The Company's sales increase from this baseline to:
- 9,261,252,000 Cedis in Year 1;
 - 11,608,979,000 Cedis in Year 2;
 - 14,551,856,000 Cedis in Year 3;
 - 18,240,751,000 Cedis in Year 4; and
 - 22,864,781,000 Cedis in Year 5.

B. Ermimich will improve its management capacity.



1. The number of Ermimich employees increases from 130 in Year 1 to:
 - 165 in Year 2;
 - 190 in Year 3;
 - 220 in Year 4; and
 - 250 in Year 5.
2. Sales and gross margin ratios will increase from approximately 26.0 in 2005 to:
 - 27.0 in 2006;
 - 28.0 in 2007, 2008 and 2009; and
 - 29.0 in 2010.
3. The company will develop and utilize enhanced system, organizational procedures and other management improvements.

VII. Major Activities financed under the Agreement

- A. **Production:** The Grantee will increase the amount of raw materials it purchases, provide transportation from farms to their processing facilities, shipping transportation, and improved packaging to ensure an uninterrupted supply of quality products to its customers.
- B. **Market Development:** The Grantee will complete the implementation of the HACCP and GMP protocols to ensure that its products continue to meet local and US export regulatory requirements.
- C. **Internal Systems Improvement:** The Grantee will implement comprehensive administrative procedures to enhance effective product processing, knowledge sharing, and human resource management. The company will also continue to

implement standard accounting practices and procedures to ensure proper costing, inventory management, and record keeping.

- D. Training:** The Grantee will begin intensive training for management capacity building and systems upgrading.

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VIII. Roles and Responsibilities of the Parties

ADF's Partner, INPRODEC will provide the necessary standard ADF training in bookkeeping, monitoring, and assessment.

The Grantee is responsible for ensuring the proper management and implementation of the Project. The current two member Board of Directors will be expanded to a minimum of five to enable it to fulfill its assigned role. In addition, expansion of the current management staff, increased salaries, and the extensive training of personnel will help the Grantee meet the demands of an expanded operation that requires increased performance, effective support, and oversight of the implementation process. The ADF Partner in Ghana, INPRODEC will provide the Grantee with technical and management assistance during the implementation of the project.

IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of the Company to ensure proper reporting, adherence to the Project implementation plan by the Grantee, and movement towards Project objectives. INPRODEC will continuously assess the Project risk and undertake remedial actions as needed. Monitoring by INPRODEC will be an important aspect of the ongoing coaching and advisory service. INPRODEC will review Ermimich's quarterly reports and will submit comments and observations to the management of Ermimich, as a part of the annual project evaluation. The two organizations will jointly design the evaluation process and Ermimich will incorporate the findings of the evaluation into their annual report.

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