

APPENDIX A**INVESTMENT PROJECT DESCRIPTION:
Aiya Groundnut Oil Expansion Project****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

Aiya Pure Groundnut Oil Mills Limited (Aiya), a groundnut processing company located in Kaduna city and state, Nigeria, produces three groundnut products: cooking oil, cake, and sludge. Aiya's primary product, groundnut oil, is the preferred cooking oil among Nigerians. However, there is limited supply in the market since production is mostly at the household and small-scale level and other small-scale operations. Also, the 2004 Government ban on bulk un-canned vegetable oil imports creates pressure on the supply of quality groundnut oil, and thus gives rise to the opportunity which Aiya is pursuing. There is also strong demand for the company's groundnut cake and sludge.

Given the market opportunities and excess demand for its products, Aiya seeks to expand its production capacity, its workforce, and improve the quality of its primary product, groundnut oil. To accomplish its goals, the company needs to add new equipment and machinery for the milling process. Additionally, in order to exploit this opportunity fully, Aiya management needs to be strengthened, accounting and financial controls must be bolstered, and quality systems must be instituted.

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

Aiya will continue funding the groundnut oil business operations.

IV. Project Goal

The goal of this project is to improve living standards of residents in Kaduna City and its environs.

V. Project Purpose

The project purpose is to increase Aiya's income, that of its employees, and that of farmers who supply groundnuts to the Company. The following indicators will be used to track the achievement of this purpose.

- A. Aiya's net income before taxes and depreciation will grow from ₦936,000 in 2006-2007, to ₦6,475,930 in 2008; to ₦24,673,683 in 2009; to ₦30,645,167 in 2010; to ₦33,901,927 in 2011; and to ₦40,617,689 in 2012.
- B. The total salary payments to Aiya's workers will increase from ₦7,755,098 in 2007 to ₦10,725,000 in 2008.
- C. The total salary payments to Aiya's management team will increase from ₦5,170,060 in 2007 to ₦5,044,800 in 2008.
- D. The total value of purchases from groundnut farmers will increase from ₦30,855,600 in 2007 to ₦40,320,000 in 2008.

VI. Project Outputs

The major output of the Project is increased capacity and product quality demonstrated by the following.

- A. Total sales revenues will grow from ₦36,000,000 in 2006-2007; to ₦112,912,996 in 2008; to ₦ 289,441,964 in 2009; to ₦ 326,167,910 in 2010; to ₦ 369,584,205 in 2011; to ₦ 405,218,750 in 2012.
- B. Aiya's production capacity for processing groundnuts will increase from the current level of 10 metric tons per 8 hour day to 20 metric tons per 8 hour day.
- C. The total number of employees at Aiya is expected to rise from 13 currently to 26 by the end of the project.
- D. By the end of the Project, Aiya will have obtained a certificate of quality from the National Foods and Drugs Control Agency (NAFDAC).

- E. Aiya will improve its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfil the Project's purpose the following activities will be funded by USADF:

A. Production

This Project will take a phased approach to addressing Aiya's two major production constraints – frequent machinery breakdowns and inconsistent power supply. In phase I, Aiya will refurbish existing equipment. To further address mechanical breakdowns, Aiya will train its crude oil production manager in equipment repair and maintenance at a reputable oil mill or repair servicing company.

During phase II, Aiya will move to a larger facility in an industrial area that has reliable access to public utilities. Aiya will conduct a site and environmental assessment of the new location, and will contract with an engineer to design the new facility and assist with the installation of equipment. Aiya will purchase additional roasters, pressers, and refiners in order to boost its capacity. The new equipment will be capable of running on electricity or direct diesel power to mitigate the effects of power outages. The equipment vendor will train Aiya's staff in use and maintenance of the equipment. Finally, during phase II, Aiya will modify its processing method by adding vitamin A and caustic soda to the refined oil – a requirement for obtaining NAFDAC approval. An experienced food processing specialist will train Aiya's Food Technician and Managing Director in the use of vitamin A and caustic soda in the preparation of groundnut oil.

To ensure that adequate environmental and safety measures are in place, Aiya will take the following actions: (1) use a central solid waste collection point with appropriate disposal; (2) use an effective and appropriate process for channeling wastewater to a septic tank; and (3) install fire safety procedures.

B. Management

Aiya's management constraints are in the areas of product quality control, marketing and sales, and equipment maintenance. To address these deficiencies,

the Company will engage a Food Technician, and a Marketing and Sales Manager. In addition, Aiya will move from a manual based financial and accounting system to a computerized system to improve its financial systems and controls.

C. Personnel, Training and Technical Assistance

Aiya will train its management team on managerial techniques and financial controls. All of its employees will receive training in food safety. Its production staff will receive training in equipment maintenance and repair.

VIII. Roles and Responsibilities of Parties

AIYA management is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Nigeria will provide AIYA with technical and management assistance during the implementation of the Project. In addition, the USADF Partner in Nigeria will provide the necessary standard USADF training in bookkeeping and monitoring and assessment.

IX. Monitoring and Evaluation

The USADF Partner in Nigeria will closely monitor the activities of the Project in order to ensure high quality assurance of the reporting and that the project implementation plan is followed. In addition to tracking general progress of the project, the Partner will continuously assess the identified project risks so that timely remedial actions can be taken -- forestalling significant adverse impact on the realization of the project objectives. Monitoring by the USADF Partner in Nigeria will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Nigeria will review all of the Project's quarterly reports prepared and submitted by AIYA, and will submit comments and observations to the management of AIYA as part of the annual project evaluation. The two organizations will jointly design the Project's evaluation process and AIYA will incorporate the findings of the evaluation into its annual report.