

**APPENDIX A:
PROJECT DESCRIPTION
Classic Home Care Limited– Tanga, Tanzania**

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

Classic Home Care Limited (CHC) is engaged in the production of wooden furniture and furniture products for residential and commercial use. The enterprise also has a contracting business offering a range of services from large commercial construction projects to small interior design and renovation projects.

CHC would like to improve the quality of furniture production and expand its customer base beyond the domestic market to include international export. In addition, the enterprise seeks to improve its capacity to expand its contracting services to enhance its ability to undertake urban renewal projects.

While the potential for growth and improved profitability exists, CHC is burdened with outdated production equipment; inadequate accounting and financial management training and software; a scare supply of skilled labor; and, a lack of expertise and knowledge of international export.

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 3, section 3.1 of the Agreement.

B. Client Contribution

CHC will contribute its existing fixed assets worth about TSH 532,973,240 plus working capital/operating costs of TSH 715,916,545.

IV. Investment Goal

The goal of this project is to improve quality of life for the CHC community and the standards of living for CHC employees.

V. Investment Purpose

The purpose of the investment is to increase net income for the company and its employees as follows:

- A. The Enterprise's adjusted net income (before taxes and depreciation) to increase from the baseline of TSH 105,366,128 to:
- TSH 26,225,140 in Year I;
 - TSH 163,045,126 in Year II;
 - TSH 243,730,689 in Year III;
 - TSH 282,186,766 in Year IV; and
 - TSH 288,816,453 in Year V.
- B. The total value of payroll paid to workers (including directors) is projected to increase from TSH 21,350,000 in Year I to:
- TSH 25,685,000 in Year I;
 - TSH 27,795,050 in Year II;
 - TSH 30,475,894 in Year III;
 - TSH 33,146,768 in Year IV; and
 - TSH 36,100, 729 in Year V.

VI. Outputs

The anticipated output is increased capacity to produce high quality furniture.

- A. The Enterprise's capacity growth be will measured via the generation of additional employment from the current baseline of 20 permanent full-time employees (FTEs) to:
- 30 total FTEs in Year I (ten additional jobs);
 - 35 total FTEs in Year II (five additional jobs);
 - 40 total FTEs in Year III (five additional jobs);
 - 45 total FTEs in Year IV (five additional jobs); and
 - 50 total FTEs in Year V (five additional jobs).

B. The Enterprise's sales revenues are projected to increase from the current baseline of TSH 556,363,857 in FY 2006 to:

- TSH 723,708,285 in Year I;
- TSH 915,885,356 in Year II;
- TSH 1,099,062,428 in Year III;
- TSH 1,263,921,792 in Year IV; and
- TSH 1,390,313,970 in Year V.

VII. Activities

A. Production

The primary activity of this project is the production of high quality wooden furniture for the domestic and international market. To improve production, CHC will renovate the production facility and improve its health and safety systems by completing the following:

- constructing a new office;
- replacing the roof ;
- replacing roof supports and structure;
- upgrading electrical and plumbing systems;
- securing a truck for delivery of raw materials and finished products;
- procure new modern carpentry tools and machinery;
- acquiring protective clothing;
- improving ventilation; and
- establishing fire and noise protection systems and first aid procedures.

B. Marketing

The Client will develop and implement an aggressive marketing strategy to enhance its reputation as a quality manufacturer in the domestic market and achieve its potential as an exporter to the international market. Activities will include:

- developing and implementing a comprehensive marketing strategy;
- designing and launching a new website;
- designing and distributing new promotional materials; and
- developing and initiating a media-based advertising strategy.

C. Training

CHC will build its capacity by recruiting and training new and existing employees to improve their skills in several areas including:

- training employees on new equipment;
- training employees on safety and environmental issues; and
- formulating a business strategy.

VIII. Roles and Responsibilities of the Parties

The CHC Directors, production staff and marketing personnel hold primary responsibility for executing on the activity timeline as planned. The USADF Partner in Tanzania will work with CHC to ensure its production and training goals are met. In addition, the USADF Partner will provide CHC with technical and management assistance during implementation.

The Vocational Training Center in Tanga, Tanzania has a collaborative relationship with CHC in terms of technology sharing and training, which will continue and expand during USADF investment period.

IX. Monitoring and Evaluation

USADF's Partner in Tanzania will closely monitor the activities of CHC to ensure proper reporting, adherence to the project implementation plan by the Grantee and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review CHC's quarterly reports and will submit comments and observations to the management of CHC as a part of the ongoing performance assessment.

X. Other Implementation Issues

- A. Broadening the Board of Directors – The owners will expand the Board of Directors to increase the number of non-family members and executives from other industries.
- B. Formalizing a benefits plan for departing employees – Currently, departing employees in good standing receive financial and sometimes technical support from management. CHC benefits by keeping a close network of “on call” carpenters who assist with large orders. CHC will convert this practice into a formal plan, to ensure transparency and fairness in execution.

- C. CHC will pursue a relationship with Bio Bricks (a local company that produces briquettes from sawdust) to identify environmentally sound means to dispose of the sawdust CHC generates in its production process.