

**APPENDIX A
PROJECT DESCRIPTION**

Nancy Tally Milled Rice 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

Tally International (TALLY) is a trading, supply and contracting company headquartered in Kaduna, Northern Nigeria. The company's founder and Managing Director, Mrs. Nancy Talatu Malle Harry, saw a business opportunity in the ethnic foods market back in 1995. For the past two years, the company has worked to turn that opportunity into a reality by setting up a milled rice flour pilot plant.

The market for easy to prepare ethnic foods in Nigeria is enormous. Data provided by the Nigeria Raw Materials Research Development Council estimates that Nigerian households annually consume over five million metric tons of rice and rice products, and that the consumption of rice and rice products is growing eight to ten percent annually. This is the market into which TALLY International is trying to tap, but the food processing business of the company is hampered by deficiencies in its management and operational systems.

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 make USADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Client Contribution

TALLY will contribute NGN 2,805,000 which will be spent on processing equipment, a standby generator for the new factory, and a used delivery truck.

IV. Project Goal

The goal of this investment is to increase the availability of basic food items and promote job creation and income enhancement for the poor in Kaduna State, Nigeria.

V. Project Purpose

The project's purposes are to:

- A. Increase the income of TALLY and its employees.
 - TALLY's income before interest, depreciation and administrative expenses (EBITDA) will grow from a loss of (2,136,000) Naira in FY2008 to 5,131,000 Naira in FY2009.
 - Total income to production employees of TALLY will grow from 5,052,000 Naira in FY2008; and
- B. Improve the Client's prospects for sustained expansion as indicated by a comprehensive five-year business plan that USADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

The expected outputs from the project are:

- A. Total sales revenues generated will grow from 23,760,000 naira in FY2008 to 43,560,000 naira in FY2009.
- B. The total number of employees at TALLY is expected to rise from 20 in FY2008 to 26 by FY2009.
- C. A business plan that includes: a marketing and sales strategy; a branding, promotion and distribution strategy designed to help TALLY reach customers in a cost-effective manner; and financial projections that support proposed investments.
- D. A financial management system certified as compliant with USADF and investor management reporting requirements as indicated by:
 - A fully trained accountant competent in financial controls and the company's financial requirements;
 - regular financial reports and annually audited accounts; and
 - an accounting policy and procedures manual utilized by TALLY's management team.
- E. A fully functioning Board of Directors that operates according to best practices.
- F. Strengthened fiscal and social responsibility as demonstrated by TALLY's compliance with the Reinvestment 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 purpose the following key activities will be undertaken by TALLY and funded by USADF:

- A. Production
 - Recruit an experienced production manager
 - Rent a new factory premises in a good industrial site for 24 months
 - Procure and install additional processing equipment at new factory, including a back-up generator
 - Procure packing material (100,000 2 kilogram bags) and raw material (primarily rice, maize and cassava flour)
 - Implement production quality control measures developed with technical assistance services provider

- B. Marketing
 - Recruit an experienced sales and marketing manager with good knowledge of consumer goods distribution systems
 - Implement limited branding and advertising campaign developed with technical assistance services provider
 - Implement an effective marketing and distribution strategy and plan developed with the technical assistance services provider

- C. Finance and Administration
 - Hire an experienced qualified full-time accounting/finance manager to assist the managing director with administration and financial management
 - Develop and implement operations, policy and procedure manuals and systems that cover production, finance, personnel, procurement and management reporting
 - Procure, install and implement an automated financial and accounting management system

- D. Training in production (e.g., batch processing and quality control, inventory management and cost control, correct and safe use of equipment, equipment maintenance); marketing (e.g., branding, distribution chain management, effective advertising and salesmanship); finance and accounting (operating a computerized accounting systems, effective financial reporting, use of financial controls, pricing and costing, operating the Sage 50 Accounting Package)

- E. Technical Assistance
 - Preparing a business and marketing plan
 - Developing an effective management team
 - Implementing effective business processes
 - Strengthening accounting and financial systems
 - Improving corporate governance

VIII. Roles and Responsibilities of Parties

The USADF Partner in Nigeria will provide the necessary standard USADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the project.

TALLY management is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Nigeria will provide TALLY with technical and management assistance during Project implementation.

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 as well as ensure the project implementation plan is followed. Besides tracking general progress of the project, it will also continuously assess the identified project risks so that remedial actions can be taken on time in order to forestall 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 the Project's quarterly reports prepared and submitted by TALLY, and will submit comments and observations to the management of TALLY as part of the annual project evaluation. The two organizations will jointly design the evaluation process and TALLY will incorporate the findings of the evaluation into their annual report.