

APPENDIX A

PROJECT DESCRIPTION

FIZALIS FRUIT JUICE PRODUCTION AND EXPANSION

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

Fizalis – Industria De Refrigerantes, Nihjo, Leite E Seus Derivados, S.A. (“Fizalis”) is a small to medium-sized enterprise headquartered in Mindelo, on the Island of S.Vicente. It processes various kinds of juices from imported fruit nectar concentrate. The company sees an opportunity to expand its business and has recently shifted its selling focus to the island of Santiago where more than 50 percent of the population of Cape Verde resides. However, the company lacks the financial resources required to expand its domestic distribution, purchase production equipment and packaging materials, train its staff, establish an effective marketing strategy, and otherwise successfully compete in the market place.

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 cause ADF’s contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

Fizalis will contribute its existing assets which include the production plant, land, and a complete set of fruit processing equipment worth the amount of CVE 76,160,618, according to financial statements of December 2005. Fizalis is also contributing employment of a marketing specialist which will cost the company a total of CVE 6,048,936 during the life of the Project. Fizalis is also contributing the time and effort of its management and staff to the Project.

 ADF  Grantee _____

IV. Project Goal

The Project's goal is improve the living conditions for residents of Cape Verde.

V. Project Purpose

The purpose of the Project is to increase Fizalis' net income after tax and its employees' income, as indicated by the following.

- A. Fizalis' yearly net income after taxes will increase from current level of CVE (12,100,500) to CVE 2,288,582 in Year I; CVE 10,953,615 in Year II; CVE 18,744,719 in Year III; CVE 25,504,922 in Year IV; and CVE 22,985,964 in Year V of the Project.
- B. Employees' total yearly wage payments will increase from the current level of CVE 5,200,000 to CVE 5,880,000 in Year I; CVE 5,950,560 in Year II; CVE 6,021,967 in Year III; CVE 6,094,230 in Year IV; and CVE 6,167,361 in Year V of the Project.

VI. Project Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

- A. Fizalis' sales increased, as measured by:
 1. Annual sales increased from CVE 43,800,000 to CVE 58,956,102 in Year I; CVE 74,579,469 in Year II; CVE 90,569,307 in Year III; CVE 105,404,560 in Year IV; and CVE 122,669,827 in Year V of the Project.
- B. Technical and management capacity strengthened, as measured by:
 1. Fizalis' permanent jobs increased from current level of 19 full-time jobs to 23 in Year V of the Project;
 2. A performance monitoring plan developed in Year I; data collected, analyzed, and reported every three months on critical project indicators, thereafter;
 3. A business plan developed in Year I with annual updates thereafter; and
 4. A marketing plan developed in Year I with marketing services implemented by marketing experts.

VII. Activities

A. Production unit

- Fizalis will procure and install equipment including: an air-compressor, a refrigeration system, and a set of 25,000 liter-containers; and
- Fizalis will use working capital to purchase and transport 700,000 one liter-packages.

B. Marketing Plan and Marketing Services

- Fizalis will work with a consultant to develop a marketing plan including sales expansion and distribution strategies;
- A consultant will work with and train Fizalis in marketing including implementation of a marketing plan.
- SIDEL, Lda. will assist Fizalis to establish a performance monitoring system to provide management with critical information for decision-making and monitoring.
- Fizalis will arrange for an external audit during the Project.

VIII. Roles and Responsibilities of the Parties

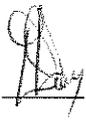
Fizalis is responsible for ensuring the proper management and implementation of the Project. The ADF Partner will provide Fizalis technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop a Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

X. Other Implementation Issues

While keeping its current bank accounts, Fizalis will establish a new specific bank account to receive ADF funds and make payment for activities funded by ADF fund.

 ADF  Grantee _____