

February, 12th, 2003

Proposal

for a

Joint European Venture, JEV under the European Investment Bank JEV Program.

The proposed project fulfils the requirements of the JEV program with

- The participation of companies from different EU member states
- The target of the foundation of a new company named BIOCrete

A. General information

1. Project title: **BIOCrete**
2. Project proposer:
*. * **intended investor**, BRD, company
3. Project participants:
 - *. * **intended investor**, BRD, company
 - **Pascoe Management Consulting**, Agia Galini, GR, company
 - **Anonymus participant**, Heraklion, GR, company
 - **SYNergon Hellas EPE**, Melampes, GR, company n.a.
4. Project leader:
Thomas E. Pascoe, PMC, GR 74056 Agia Galini, Tel.0030 2832091338
5. Project location: Crete, GR
6. Project budget: 87500 Euro

| | | |
|----------------------------|-------|------|
| Requetsed EIB contribution | 43750 | 50% |
| Proposer contribution | 43750 | 50% |
| Total | 87500 | 100% |

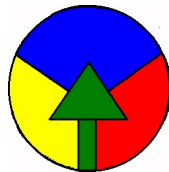
7. Project commencement: Following budget approval
8. Project duration: 6 month

B. Project description

1. Summary

Backed with the rising market demand and a promising feasibility study the participants of the JEV decided to invest in the set up of a new enterprise named BIOCrete. The benefits of 40% state contribution to the investment, following Greek Investment Law 2061/98, enforces this approach. This new company will improve competitiveness and foster strategic business development of the participants. The JEV program compiles all necessary documents for the creation of this enterprise.

The company BIOCrete will produce high quality certified organic food products. BIOCrete will process and pack this products and present them in a product set of 35 items with the labeled brand name BIOCrete. It implies an innovative and sustainable land use management system based on industrial production cycles. BIOCrete offers with its “food to fork” marketing strategy a transparent product identity of high end quality. The social integration and environmental improvements of BIOCrete contribute substantially to the European guidelines of sustainable development.



2. Description of the participants

2.1. *. * intended investor, BRD

*. * will be the exclusive logistics manager and distributor of the high quality product set.

The brand name with its label, presented in a transparent added value chain from raw material to client is an valuable improvement of KTL services.

KTL acquires the logistics of a product set, produced hundreds of kilometres away from any industry, under most favourable local conditions, processed in a ISO certified processing unit and transported with high tech EUR 3 trucks. This involves a high growth potential and will make KTL the first performer in distribution of organic products from Crete.

This potential added to the experienced management team of KTL with its European wide client network, specifically in Greek speciality food shops and the growing demand for certified organic food are an asset in risk management. BIOCrete is a future oriented measure of KTL to compete in the growing competitiveness with the upcoming new EU members and their products. In the second phase development KTL can extend its BIOCrete related services Europe wide.

2.2 Pascoe Management Consulting, Agia Galini, Greece

PMC is a interdisciplinary project management company and ordered to execute the JEV program.

PMC will coordinate between the participants. It will elaborate the business plan with all completed data of BIOCrete, its organisational structure, processes, products, costs and risk management and the environmental impact assessment of the proposed activities.

It involves design of the financial partnership for the seed capital in the frame of EU SME measures as well as negotiations with the relevant Greek ministries to confirm their contribution in the framework of the Investment Law. The guidelines of this law enable even higher contributions than 40%, tough negotiations are needed. The multiple benefits of BIOCrete are of specific impacts for a modern implementation of CAP, Community Agriculture Policy. BIOCrete creates 37 non seasonal durable working places in economic environment protection and is a very positive public relation tool for the image of Crete as environmentally friendly destination. It is the answer in urgently needed desertification mitigation stabilising potable water economy. Further on the Investment Law contributes to any investment in production facilities. Thus, as arable land is the central production tool of BIOCrete, it has to be cleared how the contribution for this production tools will be organised. The business plan also should outline the second phase development of implementing further “island” production centres elsewhere appropriate, BIOTuskany, BIORhön, BIOCamarque f.e. internationalising the label of food security.

The company has an outstanding reputation in its sustainable development integration into project management. Economists, Engineers, Agronomists, Process Designers, and experts in national and EU programs set up a successful management team. They provide business or production reengineering schemes, environmental assessments, project designs and realisations. The company is an expert in holistic project realisation and with its involvement in policy making at UN, EU and NGO level well informed about upcoming new standards and regulations. PMC designs water management planning at communal level too.

PMC will add with the execution of the JEV Program another stone in its patchwork of sustainable development projects design.

2.3 **AP**, Heraklion GR

AP will effect the transportation of BIOCrete products to KTL with its high tech truck fleet.

The BIOCrete production will ensure 150 truck loads per year overtime to Europe. Due to the added value of the transport goods, KT can triple the value per freight factor from nowadays 18000 Euro to 56000 Euro. It will be the Cretan leader in ecological improved transportation with simultaneously clearly definable transportation rhythms over time. KT counteracts in time the threat in risk management for transportation enterprises of the new EU members. Main

export good of **AP** are Cretan agricultural products. This will be reduced mainly to internal exports, due to the climatic advantages of Crete. In the rest of the year incomparable higher transportation costs are a burden in competitiveness. Parallel, imports to Greece and Crete of certified organic products, not available nationally, will increase substantially. As member of the BIOCrete added value chain, **AP**, backed by ***.*** logistics consequently will be a leading player in the imports to Greece, as it implements the “food to fork” strategy in the other direction. KT will be a leading enterprise in the certified transport systems for certified organic products. Certification procedures for such transports are due to implementation in 2005/6 and just now under design of FAO, Food and Agricultural Organisation, EU and IFOAM, International Federation Of Agricultural Movements.

In the second face development **AP** will expand its transportation of certified organic products cross Europe.

2.4 Synergon Hellas EPE, Melampes, GR, n.a.

SYN transfers its practical experience based know how in certified organic produce, processing and marketing to BIOCrete.

Possible participation in BIOCrete will be negotiated during JEV execution.

The company in general agrees, if no participation will be agreed, to a buy out of its know how. Conditions have to be negotiated during JEV execution.

SYN started organic farming in 1987 in Crete and became the first certified organic producing and processing enterprise in Greece following implementation of the EU regulations. SYN cultivated permanently more than 40 different items for the fresh market in continuous parallel cultivation and distributed with exports and in its sales shop another additional 37 processed and packed items. Exports took place to Europe and Japan.

In its landscape architectural realisations SYN achieved an exceptional high standard of combining human interest with natural resources requirements.

The production areas became the most dense in biodiversity and biomes scientifically acknowledged hot spot in southern Crete.

In scientific cooperation with European universities and institutes SYN accumulated profound know how in organic agriculture research. SYN achieved innovative results in the research on pest control through enhancement of endogene Phenols in crops with new varieties of mixed cultivation. SYN educated over years students from various European universities during their practical semesters as an acknowledged educate enterprise by the German Farming Association. SYN played a leading role in fostering ecological produce in Crete as it evaluated the locally appropriate seed varieties for certified organic producers.

Following a disastrous forest fire destroying the entire production assets and cultivation SYN stopped its active business and decided to reactivate its activities in case of an investment opportunity for its company capital, 180000 Euro and know how capital of industrial production cycles in organic produce. Reinvestment of the company capital has to be negotiated, know how buy out, except alternative human medicinal know how, possible. SYN is open to any discussion.

In case of know how buy out SYN than will use the increased capital to diversify to an ecological property and tourism management company, exploiting the enhanced quality of life and opportunities for re-creative tourism in the BIOCrete project area. The integration of this planning into the BIOCrete scheme is matter of the participants and the financial partners.

3. Tasks to be carried out

3.1 Participant **.*

**.*

3.2 Participant PMC

PMC coordinates and negotiates the necessary contractual framework of the participants. PMC writes the business plan. PMC will rank properties and arable land for the purposes of BIOCrete and settle preliminary agreements. It negotiates achievable increases in state investment contribution with the relevant ministries. It involves where ever appropriate external consultants to improve efficiency and cuts cost where ever possible.

PMC elaborates the project execution timetable, determines the necessary licenses and procures the integration of SYN production and KT transportation know how. PMC will determine the financial requirements for the second phase development.

3.3 Participant AP

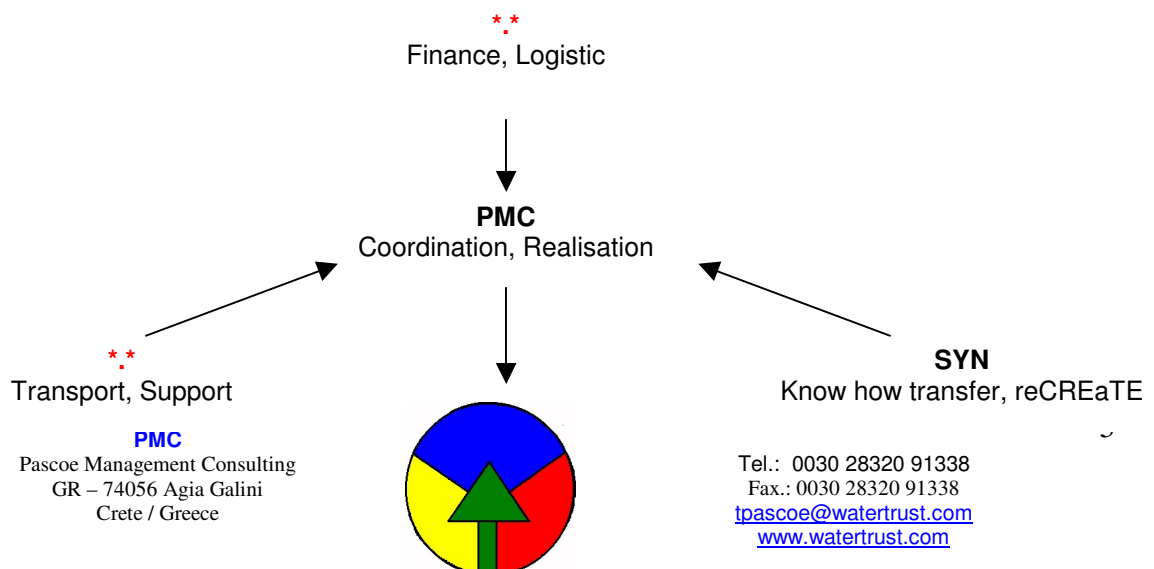
AP will provide its transportation know how to determine transportation technology and costs

3.4 Participant SYN

SYN will provide its produce, process and product cycle data and its landscape architectural know how in the determination of production areas to complete the business plan on a pay for work basis.

SYN sees a good opportunity to recover from the enormous economical loss of the forest fire. With its own assets it may develop new added value compounds, as the success of the BIOCrete project will have pre calculable impacts on land values and use. If the other participants agree to incorporate the leisure potential of the production areas with their increased environmental value as an integrated profit centre, than SYN would be an expert participant except its agricultural merits.

SYN is a reliable JEV partner and will cooperate fruitful with the other participants to achieve best results.



4. Description of the intended company BIOCrete

BIOCrete will buy app. 40 000 m² of property. It will, following negotiations, rent or purchase 500 000 m² arable land. There will be a 300 m² administration building, 3 processing units, 2 800 m² total and a 12 000 m² nursery hothouse on BIOCrete property.

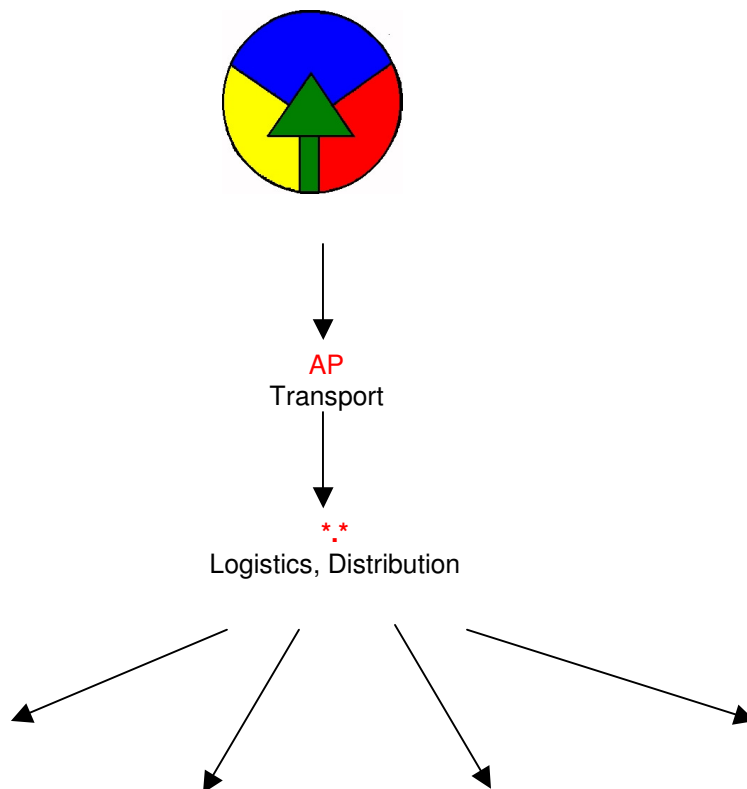
Machinery for field works is designed to operate year round and to perform any work as automotive as possible.

Internal machinery equipment provides ISO certified multiple purpose dust removers, dryers, packing lines and a processing line for fresh vegetables. With an educated staff of 37 and this equipment 150 truck loads of export goods, worth 8 500 000 Euro will be produced.

The project will create 37 durable work places and the profit of the production of 35 items in a shop in shop product line will be 2 300 000 Euro per year. A summary, profit loss account and all investments needed is attached.

Annex A.

The expected profit and the benefits for **.*.*** and **AP** make it a valuable business development scheme.



C. Finance

Budget of the JEV

| Source | Amount Euro |
|------------------------|--------------|
| PMC | |
| Coordination | 18000 |
| Businessplan | 22000 |
| Communication | 4000 |
| Travel | 15000 |
| Prints | 500 |
| KTL | |
| Travel | 8000 |
| Communication | 1500 |
| KT | |
| Travel | 2000 |
| Communication | 500 |
| SYN | |
| Work for Pay | 18000 |
| Ext. Consultant | |
| Lawyer | 12000 |
| Tax advisor | 4000 |
| Total | 87500 |

D. Environmental Impact

The project fulfils the requirements of the mentioned directives

- ✓ COUNCIL DIRECTIVE 92/43/EEC on the Conservation of natural habitats and the wild flora and fauna;
- ✓ COUNCIL DIRECTIVE 79/409/EEC on the Conservation of wild bird;
- ✓ COUNCIL REGULATION 2242/87/EEC on Community action concerning the environment.
- ✓ COUNCIL REGULATION 2078/92/EEC on Agricultural production methods compatible with the requirements of the protection of the environment;
- ✓ COUNCIL REGULATION 563/91/EEC on Community action for the protection of the environment in the Mediterranean.
- ✓ COUNCIL REGULATION 2158/92/EEC for the Protection of forests against bushfires.
- ✓ COUNCIL REGULATION 1763/92/EEC for the Financial cooperation with third countries in the Mediterranean.
- ✓ COUNCIL REGULATION 1973/92/EEC for the establishment of a financial instrument for the environment
- ✓ DECISION of the COUNCIL 93/C/138 on a Community Programme of policy and action in relation to the environment and sustainable development;

There are positive environmental impacts of BIOCrete to be expected

