

COMPANY

ERPAR is a Paraguayan company that plans to produce ethanol from a mix of sugar cane and manioc (also known as yucca, tapioca or cassava). When built, the plant will have an annual capacity of 10M liters per year. Several local Paraguayan entrepreneurs, MEDA Paraguay and MEDA North America have joined forces to provide the start-up capital needed to get the project going. The plant is expected to support 400 farming families in Paraguay and create 82 direct jobs at the plant. ERPAR is working in a high-growth sector, ethanol fuel production, which will continue to be important in the development of the Southern Cone economies. Due to the financial crisis in 2008, construction financing has hampered the planned start-up of the plant resulting in agricultural management of the land instead until additional financing can be secured.

OPPORTUNITY

ERPAR is seeking additional investors to support the construction of the plant. Interested parties should contact Serge LeVert-Chiasson or Gerhard Pries at MEDA, 519-725-1633.

MEDA INVOLVEMENT

MEDA members have invested US\$378,750 in ERPAR, while MEDA's Sarona Risk Capital Fund has invested US\$231,250, for a total MEDA involvement of US\$610,000 representing the largest shareholding position in the firm.

December 31, 2009 Fourth Quarter Highlights:

- **Sales update:** Twelve more hectares were cleared in the fourth quarter which was previously occupied illegally by squatters.
- **Share offering:** In order to find the final funding required for the construction of the ethanol plant in 2010, a share offering was initiated with a key distribution partner called ECOP. The negotiations are on-going.
- **Strategic Planning:** In 2010, the management of ERPAR seeks to conclude the share offering negotiations, obtain the environmental license for the bio-fuels plant and achieve sales of its sugar cane as seedlings for smallholder farmers interested in supplying the plant.
- **2009 Summary Results:** ERPAR saw a net profit margin of -46.8% for 2009 (as compared to -7.7% for fiscal year 2008), while its debt to equity ratio is 0.02 times. The ROAE in 2009 was -7.7% while the annualized Net Book Value stock price of ERPAR went down 7.5% in local currency in 2009 (-3.2% in US\$ terms).

Pros

Seasoned management team used to working in turbulent input/output commodity price model. Private investors backing the project will provide good governance structure. The production cost per litre will be competitive with local rivals, while imports of ethanol are protected through import tariffs.

Cons

Input is a commodity (sugar and manioc) and output is a commodity (ethanol or gas at the pump), which makes it hard for management to control the volatility of prices. In this case, ERPAR is a price taker both on the input and output side of the business model. ERPAR is also facing some plant financing issues related to receiving guarantees from the government and additional cash guarantees on loans.

You may, at any time, choose to donate your investment to MEDA in return for a tax receipt.

On December 31st ERPAR Income Statement	2009		2008		Y-o-Y
	In PYG	in US\$	In PYG	in US\$	
Total Revenues	1,866,455,136	\$ 368,197	1,051,758,508	\$ 237,186	55.2%
COGS	1,790,892,889	\$ 353,291	428,601,263	\$ 96,656	265.5%
Gross Profit	75,562,247	\$ 14,906	623,157,245	\$ 140,531	-89.4%
Expenses					
Operating Costs	949,267,102	\$ 187,263	704,363,096	\$ 158,844	17.9%
Financial Expenses	-	\$ -	-	\$ -	#DIV/0!
Total Expenses	949,267,102	\$ 187,263	704,363,096	158,844	17.9%
Net Income	- 873,704,855	-\$ 172,357	- 81,205,851	- 18,313	841.2%
Gross Profit Margin		4.0%		59.2%	
Net Income / Sales		-46.8%		-7.7%	
Net Income / Average Equity		-7.8%		-0.7%	
Net Income / Average Assets		-7.7%		-0.7%	

Average Exchange Rate in 2009 for 1US\$
5,069.17

 Source: <http://www.oanda.com/convert/fxhistory>

ERPAR Balance Sheet	31-Dec-09			FY2008	
	In PYG	in US\$	in % of Assets	In PYG	in % of Assets
Current Assets	3,842,454,322	\$ 801,354	35.2%	6,492,248,843	54.7%
Long Term Assets	7,061,816,410	\$ 1,472,761	64.8%	5,373,624,104	45.3%
Total Assets	10,904,270,732	\$ 2,274,116	100.0%	11,865,872,947	100.0%
Current Liabilities	163,209,455	\$ 34,038	1.5%	251,106,815	2.1%
Long Term Liabilities	-	\$ -	0.0%	-	0.0%
Equity	10,741,061,277	\$ 2,240,078	98.5%	11,614,766,132	97.9%
Total Liabilities and Equity	10,904,270,732	\$ 2,274,116	100.0%	11,865,872,947	100.0%
Current Ratio		23.54			25.85
Debt to Equity Ratio		0.02			0.02
Price per share	918,039	\$ 191.46		992,715	\$ 197.75
Share Price Return in PGY		-7.5%			
Share Price Return in US\$		-3.2%			

Exchange Rate on December 31, 2009 for 1US\$
4,794.95

 Source: <http://www.oanda.com/convert/fxhistory>