

FONKOZE SA AND SUBSIDIARY
PORT AU PRINCE, HAITI

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fonkoze SA and Subsidiary
Port Au Prince, Haiti

We have audited the accompanying consolidated balance sheets of Fonkoze SA (a Haitian Corporation) and Subsidiary as of December 31, 2010 and 2009, and the related consolidated statements of income and accumulated deficit, comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fonkoze SA and Subsidiary as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
July 6, 2011



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FONKOZE SA AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

		<u>2010</u>		<u>2009</u>
ASSETS				
CASH AND CASH EQUIVALENTS	HTG	523,007,904	HTG	73,962,850
INVESTMENTS		7,939,743		8,798,126
ACCOUNTS RECEIVABLE		242,432,651		60,616,673
LOANS		462,345,393		298,210,170
Less allowance for loan losses		(13,870,362)		(17,128,747)
Net loans		448,475,031		281,081,423
FIXED ASSETS		149,249,942		115,280,112
Accumulated depreciation		(85,711,092)		(81,010,994)
Fixed assets, net		63,538,850		34,269,118
OTHER ASSETS		65,967,982		66,753,850
TOTAL ASSETS	HTG	1,351,362,161	HTG	525,482,040
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS	HTG	836,627,288	HTG	463,446,752
NOTES PAYABLE				
Long-term subordinated notes		20,020,613		26,346,101
Other notes payable		21,508,280		48,102,850
OTHER LIABILITIES		443,931,449		7,872,536
TOTAL LIABILITIES		1,322,087,630		545,768,239
SHAREHOLDERS' EQUITY				
Capital stock		75,130,947		71,136,787
Additional paid in capital		74,461,772		70,521,725
Retained earnings (deficit)		(120,880,574)		(163,338,884)
Accumulated other comprehensive gain (loss)		562,386		1,394,173
TOTAL SHAREHOLDERS' EQUITY		29,274,531		(20,286,199)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	1,351,362,161	HTG	525,482,040

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

		<u>2010</u>		<u>2009</u>
INTEREST INCOME				
Loans	HTG	121,864,677	HTG	118,056,656
Other		1,842,770		999,836
TOTAL INTEREST INCOME		123,707,447		119,056,492
INTEREST EXPENSE				
Deposits		6,798,720		6,048,423
Debt		3,235,617		6,184,157
TOTAL INTEREST EXPENSE		10,034,337		12,232,580
NET INTEREST INCOME		113,673,110		106,823,912
Provisions for loan losses		22,243,925		23,608,970
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		91,429,185		83,214,942
OTHER OPERATING INCOME (EXPENSE)				
Membership dues		2,781,556		584,190
Income from currency exchange		27,213,145		17,918,056
Income from remittance services		10,072,110		6,039,972
Gain (loss) due to revaluation		7,380,404		(6,180,533)
Operating grants		-		13,176,561
Recoveries of loans written off		15,755,169		3,289,112
Other		11,686,209		3,350,251
NET INTEREST INCOME AND OTHER INCOME		166,317,778		121,392,551
OPERATING EXPENSES				
Salaries		113,310,446		92,933,218
Premises and equipment expenses		35,359,077		22,988,864
Depreciation and amortization		11,151,351		12,146,952
Other expenses		46,564,894		21,791,252
TOTAL OPERATING EXPENSE		206,385,768		149,860,286
NET LOSS FROM OPERATIONS BEFORE INCOME TAX AND EXTRAORDINARY ITEMS		(40,067,990)		(28,467,735)
OTHER INCOME (EXPENSE)				
Gain (loss) on revaluation of assets		-		(1,125,083)
Hurricane recovery grant		-		-
Interest revenue - hurricane recovery grant		140,219		15,073,985
PROVISION FOR INCOME TAX		13,489,380		2,409,423
NET LOSS BEFORE EXTRAORDINARY ITEMS	HTG	(26,438,391)	HTG	(12,109,410)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

		<u>2010</u>		<u>2009</u>
EXTRAORDINARY ITEMS				
Earthquake grants	HTG	102,523,368	HTG	-
Expenses due to earthquake		<u>(4,099,509)</u>		<u>-</u>
NET EXTRAORDINARY ITEMS BEFORE INCOME TAX		98,423,859		-
PROVISION FOR INCOME TAX ON EXTRAORDINARY ITEMS		<u>(29,527,158)</u>		<u>-</u>
NET INCOME (LOSS) ON EXTRAORDINARY ITEMS		<u>68,896,701</u>		<u>-</u>
NET INCOME (LOSS)		42,458,310		(12,109,410)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR		<u>(163,338,884)</u>		<u>(151,229,474)</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u><u>(120,880,574)</u></u>	HTG	<u><u>(163,338,884)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

		<u>2010</u>		<u>2009</u>
NET INCOME (LOSS)	HTG	42,458,310	HTG	(12,109,410)
Other comprehensive income before tax:				
Unrealized gains (losses) on securities: available for sale				
Unrealized holding gains (losses) arising during the period		(831,787)		827,331
Reclassification adjustment for gains included in income		<u>-</u>		<u>-</u>
Other comprehensive income (loss)		<u>(831,787)</u>		<u>827,331</u>
COMPREHENSIVE INCOME (LOSS)	HTG	<u><u>41,626,523</u></u>	HTG	<u><u>(11,282,079)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	HTG 42,458,310	HTG (12,109,410)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,151,351	12,146,952
Depreciation and amortization on extraordinary items	2,058,691	-
Provision for loan losses	22,243,925	23,608,970
Loss on disposal of fixed assets	911,921	-
(Increase) decrease in:		
Accounts receivable	(181,815,978)	(20,007,050)
Other assets	785,868	(4,347,717)
Increase (decrease) in:		
Bank overdrafts	-	(1)
Other liabilities	<u>436,058,913</u>	<u>1,195,385</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	333,853,001	487,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	-	1,604,798
Purchase of fixed assets	(43,391,695)	(22,798,866)
Change in value of investments due to exchange rate fluctuations	26,596	(670,928)
(Increase) decrease in loans	<u>(189,637,533)</u>	<u>(5,002,358)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(233,002,632)	(26,867,354)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	-	22,881,647
Payments on debt	(32,920,058)	(104,637,578)
Return of capital investment	(697,730)	-
Additional capital investments	8,631,937	39,681,502
Increase in deposits	<u>373,180,536</u>	<u>70,432,468</u>
NET CASH FROM FINANCING ACTIVITIES	<u>348,194,685</u>	<u>28,358,039</u>
NET INCREASE (DECREASE) IN CASH	449,045,054	1,977,814
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>73,962,850</u>	<u>71,985,036</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	HTG <u>523,007,904</u>	HTG <u>73,962,850</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	HTG <u>10,727,388</u>	HTG <u>11,591,135</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Purpose

Fonkoze SA is a holding company incorporated on February 25, 2002, under the laws of the Republic of Haiti as published in Le Moniteur number 49 dated June 24, 2002. It was established to facilitate the creation of Sèvis Finansye Fonkoze SA and owns 99.9815% of that entity.

Sèvis Finansye Fonkoze SA is a financial services company incorporated May 14, 2004, under the laws of the Republic of Haiti as published in Le Moniteur number 56 dated August 26, 2004. It was established to provide capital and a full range of financial and technical services to peasant organizations, womens' collectives, cooperatives, credit unions and street vendors.

Principles of Consolidation

The consolidated financial statements include the accounts of Fonkoze SA and its 99.9815% owned subsidiary, Sèvis Finansye Fonkoze SA. All material intercompany transactions and balances have been eliminated in consolidation.

Accounting Principles

The accompanying balance sheets and statements of income, retained earnings and cash flows were prepared using accounting principles generally accepted in the United States and the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid on the accompanying balance sheets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are composed of certificates of deposit and an investment in SNI Minoterie, SA, an agricultural processing company. Certificates of deposit are recorded at market value. Management has classified marketable securities as available for sale for reporting purposes under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320 (formerly FASB 115). The investment in SNI Minoterie, SA is valued at market value at December 31, 2010 and 2009.

Loans

Loans are stated at book value, net of the allowance for loan losses. Impaired loans are those for which payments are past due more than 180 days. The Company discontinues accruing interest when a loan is 30 days past due.

The allowance for loan losses presented in the statements of financial position represents an estimate determined by management based on collection history, collateral value and the economic situation of the borrower. Uncollectible loans are written off against the allowance for loan loss after all recovery efforts have been exhausted.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific rates of provisions applied to loans to women market vendors groups are based on the recommendations of ACCION (a network of micro-finance institutions) in its CAMEL rating. CAMEL is an acronym for five measurements of a financial institution: Capital adequacy, Asset quality, Management, Earnings, and Liquidity and is a tool used to gather and evaluate data on the performance of microfinance institutions. During the year ended December 31, 2007 the Organization changed its policy to apply a factor of 85% to the recommendations of ACCION. This factor has been applied based on the mandatory cash collateral of 15% of the original amount of the loan. The rates applied by the Organization based on the CAMEL ratings are as follows:

Current loans	0%
1 – 30 days past due	8.5%
31 – 90 days past due	25.5%
91 – 180 days past due	51%
More than 180 days past due	85%

The allowance for loan losses is adjusted to the amount determined by the use of these ratings, or three percent of total loans, whichever is greater.

During 2008, the Company restructured loans (Kredi Siklon) for victims of hurricanes that struck Haiti during the year. These loans provided additional funds which were combined with the customer's existing balance. Repayment of the loans was interest free if the principal was paid in full within six months.

Fixed Assets

It is the Company's policy to capitalize property and equipment with a cost of more than USD 500. Lesser amounts are expensed. Property and equipment are capitalized at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Vehicles	4 years
Equipment	5 years
Computers	5 years
Leasehold improvements	5 years
Buildings	20 years

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include savings accounts and all certificates of deposit with a maturity date of 90 days or less from the financial statement date.

Conversion in Foreign Currencies

The functional currency of the Companies is the Haitian gourde (HTG). Consequently, assets and liabilities stated in foreign currencies are converted in Haitian gourdes at the exchange rate prevailing at year-end.

Transactions incurred in U.S. dollars are converted at the average exchange rates for the years ended December 31, 2010 and 2009 which were 39.6511 and 41.1964 Haitian gourds to one U.S. dollar, respectively. Gains or losses related to exchange operations are reported in the statement of activities.

The official rates of exchange published by the Bank de la Republique d'Haiti, Haiti's central bank, as of December 31, 2010 and 2009 were 39.8817 and 42.0193 Haitian gourdes to one U.S. dollar, respectively.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740-10-50, *Income Taxes* (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*), requires entities to disclose known or anticipated positions of income tax uncertainty. The company is not aware of any uncertain tax positions that may affect the financial statements as of July 6, 2011.

Comprehensive Income

FASB ASC 220, *Comprehensive Income* (formerly SFAS No. 130, *Reporting Comprehensive Income (Loss)*), requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Accumulated other comprehensive gains (losses) shown on the balance sheets at December 31, 2010 and 2009 represent unrealized losses on available-for-sale securities.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Currency held in branch offices	HTG 74,392,283	HTG 27,639,392
Deposits held in U.S. banks	372,503,702	4,301,240
Deposits held in Haitian banks	<u>76,111,919</u>	<u>42,022,218</u>
 Total	 <u>HTG 523,007,904</u>	 <u>HTG 73,962,850</u>
 Currency in U.S. dollars	 HTG 29,966,864	 HTG 12,548,692
Currency in Haitian gourdes	44,425,419	15,090,700
Deposits in U.S. dollars	417,414,070	28,071,015
Deposits in Haitian gourdes	<u>31,201,551</u>	<u>18,252,443</u>
 Total	 <u>HTG 523,007,904</u>	 <u>HTG 73,962,850</u>

There is no deposit insurance for accounts held in Haitian banks. Deposits held in U.S. banks were fully insured by the Federal Deposit Insurance Corporation (FDIC) for the years ended December 31, 2010 and 2009.

For the year ended December 31, 2009 term deposits of HTG 9,038,451 secure the line of credit at Capital Bank.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE C – INVESTMENTS

Investments consisted of the following:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
SNI Minoterie	HTG	1,928,679	HTG	2,760,466
Certificate of Deposit – Self Help Credit Union		<u>6,011,064</u>		<u>6,037,660</u>
Total	<u>HTG</u>	<u>7,939,743</u>	<u>HTG</u>	<u>8,798,126</u>

The investment in SNI Minoterie represents a .62% interest in the company, which operates an agricultural processing business. The company was incorporated in the Cayman Islands and has been valued at its market value at December 31, 2010 and 2009.

The certificate of deposit held at Self Help Credit Union matures May 12, 2012 and carries an interest rate of 4.90%.

Board Policy requires the Company to maintain at all times a lien free portfolio of investment grade securities or cash deposits equal to 20% of deposits held. At December 31, 2010, the company was in compliance with this policy. At December 31, 2009, the company was not in compliance with this policy.

Fair Value Measurements

Fair value of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	<u>Fair value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2010</u>				
Available-for-sale securities	<u>HTG 7,939,743</u>	<u>HTG 6,011,064</u>	<u>-</u>	<u>HTG 1,928,679</u>
<u>December 31, 2009</u>				
Available-for-sale securities	<u>HTG 8,798,126</u>	<u>HTG 6,037,660</u>	<u>-</u>	<u>HTG 2,760,466</u>

Available-for-sale securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

January 1, 2009	HTG	1,845,593
Total gains and losses – unrealized		
Included in earnings		-
Included in other comprehensive income		827,331
Adjustment for 2007 unrealized gain		
Misclassification		87,542
December 31, 2009		2,760,466
Total gains and losses – unrealized		
Included in earnings		-
Included in other comprehensive income		(831,787)
December 31, 2010	<u>HTG</u>	<u>1,928,679</u>

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE C – INVESTMENTS (CONTINUED)

Investments have been valued using a market approach. Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. There were no changes in the valuation techniques during the years ended December 31, 2010 and 2009.

NOTE D – RELATED PARTY RECEIVABLE

Sèvis Finansye Fonkoze SA provides Fondasyon Kole Zepòl (Fonkoze) services to facilitate the processing of deposit and loan transactions. They also process payroll and accounts payable transactions. As a result of providing these services, Fonkoze owed the Company HTG 183,147,870 and HTG 28,759,286 at December 31, 2010 and 2009, respectively.

NOTE E – LOANS

Loans consist of the following:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
Market vendor solidarity groups	HTG	196,031,142	HTG	198,618,716
Kredi Cho		139,984,767		-
Business development		65,562,777		95,703,192
Individual Kredi Solide		57,210,498		-
Kore Fanmi Fonkoze		2,284,689		-
Special Loans		797,634		-
Kredi Siklon		-		2,499,510
Ti Kredi		473,886		1,388,752
Less allowance for loan losses		<u>(13,870,362)</u>		<u>(17,128,747)</u>
Net Loans	HTG	<u>448,475,031</u>	HTG	<u>281,081,423</u>

The terms of the loans are between one and twelve months. Interest rates vary between twenty-four and sixty percent per annum. Kredi Siklon loans bear no interest if repaid in full in accordance with the loan agreement within six months.

Loans in the amount of HTG 41,257,480 and HTG 36,705,061 were written off in 2010 and 2009, respectively. Recoveries of loans previously written off were HTG 15,755,169 and HTG 3,289,112 for 2010 and 2009, respectively. For the year ended December 31, 2010 the allowance was less than three percent using the CAMEL ratings and was therefore adjusted to three percent. For the year ended December 31, 2009 the allowance was more than three percent using the CAMEL ratings. The reserve was 5.01% of the Market Vendor Solidarity Group loans and 9.72% of Business Development loans at December 31, 2009. The reserve was 15% of Kredi Siklon loans at December 31, 2009.

Impaired loans are those for which payments are more than 180 days past due. At December 31, 2010 and 2009, loans in the amounts of HTG 440,194 and HTG 8,382,948, respectively, were impaired. These loans have been valued at the fair market value of their collateral (15% compensating balance). After consideration of collateral, the allowance for loan losses on impaired loans for the years ended December 31, 2010 and 2009 was HTG 350,419 and HTG 7,827,317, respectively.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE E – LOANS (CONTINUED)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Accrued interest receivable on loans was HTG 15,340,706 and HTG 9,618,157 at December 31, 2010 and 2009, respectively.

Allowance for loan losses:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	HTG 17,128,747	HTG 26,935,726
Provision for losses	22,243,925	23,608,970
Recoveries on loans	15,755,169	3,289,112
Less loans charged off	<u>(41,257,479)</u>	<u>(36,705,061)</u>
Balance, end of year	<u>HTG 13,870,362</u>	<u>HTG 17,128,747</u>

NOTE F – FIXED ASSETS

A summary of property and equipment and the related depreciation expenses is as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Land	HTG 20,046,247	HTG 570,500
Buildings	4,422,000	4,422,000
Vehicles	30,077,073	30,211,193
Furniture and equipment	10,057,890	8,806,702
Computer equipment	53,887,141	48,634,371
Electrical equipment	17,613,229	12,700,419
Leasehold improvements	10,489,215	9,934,927
Construction in progress	<u>2,657,147</u>	<u>-</u>
Total	149,249,942	115,280,112
Accumulated depreciation	<u>85,711,092</u>	<u>81,010,994</u>
Net Property and Equipment	<u>HTG 63,538,850</u>	<u>HTG 34,269,118</u>

During the year ended December 31, 2010 fixed assets with a total book value of HTG 911,921 were disposed of and written off. Of this amount, HTG 491,967 is included on the statement of income and accumulated deficit with extraordinary expenses due to earthquake and the remaining HTG 419,954 is included in other operating expenses.

During the year ended December 31, 2010, the Company purchased land for construction of a new Central Office building. The Company’s estimate of the total cost of the building is USD 1,000,000 (HTG 39,881,700 at the December 31, 2010 exchange rate). Construction is scheduled to begin during July 2011.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE G – DEFERRED TAXES

Deferred taxes (asset) represent the future tax benefits of tax losses incurred during 2006 through 2010, which can be carried forward for five years. Deferred taxes were calculated using the tax rates in effect on December 31, 2010 and 2009. The balance of deferred taxes, net of valuation adjustments, at December 31, 2010 and 2009 were HTG 42,118,807 and HTG 58,645,614, respectively. A valuation adjustment was applied to the losses used to calculate deferred taxes at December 31, 2009 in the amount of HTG 1,511,048 to reflect the possibility that the Company may not be able to use all the carryforward before it expires. Management did not apply a valuation adjustment to the losses at December 31, 2010 as they expect to realize the losses before expiration. Financial projections prepared by management support management’s opinion that the Company will maintain profitability and positive equity and will therefore realize the total loss carryover.

The deferred tax asset, if unused, is scheduled to expire as follows:

December 31, 2011	HTG	4,970,943
December 31, 2012		24,079,235
December 31, 2013		9,202,008
December 31, 2014		4,355,650
December 31, 2015		<u>-</u>
Total amount expected to be realized	<u>HTG</u>	<u>42,607,836</u>

No income tax was paid by the Company during the years ended December 31, 2010 and 2009 due to the deferred tax carryover in 2010 and net losses in 2009. The provisions for 2010 and 2009 income tax represent the increase in the expected future benefits provided by losses carried forward. The company’s tax returns are subject to regulatory review for a period of five years after filing.

The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense by HTG 249,536 (income) and HTG 248,199 (expense) for the years ended December 31, 2010 and 2009, respectively due to income from unrealized gains (losses) on securities.

NOTE H – LAND SETTLEMENT

During the year ended December 31, 2010, the Company reached a settlement of an ongoing lawsuit regarding a debt owed by a Haitian company. In exchange for the debt that was owed, the debtor transferred title to a parcel of land to the Company. The debtor has been granted the right to use the land for five years and has the option to repurchase the property at any time within those five years. The Company has valued the piece of land at the amount that the debtor will be required to pay for repurchase of the land. The repurchase price was calculated considering principal and interest of the original debt as well as all fees paid in relation to the lawsuit. The land is included in other assets on the balance sheet at a value of HTG 14,357,412 at December 31, 2010. An appraisal (Evaluation Fonciere) dated November 12, 2010 by Pierre Gousse Jr of CF Construction reported that the fair market value of the property at that date was HTG 17,409,390.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE I – DEPOSITS

Deposits consisted of the following:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
Savings deposits in Haitian gourdes	HTG	397,744,416	HTG	253,159,162
Savings deposits in U.S. dollars		411,341,464		185,079,186
Time deposits in Haitian gourdes		26,306,232		24,062,748
Time deposits in U.S. dollars		<u>1,235,176</u>		<u>1,145,656</u>
Total	<u>HTG</u>	<u>836,627,288</u>	<u>HTG</u>	<u>463,446,752</u>

Savings deposits bear interest at rates between one half of one percent and one and one half percent. Time deposits bear interest rates between one and five percent. Accounts with average quarterly balances below HTG 100 and USD 20 are not paid interest.

The deposits shown above include deposits held for related parties in the amounts of HTG 104,040,598 and HTG 36,593,762 for the years ending December 31, 2010 and 2009, respectively.

The aggregate amount of time deposit accounts in denominations of USD 100,000 (HTG 3,988,170 and HTG 4,201,930 at the December 31, 2010 and 2009 exchange rates, respectively) was HTG 5,000,000 at December 31, 2010 and 2009.

NOTE J – LONG TERM SUBORDINATED NOTES PAYABLE

Notes payable consists of eleven notes due to individuals and organizations who are also shareholders of Fonkoze SA. The notes bore no interest until September 1, 2007, when interest began accruing at 5% per annum. Interest is paid semi-annually in U.S. Dollars. Principal payments in U.S. Dollars will begin on August 31, 2012. Maturities are as follows:

<u>Year</u>	<u>USD</u>	<u>HTG at December 31, 2010</u>
2012	\$ 100,400	HTG 4,004,123
2013	100,400	4,004,123
2014	100,400	4,004,123
2015	100,400	4,004,123
2016	<u>100,400</u>	<u>4,004,121</u>
Total	<u>\$ 502,000</u>	<u>HTG 20,020,613</u>

The notes are subordinate and junior to all other creditors.

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

NOTE N – CAPITAL STRUCTURE

The capital structure of the Organization consists of common stock with voting rights and non-cumulative, participating preferred stock with no voting rights. Par value of the stock is HTG 25. At December 31, 2010, total shares authorized consisted of 4,548,067 common shares and 1,000,000 preferred shares. At December 31, 2009, total shares authorized consisted of 2,548,067 common shares and 1,000,000 preferred shares. At December 31, 2010 total shares outstanding consisted of 2,548,067 common shares and 606,564 preferred shares. At December 31, 2009 total shares outstanding consisted of 2,388,067 common shares and 606,564 preferred shares. Preferred shares receive five percent more of any declared dividends than common shares.

The Organization issues new stock through sale and conversion of debt to equity. During the year ended December 31, 2010, the Organization issued 160,000 shares of common stock. There were no new shares of preferred stock issued.

During the year ended December 31, 2009, the Organization issued 383,436 shares of common stock. Sale of preferred stock accounted for 445,364 new shares issued.

NOTE O – DISASTER RISK MITIGATION FACILITY

The Company received a grant in the amount of HTG 40,502,014 during 2008. Under the terms of the grant the funds were loaned to hurricane victims. When the loans were repaid, part of the funds were restricted for use as an appropriate disaster risk mitigation facility to protect the institution and their clients against future disasters. The restricted amount is USD 454,000 (HTG 18,106,292 and HTG 19,076,762 at the December 31, 2010 and 2009 exchange rates, respectively). A pilot catastrophe insurance product was tested after the earthquake (See note P) and a permanent catastrophe insurance product was launched in January 2011. In March 2011, Microinsurance Catastrophe Risk Organization (MiCRO) was formed by the Company and other investors to serve as a microinsurance facility. From May 31, 2011 through June 7, 2011, torrential rains in Haiti triggered catastrophe protection payouts. After the rains subsided, specially trained staff members began visiting clients to assess their situation and evaluate whether they are eligible for payouts. This process is expected to be completed by July 8, 2011. The Company has received USD 1.05 million from Swiss Re, a global reinsurer, in response to the torrential rain event.

NOTE P – EXTRAORDINARY ITEMS

Following an earthquake measuring 7.0 on the Richter scale that struck Haiti on January 12, 2010, more than 300,000 lives were lost and 1.3 million people were internally displaced. The Government of Haiti estimates the total value of damages and losses at 7.865 billion U.S. dollars, which was one hundred twenty percent of Haiti's 2009 gross domestic product. The Company and its related foundation, Fondasyon Kole Zepol, lost five employees and eleven buildings. The commercial banks, including Capital bank, cancelled all outstanding lines of credit. The Company retained its line of credit with City National Bank of New Jersey in 2010 and 2009.

Extraordinary income includes grants received by Sevis Finansye Fonkoze to help recover from the earthquake. These grants were restricted for the following uses:

Loan capital for clients	HTG	43,513,772
Construction of new building		33,694,000
Purchase of furniture and equipment		20,198,088
Earthquake recovery and business continuity expenditures		<u>5,117,508</u>
Total	HTG	<u>102,523,368</u>

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE P – EXTRAORDINARY ITEMS (CONTINUED)

Extraordinary expenses due to the earthquake include the following:

Depreciation of replacement assets	HTG	2,058,691
Repairs and labor		932,508
Assets destroyed and unrecoverable prepaid assets		893,579
Other expenses		<u>214,731</u>
Total	<u>HTG</u>	<u>4,099,509</u>

NOTE Q – RETIREMENT PLAN

In 2009 the Company received a promise of a gift to fund a retirement plan for its employees and the employees of its related foundation Fondayson Kole Zepol. These gift funds in the amount of USD 240,000 combined with employee contributions (total amount of HTG 18,583,790) are currently being held in CNB Bank pending creation of the plan and are included on the Company's balance sheet for the year ended December 31, 2010.

NOTE R – SUBSEQUENT EVENTS

Management of the Company has considered subsequent events through July 6, 2011, the date this report became available for issue.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Fonkoze SA and Subsidiary
Port Au Prince, Haiti

Our report on our audits of the basic consolidated financial statements of Fonkoze SA and Subsidiary at December 31, 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements. The consolidating balance sheets expressed in Haitian Gourdes, the consolidating balance sheets expressed in U.S. dollars, and the consolidating statements of income and accumulated deficit expressed in Haitian Gourdes are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
July 6, 2011



Certified Public Accountants
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FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010

ASSETS

		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	HTG	523,007,904	HTG	-	HTG	520,927,848	HTG	2,080,056
INVESTMENTS		7,939,743		(169,540,980)		7,939,743		169,540,980
ACCOUNTS RECEIVABLE		242,432,651		(4,015,315)		246,447,966		-
LOANS		462,345,393		-		462,345,393		-
Less allowance for loan losses		(13,870,362)		-		(13,870,362)		-
Net loans		<u>448,475,031</u>		-		<u>448,475,031</u>		-
FIXED ASSETS		149,249,942		-		149,249,942		-
Accumulated depreciation		(85,711,092)		-		(85,711,092)		-
Fixed assets, net		<u>63,538,850</u>		-		<u>63,538,850</u>		-
OTHER ASSETS		<u>65,967,982</u>		-		<u>62,546,327</u>		<u>3,421,655</u>
TOTAL ASSETS	HTG	<u>1,351,362,161</u>	HTG	<u>(173,556,295)</u>	HTG	<u>1,349,875,765</u>	HTG	<u>175,042,691</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

DEPOSITS	HTG	836,627,288	HTG	-	HTG	836,627,288	HTG	-
NOTES PAYABLE								
Long-term subordinated notes		20,020,613		-		-		20,020,613
Other notes payable		21,508,280		-		21,508,280		-
OTHER LIABILITIES		<u>443,931,449</u>		<u>(4,015,315)</u>		<u>443,438,102</u>		<u>4,508,662</u>
TOTAL LIABILITIES		1,322,087,630		(4,015,315)		1,301,573,670		24,529,275
SHAREHOLDERS' EQUITY								
Capital stock		75,130,947		(87,832,201)		87,848,451		75,114,697
Additional paid in capital		74,461,772		(81,708,779)		81,738,788		74,431,763
Retained earnings (deficit)		(120,880,574)		-		(121,847,530)		966,956
Accumulated other comprehensive gain (loss)		562,386		-		562,386		-
TOTAL SHAREHOLDERS' EQUITY		<u>29,274,531</u>		<u>(169,540,980)</u>		<u>48,302,095</u>		<u>150,513,416</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>1,351,362,161</u>	HTG	<u>(173,556,295)</u>	HTG	<u>1,349,875,765</u>	HTG	<u>175,042,691</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2009

ASSETS								
		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	HTG	73,962,850	HTG	-	HTG	70,846,576	HTG	3,116,274
INVESTMENTS		8,798,126		(161,617,860)		8,798,126		161,617,860
ACCOUNTS RECEIVABLE		60,616,673		(1,939,779)		60,616,673		1,939,779
LOANS		298,210,170		-		298,210,170		-
Less allowance for loan losses		<u>(17,128,747)</u>		<u>-</u>		<u>(17,128,747)</u>		<u>-</u>
Net loans		281,081,423		-		281,081,423		-
FIXED ASSETS		115,280,112		-		115,280,112		-
Accumulated depreciation		<u>(81,010,994)</u>		<u>-</u>		<u>(81,010,994)</u>		<u>-</u>
Fixed assets, net		34,269,118		-		34,269,118		-
OTHER ASSETS		<u>66,753,850</u>		<u>-</u>		<u>63,395,498</u>		<u>3,358,352</u>
TOTAL ASSETS	HTG	<u>525,482,040</u>	HTG	<u>(163,557,639)</u>	HTG	<u>519,007,414</u>	HTG	<u>170,032,265</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
DEPOSITS	HTG	463,446,752	HTG	-	HTG	463,446,752	HTG	-
NOTES PAYABLE								
Long-term subordinated notes		26,346,101		-		-		26,346,101
Other notes payable		48,102,850		-		48,102,850		-
OTHER LIABILITIES		<u>7,872,536</u>		<u>(1,939,779)</u>		<u>8,864,547</u>		<u>947,768</u>
TOTAL LIABILITIES		545,768,239		(1,939,779)		520,414,149		27,293,869
SHAREHOLDERS' EQUITY								
Capital stock		71,136,787		(104,814,839)		104,837,325		71,114,301
Additional paid in capital		70,521,725		(56,803,021)		56,815,311		70,509,435
Retained earnings (deficit)		(163,338,884)		-		(164,453,544)		1,114,660
Accumulated other comprehensive loss		<u>1,394,173</u>		<u>-</u>		<u>1,394,173</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(20,286,199)</u>		<u>(161,617,860)</u>		<u>(1,406,735)</u>		<u>142,738,396</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>525,482,040</u>	HTG	<u>(163,557,639)</u>	HTG	<u>519,007,414</u>	HTG	<u>170,032,265</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2010

	CONSOLIDATED		RECLASSIFICATIONS & ELIMINATIONS		SEVIS FINANSYÉ FONKOZE SA		FONKOZE SA	
INTEREST INCOME								
Loans	HTG	121,864,677	HTG	-	HTG	121,864,677	HTG	-
Other		<u>1,842,770</u>		<u>-</u>		<u>1,823,394</u>		<u>19,376</u>
TOTAL INTEREST INCOME		123,707,447		-		123,688,071		19,376
INTEREST EXPENSE								
Deposits		6,798,720		-		6,798,720		-
Debt		<u>3,235,617</u>		<u>-</u>		<u>2,095,498</u>		<u>1,140,119</u>
TOTAL INTEREST EXPENSE		10,034,337		-		8,894,218		1,140,119
NET INTEREST INCOME		113,673,110		-		114,793,853		(1,120,743)
Provisions for loan losses		<u>22,243,925</u>		<u>-</u>		<u>22,243,925</u>		<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		91,429,185		-		92,549,928		(1,120,743)
OTHER OPERATING INCOME (EXPENSE)								
Membership dues		2,781,556		-		2,781,556		-
Income from currency exchange		27,213,145		-		27,213,145		-
Income from remittance services		10,072,110		-		10,072,110		-
Gain (loss) due to revaluation		7,380,404		-		6,221,344		1,159,060
Recoveries of loans written off		15,755,169		-		15,755,169		-
Other		<u>11,686,209</u>		<u>-</u>		<u>11,686,209</u>		<u>-</u>
NET INTEREST INCOME AND OTHER INCOME		166,317,778		-		166,279,461		38,317
OPERATING EXPENSES								
Salaries		113,310,446		-		113,310,446		-
Premises and equipment expenses		35,359,077		-		35,359,077		-
Depreciation and amortization		11,151,351		-		11,151,351		-
Other expenses		<u>46,564,894</u>		<u>-</u>		<u>46,315,571</u>		<u>249,323</u>
TOTAL OPERATING EXPENSE		<u>206,385,768</u>		<u>-</u>		<u>206,136,445</u>		<u>249,323</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX AND EXTRAORDINARY ITEMS		(40,067,990)		-		(39,856,984)		(211,006)
OTHER INCOME (EXPENSE)								
Hurricane recovery grant		-		-		-		-
Interest revenue - hurricane recovery grant		140,219		-		140,219		-
PROVISION FOR INCOME TAX		<u>13,489,380</u>		<u>-</u>		<u>13,426,078</u>		<u>63,302</u>
NET LOSS BEFORE EXTRAORDINARY ITEMS		(26,438,391)		-		(26,290,687)		(147,704)
EXTRAORDINARY ITEMS								
Earthquake grants		102,523,368		-		102,523,368		-
Expenses due to earthquake		<u>(4,099,509)</u>		<u>-</u>		<u>(4,099,509)</u>		<u>-</u>
NET EXTRAORDINARY ITEMS BEFORE INCOME TAX		98,423,859		-		98,423,859		-
PROVISION FOR INCOME TAX ON EXTRAORDINARY ITEMS		<u>(29,527,158)</u>		<u>-</u>		<u>(29,527,158)</u>		<u>-</u>
NET INCOME (LOSS) ON EXTRAORDINARY ITEMS		<u>68,896,701</u>		<u>-</u>		<u>68,896,701</u>		<u>-</u>
NET INCOME (LOSS)		42,458,310		-		42,606,014		(147,704)
RETAINED EARNING (DEFICIT) AT BEGINNING OF YEAR		<u>(163,338,884)</u>		<u>-</u>		<u>(164,453,544)</u>		<u>1,114,660</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u>(120,880,574)</u>	HTG	<u>-</u>	HTG	<u>(121,847,530)</u>	HTG	<u>966,956</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE SA</u>		<u>FONKOZE SA</u>	
INTEREST INCOME								
Loans	HTG	118,056,656	HTG	-	HTG	118,056,656	HTG	-
Other		<u>999,836</u>		<u>-</u>		<u>985,182</u>		<u>14,654</u>
TOTAL INTEREST INCOME		119,056,492		-		119,041,838		14,654
INTEREST EXPENSE								
Deposits		6,048,423		-		6,048,423		-
Debt		<u>6,184,157</u>		<u>-</u>		<u>5,005,027</u>		<u>1,179,130</u>
TOTAL INTEREST EXPENSE		12,232,580		-		11,053,450		1,179,130
NET INTEREST INCOME		106,823,912		-		107,988,388		(1,164,476)
Provisions for loan losses		<u>23,608,970</u>		<u>-</u>		<u>23,608,970</u>		<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		83,214,942		-		84,379,418		(1,164,476)
OTHER OPERATING INCOME (EXPENSE)								
Membership dues		584,190		-		584,190		-
Income from currency exchange		17,918,056		-		17,918,056		-
Income from remittance services		6,039,972		-		6,039,972		-
Gain (loss) due to revaluation		(6,180,533)		-		(6,180,533)		-
Operating grants		13,176,561		-		13,176,561		-
Recoveries of loans written off		3,289,112		-		3,289,112		-
Other		<u>3,350,251</u>		<u>-</u>		<u>3,154,430</u>		<u>195,821</u>
NET INTEREST INCOME AND OTHER INCOME		121,392,551		-		122,361,206		(968,655)
OPERATING EXPENSES								
Salaries		92,933,218		-		92,933,218		-
Premises and equipment expenses		22,988,864		-		22,988,864		-
Depreciation and amortization		12,146,952		-		11,886,120		260,832
Other expenses		<u>21,791,252</u>		<u>-</u>		<u>20,977,475</u>		<u>813,777</u>
TOTAL OPERATING EXPENSE		<u>149,860,286</u>		<u>-</u>		<u>148,785,677</u>		<u>1,074,609</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX		(28,467,735)		-		(26,424,471)		(2,043,264)
NET INCOME (EXPENSE)								
Gain (loss) on revaluation of assets		(1,125,083)		-		-		(1,125,083)
Hurricane recovery grant		-		-		-		-
Interest revenue - hurricane recovery grant		15,073,985		-		15,073,985		-
PROVISION FOR INCOME TAX		<u>2,409,423</u>		<u>-</u>		<u>1,458,919</u>		<u>950,504</u>
NET LOSS		(12,109,410)		-		(9,891,567)		(2,217,843)
RETAINED EARNING (DEFICIT) AT BEGINNING OF YEAR		<u>(151,229,474)</u>		<u>-</u>		<u>(154,561,977)</u>		<u>3,332,503</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u>(163,338,884)</u>	HTG	<u>-</u>	HTG	<u>(164,453,544)</u>	HTG	<u>1,114,660</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010

ASSETS								
	<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>		<u>FONKOZE SA</u>	
CASH AND CASH EQUIVALENTS	USD	13,113,983	USD	-	USD	13,061,827	USD	52,156
INVESTMENTS		199,082		(4,251,097)		199,082		4,251,097
ACCOUNTS RECEIVABLE		6,078,794		(100,681)		6,179,475		-
LOANS		11,592,921		-		11,592,921		-
Less allowance for loan losses		(347,788)		-		(347,788)		-
Net loans		<u>11,245,133</u>		<u>-</u>		<u>11,245,133</u>		<u>-</u>
FIXED ASSETS		3,742,316		-		3,742,316		-
Accumulated depreciation		(2,149,133)		-		(2,149,133)		-
Fixed assets, net		<u>1,593,183</u>		<u>-</u>		<u>1,593,183</u>		<u>-</u>
OTHER ASSETS		<u>1,654,092</u>		<u>-</u>		<u>1,568,297</u>		<u>85,795</u>
TOTAL ASSETS	USD	<u>33,884,267</u>	USD	<u>(4,351,778)</u>	USD	<u>33,846,997</u>	USD	<u>4,389,048</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
DEPOSITS	USD	20,977,724	USD	-	USD	20,977,724	USD	-
NOTES PAYABLE								
Long-term subordinated notes		502,000		-		-		502,000
Other notes payable		539,302		-		539,302		-
OTHER LIABILITIES		<u>11,131,207</u>		<u>(100,681)</u>		<u>11,118,837</u>		<u>113,051</u>
TOTAL LIABILITIES		33,150,233		(100,681)		32,635,863		615,051
SHAREHOLDERS' EQUITY								
Capital stock		1,883,846		(2,202,318)		2,202,726		1,883,438
Additional paid in capital		1,867,066		(2,048,779)		2,049,531		1,866,314
Retained earnings (deficit)		(3,030,978)		-		(3,055,223)		24,245
Accumulated other comprehensive gain (loss)		<u>14,100</u>		<u>-</u>		<u>14,100</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>734,034</u>		<u>(4,251,097)</u>		<u>1,211,134</u>		<u>3,773,997</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD	<u>33,884,267</u>	USD	<u>(4,351,778)</u>	USD	<u>33,846,997</u>	USD	<u>4,389,048</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2009

ASSETS

	<u>CONSOLIDATED</u>	<u>RECLASSIFICATIONS & ELIMINATIONS</u>	<u>SEVIS FINANSYE FONKOZE SA</u>	<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	USD 1,760,212	USD -	USD 1,686,049	USD 74,163
INVESTMENTS	209,383	(3,846,277)	209,383	3,846,277
ACCOUNTS RECEIVABLE	1,442,591	(46,164)	1,442,591	46,164
LOANS	7,096,981	-	7,096,981	-
Less allowance for loan losses	(407,640)	-	(407,640)	-
Net loans	<u>6,689,341</u>	<u>-</u>	<u>6,689,341</u>	<u>-</u>
FIXED ASSETS	2,743,504	-	2,743,504	-
Accumulated depreciation	(1,927,947)	-	(1,927,947)	-
Fixed assets, net	<u>815,557</u>	<u>-</u>	<u>815,557</u>	<u>-</u>
OTHER ASSETS	<u>1,588,647</u>	<u>-</u>	<u>1,508,723</u>	<u>79,924</u>
TOTAL ASSETS	USD <u>12,505,731</u>	USD <u>(3,892,441)</u>	USD <u>12,351,644</u>	USD <u>4,046,528</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

DEPOSITS	USD 11,029,378	USD -	USD 11,029,378	USD -
NOTES PAYABLE				
Long-term subordinated notes	627,000	-	-	627,000
Other notes payable	1,144,780	-	1,144,780	-
OTHER LIABILITIES	<u>187,356</u>	<u>(46,164)</u>	<u>210,964</u>	<u>22,556</u>
TOTAL LIABILITIES	12,988,514	(46,164)	12,385,122	649,556
SHAREHOLDERS' EQUITY				
Capital stock	1,692,955	(2,494,445)	2,494,980	1,692,420
Additional paid in capital	1,678,317	(1,351,832)	1,352,124	1,678,025
Retained earnings (deficit)	(3,887,235)	-	(3,913,762)	26,527
Accumulated other comprehensive gain (loss)	<u>33,180</u>	<u>-</u>	<u>33,180</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(482,783)</u>	<u>(3,846,277)</u>	<u>(33,478)</u>	<u>3,396,972</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD <u>12,505,731</u>	USD <u>(3,892,441)</u>	USD <u>12,351,644</u>	USD <u>4,046,528</u>