

FONKOZE SA AND SUBSIDIARY
PORT AU PRINCE, HAITI
* * * * *
AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

Phone: (859)623-4027 • Toll-free: (888)298-4602 • Fax: (859)623-0443

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Income and Accumulated Deficit	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Cash Flows	5
Notes to Financial Statements	6 -13
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Additional Information	14
Consolidating Balance Sheets Expressed in Haitian Gourdes	15 -16
Consolidating Statements of Income and Accumulated Deficit	17 - 18
Consolidating Balance Sheets Expressed in U.S. Dollars	19 -20

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, 2007 and 2006, and the related consolidated statements of income, comprehensive income, retained earnings, 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 audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note O to the financial statements, certain errors resulting in the misclassification of expenses were discovered by management of the Organization subsequent to the issuance of our report for the years ended December 31, 2006 and 2005, dated April 28, 2008. Accordingly, the 2006 financial statements and notes have been restated to correct the errors.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
July 1, 2008



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CASH AND CASH EQUIVALENTS	67,762,540	39,935,695
INVESTMENTS	6,238,615	14,705,739
ACCOUNTS RECEIVABLE	29,944,616	28,281,135
LOANS	265,458,968	181,343,059
Less allowance for loan losses	(15,610,718)	(8,844,817)
Net loans	<u>249,848,250</u>	<u>172,498,242</u>
FIXED ASSETS	84,179,003	82,121,389
Accumulated depreciation	(54,401,712)	(42,477,773)
Fixed assets, net	<u>29,777,291</u>	<u>39,643,616</u>
OTHER ASSETS	<u>40,668,801</u>	<u>21,769,557</u>
TOTAL ASSETS	<u>HTG 424,240,113</u>	<u>HTG 316,833,984</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
BANK OVERDRAFTS	71,245,726	34,028,950
DEPOSITS	307,492,835	263,549,256
NOTES PAYABLE		
Long-term subordinated notes	20,231,420	49,333,078
Other notes payable	64,713,760	-
OTHER LIABILITIES	<u>10,958,338</u>	<u>4,218,491</u>
TOTAL LIABILITIES	474,642,079	351,129,775
SHAREHOLDERS' EQUITY		
Capital stock, par value, HTG 25, 1,665,847 shares issued and outstanding	41,656,174	50,391,820
Additional paid in capital	35,588,241	3,935
Retained earnings (deficit)	(127,803,265)	(85,052,696)
Accumulated other comprehensive gain (loss)	<u>156,884</u>	<u>361,150</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(50,401,966)</u>	<u>(34,295,791)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>HTG 424,240,113</u>	<u>HTG 316,833,984</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
INTEREST INCOME		
Loans	HTG 91,061,670	HTG 66,266,416
Other	<u>2,443,881</u>	<u>5,245,856</u>
TOTAL INTEREST INCOME	93,505,551	71,512,272
INTEREST EXPENSE		
Deposits and debt	<u>14,665,345</u>	<u>9,143,995</u>
NET INTEREST INCOME	78,840,206	62,368,277
Provisions for loan losses	<u>44,230,902</u>	<u>12,352,112</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	34,609,304	50,016,165
OTHER OPERATING INCOME (EXPENSE)		
Membership dues	2,904,842	2,448,711
Income from currency exchange	22,312,092	17,613,221
Income from remittance services	1,716,524	1,741,359
Gain (loss) due to revaluation	(9,629,238)	12,170,929
Gain (Loss) on investments	(1,877,180)	(2,276,479)
Other	<u>2,298,230</u>	<u>3,320,858</u>
NET INTEREST INCOME AND OTHER INCOME	52,334,574	85,034,764
OPERATING EXPENSES		
Salaries	72,442,395	57,335,179
Premises and equipment expenses	20,562,558	19,948,180
Depreciation and amortization	14,868,799	15,294,235
Other expenses	<u>29,609,754</u>	<u>30,232,687</u>
TOTAL OPERATING EXPENSE	<u>137,483,506</u>	<u>122,810,281</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX	(85,148,932)	(37,775,517)
PROVISION FOR INCOME TAX	<u>36,661,503</u>	<u>3,370,185</u>
NET LOSS FROM OPERATIONS	(48,487,429)	(34,405,332)
OTHER INCOME (EXPENSE)		
Gain (loss) on revaluation of assets	<u>5,261,267</u>	<u>(6,322,672)</u>
NET LOSS	(43,226,162)	(40,728,004)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR NET OF VALUATION	(84,577,103)	(47,338,965)
PRIOR YEAR ADJUSTMENT	-	2,985,320
INCREASE (DECREASE) IN RETAINED EARNINGS UPON CONVERSION	<u>-</u>	<u>28,953</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG <u><u>(127,803,265)</u></u>	HTG <u><u>(85,052,696)</u></u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		<u>2007</u>		<u>2006</u>
Net Loss	HTG	(43,226,162)	HTG	(40,728,004)
Other comprehensive income before tax:				
Unrealized gains (losses) on securities: available for sale				
Unrealized holding losses arising during the period		(291,808)		(19,863)
Reclassification adjustment for gains included in income		<u> -</u>		<u>2,167,547</u>
Other comprehensive income (loss)		(291,808)		2,147,684
Tax expense related to other comprehensive income (loss)		<u>87,542</u>		<u> -</u>
Other comprehensive income (loss), net of tax		<u>(204,266)</u>		<u>2,147,684</u>
Comprehensive loss	HTG	<u><u>(43,430,428)</u></u>	HTG	<u><u>(38,580,320)</u></u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	HTG (43,226,162)	HTG (40,728,004)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Realized and unrealized losses on investments	1,877,180	2,276,479
Depreciation and amortization	14,868,799	15,294,235
Prior year adjustment and conversion change	475,593	3,014,273
Increase (decrease) in other comprehensive gain	(204,266)	2,147,684
Provision for loan loss	6,765,901	12,352,112
(Increase) decrease in:		
Accounts receivable	(1,663,481)	(3,628,561)
Loans	(84,115,909)	(36,467,224)
Other assets	(19,273,077)	(13,680,634)
Increase (decrease) in:		
Bank overdrafts	37,216,776	26,658,908
Deposits	43,943,579	13,811,523
Other liabilities	<u>6,739,847</u>	<u>(40,174,955)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(36,595,220)	(59,124,164)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	2,350,769	-
Purchase of fixed assets	(6,979,410)	(13,320,839)
Sale of investments	6,589,944	58,624,937
Purchase of investments	<u>-</u>	<u>(40,029,966)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,961,303	5,274,132
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	64,713,760	-
Return of capital investment	(8,735,646)	-
Additional capital investments	35,584,306	-
Conversion of debt to equity	<u>(29,101,658)</u>	<u>-</u>
NET CASH FROM FINANCING ACTIVITIES	<u>62,460,762</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	27,826,845	(53,850,032)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>39,935,695</u>	<u>93,785,727</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	HTG <u><u>67,762,540</u></u>	HTG <u><u>39,935,695</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	HTG <u><u>13,669,064</u></u>	HTG <u><u>4,937,298</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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 99.9848% 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 99.9848% 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 money market funds, corporate debt, certificates of deposit and an investment in SNI Minoterie, SA, an agricultural processing company. Money market funds, corporate debt and certificates of deposit are recorded at market value. Management has classified marketable securities as available for sale for reporting purposes under FASB 115. The investment in SNI Minoterie, SA is valued at market value at December 31, 2007 and 2006.

Loans

Loans are stated at book value, net of the allowance for loan losses. Non-performing loans are those for which payments are past due more than 30 days.

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, 2007 AND 2006

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. 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:

	<u>2007</u>	<u>2006</u>
Current loans	0%	0%
1 – 30 days past due	8.5%	10%
31 – 90 days past due	25.5%	30%
91 – 180 days past due	51%	60%
More than 180 days past due	85%	100%

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.

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 rate in effect at the transaction date. The average exchange rate for the year ended December 31, 2007 was 36.8614 and the rate for the year ended December 31, 2006 was 40.4085 Haitian gourdes to one U.S. dollar.

The official rates of exchange published by the Central Bank as of December 31, 2007 and 2006 were 36.7844 and 37.5914 Haitian gourdes to one U.S. dollar, respectively.

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.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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

Comprehensive Income

During 1998, the Financial Accounting Standards Board issued SFAS No. 130, Reporting Comprehensive Income (Loss), which 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 loss shown on the balance sheets at December 31, 2007 and 2006 represents unrealized losses on available-for-sale securities.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
Currency held in branch offices	HTG	12,340,463	HTG	7,806,579
Deposits held in U.S. banks		4,382,268		9,698,441
Deposits held in Haitian banks		<u>51,039,809</u>		<u>22,430,675</u>
Total	<u>HTG</u>	<u>67,762,540</u>	<u>HTG</u>	<u>39,935,695</u>
Currency in U.S. dollars	HTG	4,404,908	HTG	2,112,888
Currency in Haitian gourdes		7,935,555		5,693,691
Deposits in U.S. dollars		45,163,801		26,008,718
Deposits in Haitian gourdes		<u>10,258,276</u>		<u>6,120,398</u>
Total	<u>HTG</u>	<u>67,762,540</u>	<u>HTG</u>	<u>39,935,695</u>

There is no deposit insurance for accounts held in Haitian banks. Deposits held in U.S. banks exceed the Federal Deposit Insurance Corporations limits by HTG 703,828 and HTG 552,052 for the years ended December 31, 2007 and 2006, respectively.

For the year ended December 31, 2007 term deposits of HTG 30,190,653 secure the notes payable and bank overdraft at Unibank and term deposits of HTG 8,229,545 secure the bank overdraft at Capital Bank.

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

NOTE C – INVESTMENTS

Investments consisted of the following:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
SNI Minoterie	HTG	1,435,636	HTG	1,720,522
Certificate of Deposit – Self Help Credit Union		4,802,979		4,680,104
Treasury Bills		<u>-</u>		<u>8,305,113</u>
 Total	 <u>HTG</u>	 <u>6,238,615</u>	 <u>HTG</u>	 <u>14,705,739</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, 2007 and 2006.

The certificate of deposit held at Self Help Credit Union matures May 5, 2012 and carries an interest rate of 4.9%.

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, 2007 and 2006, the company was in compliance with this policy.

NOTE D – RELATED PARTY RECEIVABLE

Fonkoze SA advanced Fondasyon Kole Zepòl (Fonkoze) USD 443,683 to facilitate their investment in Fonkoze SA on July 31, 2004.

Fondasyon Kole Zepòl (Fonkoze) repaid USD 50,000 and USD 101,371 during 2007 and 2006, respectively. The balance owed by Fondasyon Kole Zepòl (Fonkoze) was HTG 12,919,525 at December 31, 2006. In October 2007, Fonkoze SA transferred the balance owed by Fondasyon Kole Zepòl (Fonkoze) of USD 293,683 to Sevis Finanse Fonkoze SA as an additional investment in that subsidiary.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE E – LOANS

Loans consist of the following:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
Market vendor solidarity groups	HTG	197,238,930	HTG	181,343,059
Business development		68,220,038		-
Less allowance for loan losses		<u>15,610,718</u>		<u>8,844,817</u>
Net Loans	<u>HTG</u>	<u>249,848,250</u>	<u>HTG</u>	<u>172,498,242</u>

The term of the loans is between three and twenty-four months. Interest rates vary between thirty-five and sixty percent.

Loans in the amount of HTG 8,021,326 and HTG 3,299,922 were written off in 2007 and 2006, respectively. Recoveries of loans previously written off were HTG 123,562 and HTG 152,564 for 2007 and 2006, respectively. For the years ended December 31, 2007 and 2006 the allowance was more than three percent using the CAMEL ratings. The reserve was 5.03% and 4.38% of the Market Vendor Solidarity Group loans for December 31, 2007 and 2006, respectively. The reserve was 16.04% of Business Development loans at December 31, 2007.

Allowance for loan losses:

	<u>2007</u>		<u>2006</u>	
Balance, beginning of year	HTG	8,844,817	HTG	4,207,143
Provision for losses		14,663,665		7,785,032
Recoveries on loans		123,562		152,564
Loans charged off		<u>8,021,326</u>		<u>3,299,922</u>
Balance, end of year	<u>HTG</u>	<u>15,610,718</u>	<u>HTG</u>	<u>8,844,817</u>

NOTE F – FIXED ASSETS

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

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
Land	HTG	570,500	HTG	570,500
Buildings		4,422,000		4,422,000
Vehicles		22,385,147		23,890,977
Furniture and equipment		5,544,121		4,943,626
Computer equipment		35,900,773		37,107,786
Electrical equipment		9,476,015		6,373,877
Construction in progress		188,088		-
Leasehold improvements		<u>5,692,359</u>		<u>4,812,623</u>
Total		84,179,003		82,121,389
Accumulated depreciation		<u>54,401,712</u>		<u>42,477,773</u>
Net Property and Equipment	<u>HTG</u>	<u>29,777,291</u>	<u>HTG</u>	<u>39,643,616</u>

FONKOZE SA AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

NOTE G – DEPOSITS

Deposits consist of the following:

	<u>December 31, 2007</u>		<u>December 31, 2006</u>
Savings deposits in Haitian gourdes	HTG 195,843,165	HTG	166,870,259
Savings deposits in U.S. dollars	102,933,405		91,890,500
Time deposits in Haitian gourdes	<u>8,716,265</u>		<u>4,788,497</u>
Total	<u>HTG 307,492,835</u>	<u>HTG</u>	<u>263,549,256</u>

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

NOTE H – DEFERRED TAXES

Deferred taxes (asset) represent the future tax benefits of tax losses incurred during 2007 and 2006, which can be carried forward for five years. Deferred taxes were calculated using the tax rates in effect on December 31, 2007 and 2006. The balance of deferred taxes at December 31, 2007 and 2006 were HTG 52,038,048 and HTG 14,457,542, respectively. A valuation adjustment was applied to the losses used to calculate deferred taxes at December 31, 2007 and 2006 in the amount of HTG 10,814,057 and HTG 60,827,080, respectively, to reflect the possibility that the Company may not be able to use all the carryforward before it expires.

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

December 31, 2009	HTG	5,441,744
December 31, 2010		10,421,429
December 31, 2011		12,098,340
December 31, 2012		<u>24,076,535</u>
Total	<u>HTG</u>	<u>52,038,048</u>

NOTE I – RELATED PARTY PAYABLE

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, the Company owed Fonkoze HTG 6,405,972 and HTG 2,488,951 at December 31, 2007 and 2006, respectively.

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE J – LONG TERM SUBORDINATED NOTES PAYABLE

Notes payable consists of eighteen notes due to individuals and organizations who are also shareholders of Fonkoze SA. The notes bear no interest until September 1, 2007, when interest will begin accruing at the rate of 5% per annum. Interest will be 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, 2006</u>
2012	\$ 110,000	HTG 4,046,284
2013	110,000	4,046,284
2014	110,000	4,046,284
2015	110,000	4,046,284
2016	110,000	4,046,284
Total	<u>\$ 550,000</u>	<u>HTG 20,231,420</u>

The notes are subordinate and junior to all other creditors.

NOTE K – NOTES PAYABLE OTHER

Notes payable at December 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Note payable to Doen Foundation bearing 8% interest due and payable January 25, 2008.	HTG 3,678,440	HTG -
Note payable to MEDA bearing 9% interest due and payable September 30, 2009.	11,035,320	-
Note payable to Unibank bearing 16% interest due and payable December 13, 2008.	<u>50,000,000</u>	<u>-</u>
TOTAL NOTES PAYABLE	<u>HTG 64,713,760</u>	<u>HTG -</u>

NOTE L – COMMITMENTS

The Organization leases office space on a long-term basis. Some leases are payable in U.S. dollars while others are payable in Haitian Gourdes. Future obligations under these leases are:

At December 31, 2007:

<u>Year</u>	<u>Payable in USD</u>	<u>Payable in HTG</u>
2008	\$ 114,000	HTG 900,000
2009	114,000	822,917
2010	108,000	446,250
2011	51,500	390,000
2012	-	275,000
2013	-	225,000
2014	-	225,000
2015	-	137,500
Total	<u>\$ 387,500</u>	<u>HTG 3,421,667</u>

FONKOZE SA AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE M – CHANGES OF ACCOUNTING METHODS

During 2007 the Company changed the method used to account for principle and interest received on Market Vendor Solidarity Group loans. Previously interest was calculated based on the outstanding principle for the exact number of days outstanding. For 2007 interest was calculated evenly over the number of scheduled payments. The effect of this change was a reduction in loans outstanding and interest income of HTG 5,502,862.

Also during 2007 Fonkoze SA changed the method for accounting for equity. Previously these accounts were accounted for in US dollars and valuation adjustments were made annually. Beginning in 2007 these accounts are accounted for in Haitian Gourdes, thus eliminating the need for valuation adjustments. The effect of this change was a one-time increase in net income of HTG 5,867,117 with a corresponding increase in equity.

Fonkoze SA changed the method of accounting for its investment in its subsidiary. Their Company now accounts for its investment using the same method used for equity. The effect of this change was a one-time increase in net income of HTG 332,592 with a corresponding increase in the value of the investment.

NOTE N – CAPITAL STRUCTURE

During the year ended December 31, 2007 the Organization issued new common stock through sale and conversion of debt to equity. The Organization issued 713,231 shares of common stock. Sale of common stock accounted for 103,351 of the new shares and conversion of debt to equity resulted in the remaining 609,880 shares of common stock issued. Additionally, of the shares issued 552,031 shares carried voting rights while the remaining 161,200 shares had no voting rights.

NOTE O – RESTATED REPORT

Subsequent to the date of the original report for the years ended December 31, 2006 and 2005 dated April 28, 2008, management discovered an error in the classification of interest expense as other expense and the classification of payroll tax expense as provision for income tax. The 2006 financial statements and notes have been restated to correct these errors. The total net loss and net assets were not affected by these errors.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Sèvis Finansye Fonkoze
Port Au Prince, Haiti

Our report on our audit of the basic consolidated financial statements of Fonkoze SA and Subsidiary at December 31, 2007 and 2006 appears on page 1. We conducted our audit 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 sheet expressed in Haitian Gourdes, the consolidating balance sheet expressed in U.S. dollars, and the consolidating statement of income and retained earnings 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 1, 2008



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2007

ASSETS								
		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYE FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	HTG	67,762,540	HTG	-	HTG	67,746,534	HTG	16,006
INVESTMENTS		6,238,615		(82,457,813)		6,238,615		82,457,813
ACCOUNTS RECEIVABLE		29,944,616		-		12,134,272		17,810,344
LOANS		265,458,968		-		265,458,968		-
Less allowance for loan losses		<u>(15,610,718)</u>		<u>-</u>		<u>(15,610,718)</u>		<u>-</u>
Net loans		249,848,250		-		249,848,250		-
FIXED ASSETS		84,179,003		-		84,179,003		-
Accumulated depreciation		<u>(54,401,712)</u>		<u>-</u>		<u>(54,401,712)</u>		<u>-</u>
Fixed assets, net		29,777,291		-		29,777,291		-
OTHER ASSETS		<u>40,668,801</u>		<u>(17,680,216)</u>		<u>55,815,831</u>		<u>2,533,186</u>
TOTAL ASSETS	HTG	<u>424,240,113</u>	HTG	<u>(100,138,029)</u>	HTG	<u>421,560,793</u>	HTG	<u>102,817,349</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
BANK OVERDRAFTS	HTG	71,245,726	HTG	-	HTG	71,245,726	HTG	-
DEPOSITS		307,492,835		-		307,492,835		-
NOTES PAYABLE								
Long-term subordinated notes		20,231,420		-		-		20,231,420
Other notes payable		64,713,760		-		64,713,760		-
OTHER LIABILITIES		<u>10,958,338</u>		<u>(17,680,216)</u>		<u>28,135,834</u>		<u>502,720</u>
TOTAL LIABILITIES		474,642,079		(17,680,216)		471,588,155		20,734,140
SHAREHOLDERS' EQUITY								
Capital stock		41,656,174		(65,645,324)		65,655,323		41,646,175
Additional paid in capital		35,588,241		(16,812,489)		16,817,222		35,583,508
Valuation difference		-		-		-		-
Retained earnings (deficit)		(127,803,265)		-		(132,656,791)		4,853,526
Accumulated other comprehensive loss		<u>156,884</u>		<u>-</u>		<u>156,884</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(50,401,966)</u>		<u>(82,457,813)</u>		<u>(50,027,362)</u>		<u>82,083,209</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>424,240,113</u>	HTG	<u>(100,138,029)</u>	HTG	<u>421,560,793</u>	HTG	<u>102,817,349</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2006

ASSETS

		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	HTG	39,935,695	HTG	-	HTG	30,889,307	HTG	9,046,388
INVESTMENTS		14,705,739		(40,934,291)		14,705,739		40,934,291
ACCOUNTS RECEIVABLE		28,281,135		(33,477,118)		15,361,610		46,396,643
LOANS		181,343,059		-		181,343,059		-
Less allowance for loan losses		(8,844,817)		-		(8,844,817)		-
Net loans		<u>172,498,242</u>		-		<u>172,498,242</u>		-
FIXED ASSETS		82,121,389		-		82,121,389		-
Accumulated depreciation		(42,477,773)		-		(42,477,773)		-
Fixed assets, net		<u>39,643,616</u>		-		<u>39,643,616</u>		-
OTHER ASSETS		<u>21,769,557</u>		-		<u>18,419,907</u>		<u>3,349,650</u>
TOTAL ASSETS	HTG	<u>316,833,984</u>	HTG	<u>(74,411,409)</u>	HTG	<u>291,518,421</u>	HTG	<u>99,726,972</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

BANK OVERDRAFTS	HTG	34,028,950	HTG	-	HTG	34,028,950	HTG	-
DEPOSITS		263,549,256		-		263,549,256		-
NOTES PAYABLE								
Long-term subordinated notes		49,333,078		-		-		49,333,078
OTHER LIABILITIES		<u>4,218,491</u>		<u>(33,477,118)</u>		<u>37,526,447</u>		<u>169,162</u>
TOTAL LIABILITIES		351,129,775		(33,477,118)		335,104,653		49,502,240
SHAREHOLDERS' EQUITY								
Capital stock		50,391,820		(26,204,441)		26,211,675		50,384,586
Additional paid in capital		3,935		(14,254,257)		14,258,192		-
Valuation difference		-		(475,593)		-		475,593
Retained earnings (deficit)		(85,052,696)		-		(84,417,249)		(635,447)
Accumulated other comprehensive gain (loss)		<u>361,150</u>		-		<u>361,150</u>		-
TOTAL SHAREHOLDERS' EQUITY		<u>(34,295,791)</u>		<u>(40,934,291)</u>		<u>(43,586,232)</u>		<u>50,224,732</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>316,833,984</u>	HTG	<u>(74,411,409)</u>	HTG	<u>291,518,421</u>	HTG	<u>99,726,972</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE SA</u>		<u>FONKOZE SA</u>	
INTEREST INCOME								
Loans	HTG	91,061,670	HTG	(1,793,039)	HTG	91,061,670	HTG	1,793,039
Other		<u>2,443,881</u>		<u>-</u>		<u>2,022,332</u>		<u>421,549</u>
TOTAL INTEREST INCOME		93,505,551		-		93,084,002		2,214,588
INTEREST EXPENSE								
Deposits and debt		<u>14,665,345</u>		<u>(1,793,039)</u>		<u>15,882,751</u>		<u>575,633</u>
NET INTEREST INCOME		78,840,206		-		77,201,251		1,638,955
Provisions for loan losses		<u>44,230,902</u>		<u>-</u>		<u>44,230,902</u>		<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		34,609,304		-		32,970,349		1,638,955
OTHER OPERATING INCOME (EXPENSE)								
Membership dues		2,904,842		-		2,904,842		-
Income from currency exchange		22,312,092		-		22,312,092		-
Income from remittance services		1,716,524		-		1,716,524		-
Gain (loss) due to revaluation		(9,629,238)		-		(9,629,238)		-
Gain (loss) on investments		(1,877,180)		-		(1,877,180)		-
Other		<u>2,298,230</u>		<u>-</u>		<u>2,298,230</u>		<u>-</u>
NET INTEREST INCOME AND OTHER INCOME		52,334,574		-		50,695,619		1,638,955
OPERATING EXPENSES								
Salaries		72,442,395		-		72,442,395		-
Premises and equipment expenses		20,562,558		-		20,562,558		-
Depreciation and amortization		14,868,799		-		14,494,966		373,833
Other expenses		<u>29,609,754</u>		<u>-</u>		<u>28,539,376</u>		<u>1,070,378</u>
TOTAL OPERATING EXPENSE		<u>137,483,506</u>		<u>-</u>		<u>136,039,295</u>		<u>1,444,211</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX		(85,148,932)		-		(85,343,676)		194,744
PROVISION FOR INCOME TAX		<u>36,661,503</u>		<u>-</u>		<u>37,104,134</u>		<u>(442,631)</u>
NET LOSS FROM OPERATIONS		(48,487,429)		-		(48,239,542)		(247,887)
NET INCOME (EXPENSE)								
Gain (loss) on revaluation of assets		<u>5,261,267</u>		<u>-</u>		<u>-</u>		<u>5,261,267</u>
NET LOSS		(43,226,162)		-		(48,239,542)		5,013,380
RETAINED EARNING (DEFICIT) AT BEGINNING OF YEAR		(84,577,103)		-		(84,417,249)		(159,854)
DECREASE IN RETAINED EARNINGS UPON CONVERSION		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u>(127,803,265)</u>	HTG	<u>-</u>	HTG	<u>(132,656,791)</u>	HTG	<u>4,853,526</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

	CONSOLIDATED		RECLASSIFICATIONS & ELIMINATIONS		SEVIS FINANSYE FONKOZE SA		FONKOZE SA	
INTEREST INCOME								
Loans	HTG	66,266,416	HTG	(1,007,146)	HTG	66,266,416	HTG	1,007,146
Other		<u>5,245,856</u>		<u>-</u>		<u>4,204,858</u>		<u>1,040,998</u>
TOTAL INTEREST INCOME		71,512,272		(1,007,146)		70,471,274		2,048,144
INTEREST EXPENSE								
Deposits and debt		<u>9,143,995</u>		<u>-</u>		<u>9,143,995</u>		<u>-</u>
NET INTEREST INCOME		62,368,277		(1,007,146)		61,327,279		2,048,144
Provisions for loan losses		<u>12,352,112</u>		<u>-</u>		<u>12,352,112</u>		<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		50,016,165		(1,007,146)		48,975,167		2,048,144
OTHER OPERATING INCOME (EXPENSE)								
Membership dues		2,448,711		-		2,448,711		-
Income from currency exchange		17,613,221		-		17,613,221		-
Income from remittance services		1,741,359		-		1,741,359		-
Gain (loss) due to revaluation		12,170,929		-		12,170,929		-
Gain (loss) on investments		(2,276,479)		-		(2,276,479)		-
Other		<u>3,320,858</u>		<u>-</u>		<u>3,320,858</u>		<u>-</u>
NET INTEREST INCOME AND OTHER INCOME		85,034,764		(1,007,146)		83,993,766		2,048,144
OPERATING EXPENSES								
Salaries		57,335,179		-		57,335,179		-
Premises and equipment expenses		19,948,180		-		19,948,180		-
Depreciation and amortization		15,294,235		-		14,807,399		486,836
Other expenses		<u>30,232,687</u>		<u>(1,007,146)</u>		<u>31,219,833</u>		<u>20,000</u>
TOTAL OPERATING EXPENSE		<u>122,810,281</u>		<u>(1,007,146)</u>		<u>123,310,591</u>		<u>506,836</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX		(37,775,517)		-		(39,316,825)		1,541,308
PROVISION FOR INCOME TAX		<u>3,370,185</u>		<u>-</u>		<u>2,008,400</u>		<u>1,361,785</u>
NET LOSS FROM OPERATIONS		(34,405,332)		-		(37,308,425)		2,903,093
OTHER INCOME (EXPENSE)								
Gain (loss) on revaluation of assets		<u>(6,322,672)</u>		<u>-</u>		<u>-</u>		<u>(6,322,672)</u>
NET LOSS		(40,728,004)		-		(37,308,425)		(3,419,579)
RETAINED EARNING (DEFICIT) AT BEGINNING OF YEAR (NET OF VALUATION)		(47,338,965)		-		(47,108,824)		(230,141)
PRIOR YEAR ADJUSTMENTS		2,985,320		-		-		2,985,320
INCREASE IN RETAINED EARNINGS UPON CONVERSION		<u>28,953</u>		<u>-</u>		<u>-</u>		<u>28,953</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u>(85,052,696)</u>	HTG	<u>-</u>	HTG	<u>(84,417,249)</u>	HTG	<u>(635,447)</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2007

ASSETS

		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE SA</u>		<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	USD	1,842,154	USD	-	USD	1,841,719	USD	435
INVESTMENTS		169,599		(2,241,652)		169,599		2,241,652
ACCOUNTS RECEIVABLE		814,057		-		329,875		484,182
LOANS		7,216,618		-		7,216,618		-
Less allowance for loan losses		<u>(424,384)</u>		<u>-</u>		<u>(424,384)</u>		<u>-</u>
Net loans		6,792,234		-		6,792,234		-
FIXED ASSETS		2,288,443		-		2,288,443		-
Accumulated depreciation		<u>(1,478,934)</u>		<u>-</u>		<u>(1,478,934)</u>		<u>-</u>
Fixed assets, net		809,509		-		809,509		-
OTHER ASSETS		<u>1,105,600</u>		<u>(480,644)</u>		<u>1,517,378</u>		<u>68,866</u>
TOTAL ASSETS	USD	<u>11,533,153</u>	USD	<u>(2,722,296)</u>	USD	<u>11,460,314</u>	USD	<u>2,795,135</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

BANK OVERDRAFTS	USD	1,936,846	USD	-	USD	1,936,846	USD	-
DEPOSITS		8,359,327		-		8,359,327		-
NOTES PAYABLE								
Long-term subordinated notes		550,000		-		1,759,272		550,000
Other notes payable		1,759,272		-		-		-
OTHER LIABILITIES		<u>297,908</u>		<u>(480,644)</u>		<u>764,885</u>		<u>13,667</u>
TOTAL LIABILITIES		12,903,353		(480,644)		12,820,330		563,667
SHAREHOLDERS' EQUITY								
Capital stock		1,132,441		(1,784,597)		1,784,869		1,132,169
Additional paid in capital		967,482		(457,055)		457,183		967,354
Retained earnings (deficit)		(3,474,388)		-		(3,606,333)		131,945
Accumulated other comprehensive loss		<u>4,265</u>		<u>-</u>		<u>4,265</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(1,370,200)</u>		<u>(2,241,652)</u>		<u>(1,360,016)</u>		<u>2,231,468</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD	<u>11,533,153</u>	USD	<u>(2,722,296)</u>	USD	<u>11,460,314</u>	USD	<u>2,795,135</u>

FONKOZE SA AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2006

ASSETS

	<u>CONSOLIDATED</u>	<u>RECLASSIFICATIONS & ELIMINATIONS</u>	<u>SEVIS FINANSYÉ FONKOZE SA</u>	<u>FONKOZE SA</u>
CASH AND CASH EQUIVALENTS	USD 1,062,363	USD -	USD 821,712	USD 240,651
INVESTMENTS	391,200	(1,088,927)	391,200	1,088,927
ACCOUNTS RECEIVABLE	752,330	(890,553)	408,647	1,234,236
LOANS	4,824,057	-	4,824,057	-
Less allowance for loan losses	<u>(235,288)</u>	<u>-</u>	<u>(235,288)</u>	<u>-</u>
Net loans	4,588,769	-	4,588,769	-
FIXED ASSETS	2,184,579	-	2,184,579	-
Accumulated depreciation	<u>(1,129,986)</u>	<u>-</u>	<u>(1,129,986)</u>	<u>-</u>
Fixed assets, net	1,054,593	-	1,054,593	-
OTHER ASSETS	<u>579,110</u>	<u>-</u>	<u>490,003</u>	<u>89,107</u>
TOTAL ASSETS	USD <u>8,428,365</u>	USD <u>(1,979,480)</u>	USD <u>7,754,924</u>	USD <u>2,652,921</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

BANK OVERDRAFTS	USD 905,232	USD -	USD 905,232	USD -
DEPOSITS	7,010,893	-	7,010,893	-
NOTES PAYABLE				
Long-term subordinated notes	1,312,350	-	-	1,312,350
OTHER LIABILITIES	<u>112,220</u>	<u>(890,553)</u>	<u>998,272</u>	<u>4,501</u>
TOTAL LIABILITIES	9,340,695	(890,553)	8,914,397	1,316,851
SHAREHOLDERS' EQUITY				
Capital stock	1,340,515	(697,086)	697,279	1,340,322
Additional paid in capital	105	(379,189)	379,294	-
Valuation difference	-	(12,652)	-	12,652
Retained earnings (deficit)	(2,262,557)	-	(2,245,653)	(16,904)
Accumulated other comprehensive loss	<u>9,607</u>	<u>-</u>	<u>9,607</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(912,330)</u>	<u>(1,088,927)</u>	<u>(1,159,473)</u>	<u>1,336,070</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD <u>8,428,365</u>	USD <u>(1,979,480)</u>	USD <u>7,754,924</u>	USD <u>2,652,921</u>

