

**TROPICAL FOREST CONSERVATION**  
**FUND-FCA**

**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE PERIOD FROM JANUARY 1**  
**THROUGH DECEMBER 31, 2010**

**Guatemala, April 26, 2011.**

**INDEPENDENT AUDITOR'S REPORT**  
**ABOUT THE FINANCIAL**  
**STATEMENTS**



INDEPENDENT AUDITOR'S REPORT

To the  
OVERSIGHT COMMITTEE OF THE TROPICAL FOREST  
CONSERVATION FUND FCA and to the  
BOARD OF DIRECTORS OF THE FOUNDATION  
FOR THE CONSERVATION OF NATURAL RESOURCES  
AND DEVELOPMENT IN GUATEMALA FCG

I have audited the accompanying financial statements of Guatemala TFCA  
consisting of the balance sheet and statement of financial position, the statement of  
income and statement of cash flows, and the notes to the financial statements, which  
management has prepared in accordance with the accounting principles generally  
accepted in Guatemala, for the year ended December 31, 2019.  
In my opinion, the financial statements present fairly, in all material aspects, the  
financial position, financial performance and cash flows of the organization and other  
information as indicated for the year ended December 31, 2019.

**INDEPENDENT AUDITOR'S REPORT**  
**ABOUT THE FINANCIAL**  
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My audit was conducted in accordance with the auditing standards generally  
accepted in Guatemala, which require the auditor to plan and perform the audit  
to obtain reasonable assurance about whether the financial statements are free  
of material misstatement. A material misstatement is one that could influence  
the economic decisions of users taken on the basis of the financial statements.

Reasonable assurance is a high level of assurance but is not absolute assurance  
that the financial statements are free of material misstatement. An audit cannot  
provide assurance that the financial statements are free of all misstatements.  
Misstatements can arise from fraud or error and are considered material if, in the  
aggregate, they could influence the economic decisions of users taken on the basis  
of the financial statements.

The audit was conducted in accordance with the auditing standards generally  
accepted in Guatemala, which require the auditor to plan and perform the audit  
to obtain reasonable assurance about whether the financial statements are free  
of material misstatement. A material misstatement is one that could influence  
the economic decisions of users taken on the basis of the financial statements.  
Reasonable assurance is a high level of assurance but is not absolute assurance  
that the financial statements are free of material misstatement. An audit cannot  
provide assurance that the financial statements are free of all misstatements.



**Illescas E Illescas, S.C.**

contadores públicos, auditores y consultores

Corresponsales de  
**RSM**  
International

## **INDEPENDENT AUDITOR'S REPORT**

To the

**OVERSIGHT COMMITTEE OF THE TROPICAL FOREST**

**CONSERVATION FUND-FCA and to the**

**BOARD OF DIRECTORS OF THE FOUNDATION**

**FOR THE CONSERVATION OF NATURAL RESOURCES**

**AND ENVIRONMENT IN GUATEMALA-FCG-**

We have audited the accompanying financial statements of Guatemala TFCA Trust, and the management and accounting registry of the administrative expenses and donations disbursements under the responsibility of the manager of the Tropical Forest Conservation Fund-FCA, which comprise the balance sheet as of December 31, 2010, and the statements of: income, changes in trust property and cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory notes.

The financial statements as of December 31, 2009, were audited by other auditors who issued an unqualified report on April 16, 2010.

### **Responsibility of the Trust's management for the financial statements:**

The Trust's management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting principles, as well as the internal control that the same determines is necessary to enable the preparation of the financial statements, being free from material misstatement, whether due to fraud or error.

### **Responsibility of the independent auditors:**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Trust preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion of the independent auditors:

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Guatemala TFCA Trust as of December 31, 2010, and its financial performance and cash flows for the year then ended, in accordance with the generally accepted accounting principles.

Emphasis paragraph-Basis of accounting:

Without modifying our opinion, we draw attention to inform that in the preparation of the financial statements, the Trust applied generally accepted accounting principles which represent a different basis from the International Financial Reporting Standards, which are of mandatory observance in Guatemala as of 2010.

Guatemala, April 26, 2011.

Lic. Jorge Enrique Illescas García  
CONTADOR PÚBLICO Y AUDITOR  
Colegiado No. CPA-936



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ILLESCAS E ILLESCAS, S. C.  
Contadores Públicos y Auditores

GUATEMALA TFCA TRUST

BALANCE SHEETS

(Expressed in quetzals - Note 3)

|                                           | <u>AS OF DECEMBER 31</u> |                     |
|-------------------------------------------|--------------------------|---------------------|
|                                           | <u>2010</u>              | <u>2009</u>         |
| <u>ASSETS</u>                             |                          |                     |
| Available cash (Note 4)                   | Q 21,871,212             | Q 2,744,067         |
| Interest receivable (Note 5)              | 1,705,766                | 752,697             |
|                                           | <u>23,576,978</u>        | <u>3,496,764</u>    |
| Investments (Note 6)                      | 35,658,827               | 46,898,451          |
| Total assets                              | <u>Q 59,235,805</u>      | <u>Q 50,395,215</u> |
| <u>LIABILITIES AND TRUST PROPERTY</u>     |                          |                     |
| Accounts payable:                         |                          |                     |
| Income tax payable                        | Q 153,037                | Q 135,423           |
| Earned interest not collected (Note 5)    | 1,705,766                | 752,697             |
|                                           | <u>1,858,803</u>         | <u>888,120</u>      |
| Trust property:                           |                          |                     |
| Primary capital:                          |                          |                     |
| Trust property (Note 7)                   | 71,793,791               | 55,141,488          |
| Reductions to the trust property (Note 8) | (20,136,510)             | (8,265,816)         |
|                                           | <u>51,657,281</u>        | <u>46,875,672</u>   |
| Supplementary capital:                    |                          |                     |
| Results of previous years                 | 2,631,423                | 43,422              |
| Results of the year                       | 3,088,298                | 2,588,001           |
| Total trust property                      | <u>57,377,002</u>        | <u>49,507,095</u>   |
| Total liabilities and trust property      | <u>Q 59,235,805</u>      | <u>Q 50,395,215</u> |

Notes 1 to 12 are an integral part of the financial statements.

GUATEMALA TFCA TRUST

INCOME STATEMENTS  
(Expressed in quetzals - Note 3)

|                                                     |   | FOR THE YEARS ENDED<br>DECEMBER 31 |                           |
|-----------------------------------------------------|---|------------------------------------|---------------------------|
|                                                     |   | 2010                               | 2009                      |
| <u>Income</u>                                       |   |                                    |                           |
| Financial income (Note 9)                           | Q | 3,132,153                          | Q 2,726,354               |
| Other income (Note 10)                              |   | 169,948                            | 1,330                     |
|                                                     |   | <u>3,302,101</u>                   | <u>2,727,684</u>          |
| <u>Expenses:</u>                                    |   |                                    |                           |
| Administrative expenses                             |   | (974)                              | -                         |
| Expenses from foreign currency operations (Note 11) |   | (56,665)                           | (3,588)                   |
| Income before the income tax                        |   | <u>3,244,462</u>                   | <u>2,724,096</u>          |
| Income tax (Note 12)                                |   | (156,164)                          | (136,095)                 |
| Income after the income tax                         | Q | <u><u>3,088,298</u></u>            | Q <u><u>2,588,001</u></u> |

Notes 1 to 12 are an integral part of the financial statements.

GUATEMALA TFCA TRUST

STATEMENTS OF CHANGES IN TRUST PROPERTY

(Expressed in quetzals - Note 3)

|                                         | FOR THE YEARS ENDED |                     |
|-----------------------------------------|---------------------|---------------------|
|                                         | DECEMBER 31         |                     |
|                                         | 2010                | 2009                |
| <u>Trust property</u>                   |                     |                     |
| Initial balance                         | Q 55,141,488        | Q 38,192,952        |
| Payments from the Ministry of Finance   | 16,652,303          | 16,948,536          |
| Final balance (Note 7)                  | <u>71,793,791</u>   | <u>55,141,488</u>   |
| <u>Reductions to the trust property</u> |                     |                     |
| Initial balance                         | (8,265,816)         | (3,460,074)         |
| Transfers, 10% administrative expenses  | (1,665,231)         | (1,694,854)         |
| Grants awarded                          | (10,205,463)        | (3,110,888)         |
| Final balance (Note 8)                  | <u>(20,136,510)</u> | <u>(8,265,816)</u>  |
| <u>Supplementary capital</u>            |                     |                     |
| Initial balance                         | 2,631,423           | 43,422              |
| Results of the year                     | 3,088,298           | 2,588,001           |
| Final balance                           | <u>5,719,721</u>    | <u>2,631,423</u>    |
| Total trust property                    | <u>Q 57,377,002</u> | <u>Q 49,507,095</u> |

Notes 1 to 12 are an integral part of the financial statements.

GUATEMALA TFCA TRUST

STATEMENTS OF CASH FLOWS

(Expressed in quetzals - Note 3)

|                                                                                      | FOR THE YEARS ENDED<br>DECEMBER 31 |              |
|--------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                      | 2010                               | 2009         |
| Cash flows from operating activities:                                                |                                    |              |
| Result of the year, net                                                              | Q 3,088,298                        | Q 2,588,001  |
| Adjustments to reconcile the net result and net cash flow from operating activities: |                                    |              |
| Accrual for income tax                                                               | 17,613                             | 135,423      |
| Income before changes in assets and liabilities                                      | 3,105,911                          | 2,723,424    |
| Net changes in assets and liabilities:                                               |                                    |              |
| Trusty property:                                                                     |                                    |              |
| Cash from payments from the Ministry of Finance (Note 7)                             | 16,652,304                         | 16,948,536   |
| Donation for the execution of projects (Note 8)                                      | (10,205,463)                       | (3,110,888)  |
| Disbursement for administrative expenses (Note 8)                                    | (1,665,231)                        | (1,694,854)  |
|                                                                                      | 4,781,610                          | 12,142,794   |
| Cash flow from operating activities                                                  | 7,887,521                          | 14,866,218   |
| Cash flows from investing activities                                                 | 11,239,624                         | (12,140,851) |
| Net increase in cash                                                                 | 19,127,145                         | 2,725,367    |
| Cash at the beginning of the year                                                    | 2,744,067                          | 18,700       |
| Cash at the end of the year                                                          | Q 21,871,212                       | Q 2,744,067  |

Notes 1 to 12 are an integral part of the financial statements.

GUATEMALA TFCA TRUSTNOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2010 AND 2009NOTE 1 - HISTORY AND OPERATIONS

Guatemala TFCA Trust was constituted on September 30, 2008, for an indefinite period, according to deed of incorporation No. 151 of the Notary Public Karla Guerra de Balsells.

It is domiciled in the city of Guatemala. Its fiscal year is the natural one.

Said Trust is created for complying with the stipulated in the agreement of debt for nature swap in Guatemala to prepay and pay in full certain debt by the Guatemalan Government to the Government of the United States of America, for the execution of the Program "Tropical Forest Conservation Fund-TFCA". The Trust is in charge of opening a Debt Service Account where the Guatemalan Government will make payments by means of the Ministry of Finance and the Endowment Fund account.

Name of the Trust:

Guatemala TFCA Trust.

Trustor:

Foundation for the Conservation of the Natural Resources and Environment in Guatemala-FCG-.

The entity was founded on March 27, 2000, as a non-governmental and non profit organization of private nature, with no political affiliation, with conservation, ecological, scientific, educational, technological and cultural purposes, with the legal capacity and the qualification to acquire rights, undertake obligations and execute the necessary activities for achieving its objectives.

The general objective of the Foundation is to promote the conservation of the biodiversity and the sustainable use of natural resources, the environmental management and the sustainable development, by means of the execution and stable generation of funds, administration of services and projects, offer and execution of specialized services related to the environmental area, project financing, as well as the administration of environmental projects.

The mission of the Foundation is to negotiate and facilitate financial resources for the conservation and sustainable management of the natural and cultural

patrimony in Guatemala, as promoters of sustainable economic development in the country. This is made by means of:

1. Donations
2. Rendering of services and
3. Credits by means of the Fideicomiso para la Conservación en Guatemala.

FCG has provided, through donations, support to projects in almost all the country, under the following lines of action: protected areas, sustainable management of natural resources, environmental training and education, environmental research, environmental policy and legislation and institutional strengthening. The projects are executed by individual investigators, governmental entities and NGO's.

FCG is the manager of the Tropical Forests Conservation Fund.

Trustees:

Trustees are those legal entities that, according to the stipulated by the Trust, will be benefited from the same as they will become recipients of the donations, who will be partial trustees up to the amount of the donation and only for the period that they keep the status of donation recipients, and one or more people designated by the Oversight Committee.

Fiduciary entity:

Banco G&T Continental, S.A.

Trust property:

- a) The funds given by the Guatemalan Government were deposited in the Debt Service Account.

During 2010 and 2009, the amounts of Q16,652,303 and Q16,948,536, respectively, were given by the Government.

- b) Any appreciation of the value, interest and investments generated with such funds.
- c) Any additional deposit from third parties in conformity with the approval of the Oversight Committee, which shall be informed to the fiduciary entity by the trustor.

Trust objectives:

To manage the funds received from the Guatemalan Government, which are deposited in the Debt Service Account, in conformity with the established in the agreement of the forest conservation, as well as to distribute the resources to the Donations Account following the instructions of the Oversight Committee and to the Endowment Fund Account according to the aforementioned agreement.

Period:

Indefinite period.

Tropical Forests Conservation Fund:

Tropical Forests Conservation Fund was constituted on September 30, 2008, by means of the creation of the trust named Tropical Forests Conservation Fund-TFCA, which is managed by Banco G&T Continental, S.A. Said activity is financed with the funds obtained from the debt for nature swap between Guatemala and the United States. The regions that the Trust supports have been selected due to their ecological significance at the regional and national level, as these are critical areas that comply with the national and institutional policies and strategies of the Guatemalan Government in relation to the Guatemalan Systems of Protected Areas-SIGAP-, and due to their social and economical significance for Guatemala and Mesoamerica.

These regions are the following:

1. The Maya Biosphere reserve.
2. The volcanic chain of the occidental Plateau of Guatemala.
3. The Motagua-Polochic system and the Caribbean coast.
4. The region of the Cuchumatanes.

The activities carried out in the regions are financed through the funds obtained from the non-governmental organizations-NGOs, as well as community, regional or national organizations. The allocation of resources for the Trust was US\$22 million from the Government of the United States of America and US\$2 million from private NGOs: The Nature Conservancy (TNC) and Conservation International (CI); therefore, the total amount for the FCA is US\$24 million which must be executed in the 15 years following the constitution of the same.

The activities of the Trust are divided in cycles. The first cycle was from 2008 to 2010, which included the financial support for the execution of the projects shown on the next page:

| EXECUTING ORGANIZATION / INDIVIDUAL                        | PROJECT AMOUNT | PROJECT TITLE                                                                                                                                                                                        | GEOGRAPHIC REGION                    | AGREEMENT NO. |
|------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------|
| Defensores de la Naturaleza                                | Q 1,459,865    | Conservation strategy for landscape and high-priority species of the semiarid region in Motagua Valley.                                                                                              | Motagua-Polochic and Caribbean Coast | FCA 006-2008  |
| Defensores de la Naturaleza                                | Q 2,154,029    | Strengthening of institutional capacities and sustainable community development for the conservation of natural and cultural patrimony of Sierra del Lacandon National Park.                         | Maya Biosphere                       | FCA 007-2008  |
| HELVETAS                                                   | Q 2,035,650    | Municipal and community management for the conservation of Cerro Cucho and Cerro Saquibut in San Marcos, Guatemala.                                                                                  | Volcanic Chain                       | FCA 002-2008  |
| HELVETAS                                                   | Q 1,981,442    | Strengthening of community administration of local management of communal forests in Quetzaltenango and Totonicapán, Guatemala.                                                                      | Volcanic Chain                       | FCA 003-2008  |
| Fundación para el Ecodesarrollo y la Conservación FUNDAECO | Q 1,459,865    | Design, proposal and advertising of a protected areas regional subsystem for northern Huehuetenango, through alternative strategies of conservation.                                                 | Cuchumatanes                         | FCA 004-2008  |
| Fundación para el Ecodesarrollo y la Conservación FUNDAECO | Q 954,450      | Resolution of 3 management and territorial governance conflicts in protected areas of the Caribbean of Guatemala.                                                                                    | Motagua-Polochic and Caribbean coast | FCA 001-2008  |
| Asociación Vivamos Mejor                                   | Q 1,952,290    | Strengthening of Sololá municipality regional parks system and sustainable development advertising in the biological corridor in the south of Lake Atitlan watershed multiple uses Reserve (RUMCLA). | Volcanic Chain                       | FCA 005-2008  |

The approved projects to be executed in the second cycle of the Tropical Forests Conservation Fund are the following; the cycle started in October 2010:

| EXECUTING ORGANIZATION / INDIVIDUAL | PROJECT AMOUNT | PROJECT TITLE                                                                                                                                          | GEOGRAPHIC REGION | AGREEMENT NO. |
|-------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------|
| SOTZIL                              | Q 1,598,992    | Strengthening the collective indigenous management for the sustainable conservation of communal forests in the western volcanic chain and Cuchumatanes | Cuchumatanes      | FCA 006-2010  |

| EXECUTING ORGANIZATION / INDIVIDUAL                                 | PROJECT AMOUNT | PROJECT TITLE                                                                                                                                                                                                          | GEOGRAPHIC REGION                    | AGREEMENT NO. |
|---------------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------|
| HELVETAS                                                            | Q 1,592,970    | Community and municipal integral management of water recharge zones of conservation strategic areas in los Altos de Totonicapán and Sierra Santa Rita de Quetzaltenango.                                               | Volcanic Chain                       | FCA 001-2010  |
| HELVETAS                                                            | Q 1,590,620    | Strengthening of the decentralized management of the municipality regional parks, communal forests and private natural reserves, in priority zones of connectivity in the volcanic chain. Saquibutz-Tewancarnero.      | Volcanic Chain                       | FCA 002-2010  |
| Centro agronómico Tropical para la Investigación y Enseñanza -CATIE | Q 1,593,218    | Strengthening of the co-management for the conservation and restoration of the Astillero de Tecpan municipality regional park (water recharge zone of the Madre Vieja, Motagua and Coyolate rivers watershed) Phase I. | Volcanic Chain                       | FCA 003-2010  |
| Fundación Defensores de la Naturaleza                               | Q 1,592,972    | Threats mitigation for the conservation elements in the Bosque Nuboso-Sierra de las Minas corridor, through the strengthening of conservation schemes, fire management and economic alternatives development.          | Motagua-Polochic and Caribbean coast | FCA 004-2010  |
| Fundación Defensores de la Naturaleza                               | Q 1,586,079    | Governance strengthening of Parque Nacional Sierra de Lacandón assuring protection actions against threats and conflicts management through the implementation of cooperation agreements.                              | Maya Biosphere                       | FCA 005-2010  |
| Asociación Vivamos Mejor                                            | Q 1,599,842    | Integrated Management of the Quiscab river sub-watershed and strengthening of the biological corridor in the multiple uses reserve of Lake Atitlan watershed.                                                          | Volcanic Chain                       | FCA 007-2010  |
| CARE-UICN                                                           | Q 1,598,666    | Implementation of a participatory planning and management model to micro watersheds for the climate change adaptation in communities of five municipalities in San Marcos highlands.                                   | Volcanic Chain                       | FCA 008-2010  |
| Fundación para el Ecodesarrollo y la Conservación FUNDAECO          | Q 1,467,155    | Support for the establishment and strengthening of community, municipal and private protected areas system, and for the bioculture landscape management in the north border region of Huehuetenango, Guatemala.        | Cuchumatanes                         | FCA-009-2010  |

| EXECUTING ORGANIZATION / INDIVIDUAL                        | PROJECT AMOUNT | PROJECT TITLE                                                                                                                                                                                                                                    | GEOGRAPHIC REGION                    | AGREEMENT NO. |
|------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------|
| Fundación para el Ecodesarrollo y la Conservación FUNDAECO | Q 1,600,000    | Management strengthening of Cerro San Gil, Río Sarstún and Punta de Manabique protected areas: community participation, finance sustainability and consolidation of core zones in critic points of pressure and deforestation.                   | Motagua-Polochic and Caribbean coast | FCA 011-2010  |
| ASOCUCH                                                    | Q 1,591,606    | Local management strengthening and implementation of strategies for the reduction of threats, in three relevant biodiversity conservation areas in the Sierra de los Cuchumatanes, Huehuetenango.                                                | Cuchumatanes                         | FCA 010-2010  |
| Asociación BALAM                                           | Q 1,429,000    | Consolidating the protection of the Eastern zone of Laguna del Tigre and its biological corridor, through an special protection system based in strategic alliances among government agencies, community groups and civil society organizations. | Maya Biosphere                       | FCA 012-2010  |
| Wildlife Conservation Society -WCS-                        | Q 1,590,440    | Governance strengthening in the multiple uses zone of the Mayan Biosphere reserve, Petén, Guatemala.                                                                                                                                             | Maya Biosphere                       | FCA 013-2010  |

## NOTE 2 - PREPARATION BASE AND ACCOUNTING POLICIES

A summary of the accounting principles used by Guatemala TFCA Trust in the preparation of its financial statements are shown next:

Accounting basis - Operations are registered under the modified cash method which consists of recognizing income when received and expenses when incurred.

Recognition of income - Income from interest, mainly from investments on certificates of fixed term deposits, is registered in the operating results according to the modified cash method which means that the income is recognized when received.

Investments - Investments on certificates of deposit are registered at their acquisition cost.

Income from investments on certificates of deposit is registered in the results when it is received.

Reductions to the trust property - Fund transfers made to the Donations and the Administrative Expenses accounts are reduced directly from the trust property.

Uncollectible accounts - These accounts are registered by means of the direct method, charging them to the operational results of the year when they are considered uncollectible.

### NOTE 3 - CURRENCY AND EXCHANGE RATES

The accounting records are carried out in quetzals denoted by the symbol "Q"; as shown on the financial statements. The quetzal is the national currency of Guatemala.

The exchange rate is freely determined among the banking market participants. At December 31, 2010 and 2009 the market exchange rate was Q8.01 and Q8.35 to US\$1.00 respectively. At the date of this report the exchange rate was Q7.60 to US\$1.00.

According to the Law of Free Foreign Currency Trading the disposal, possession, contracting, remittance, transfer, purchase, sale, collection and payment of and with foreign currency are free, and foreign currency tenure, deposits, and bank accounts may be freely maintained.

The exchange rate is daily calculated and published by Banco de Guatemala-the Central Bank-.

### NOTE 4 - AVAILABLE CASH

The cash available on December 31 was:

|                              | 2010                | 2009               |
|------------------------------|---------------------|--------------------|
| Banco G&T Continental, S.A.: |                     |                    |
| National currency            | Q 222,789           | Q 2,740,366        |
| Foreign currency             | 21,648,423          | 3,701              |
|                              | <u>Q 21,871,212</u> | <u>Q 2,744,067</u> |

### NOTE 5 - INTEREST RECEIVABLE / EARNED INTEREST NOT COLLECTED

On the next page, we present the interests earned per certificate of deposit as of December 31:

| BANK                                                     | 2010               | 2009             |
|----------------------------------------------------------|--------------------|------------------|
| G&T Continental, S.A.<br>Certificate: 03-03-3020000030-8 | Q 1,674,074        | Q 752,697        |
| De Desarrollo Rural, S.A.<br>Certificate: 173749         | 31,692             | -                |
|                                                          | <u>Q 1,705,766</u> | <u>Q 752,697</u> |

#### NOTE 6 - INVESTMENTS

Investments made by the Trust, as of December 31, were:

##### 2010:

| ACCOUNT No.                       | BANK                      | MATURITY    | INTEREST RATE | AMOUNT              |
|-----------------------------------|---------------------------|-------------|---------------|---------------------|
| 03-01-3020000266-7                | G&T Continental, S.A.     | Dec/16/2011 | 8.00%         | Q 9,639,677         |
| 33-006-110847-9                   | Industrial, S.A.          | May/01/2011 | 7.50          | 9,334,670           |
|                                   |                           |             |               | <u>18,974,347</u>   |
| <u>Investments in US dollars:</u> |                           |             |               |                     |
| 812146                            | De Desarrollo Rural, S.A. | May/18/2011 | 3.75          | 3,057,265           |
| 03-03-3020000030-8                | G&T Continental, S.A.     | Jan/02/2011 | 4.00          | 13,627,215          |
|                                   |                           |             |               | <u>16,684,480</u>   |
|                                   |                           |             |               | <u>Q 35,658,827</u> |

##### 2009:

| ACCOUNT No.                       | BANK                  | MATURITY    | INTEREST RATE | AMOUNT              |
|-----------------------------------|-----------------------|-------------|---------------|---------------------|
| <u>Investments in quetzals:</u>   |                       |             |               |                     |
| 03-01-3020000105-2                | G&T Continental, S.A. | Dec/03/2010 | 8.75%         | Q 5,000,000         |
| 03-01-3020000108-8                | G&T Continental, S.A. | Dec/03/2010 | 8.75          | 5,000,000           |
| 01-01-3020000107-3                | G&T Continental, S.A. | Dec/03/2010 | 8.75          | 5,000,000           |
| 01-01-3020000108-9                | G&T Continental, S.A. | Dec/03/2010 | 8.75          | 5,000,000           |
| 01-01-3020000109-4                | G&T Continental, S.A. | Dec/03/2010 | 8.75          | 14,080,576          |
|                                   |                       |             |               | <u>34,080,576</u>   |
| <u>Investments in US dollars:</u> |                       |             |               |                     |
| 03-03-3020000030-8                | G&T Continental, S.A. | Jan/02/2011 | 6.25%         | 12,817,875          |
| Total de inversiones              | G&T Continental, S.A. |             |               | <u>Q 46,898,451</u> |

At December 31, investments included foreign currency balances for US\$2,082,025 in 2010 and US\$1,534,268 in 2009, expressed at an exchange rate of Q8.01 and Q8.35, respectively.

NOTE 7 - TRUST PROPERTY

At December 31, the trust property was composed as shown next:

| <u>TRUST PROPERTY</u>                                    |               | <u>AMOUNT</u>       |
|----------------------------------------------------------|---------------|---------------------|
| <b>2010:</b>                                             |               |                     |
| Initial trust property                                   | Q             | 55,141,488          |
| Payments from the Ministry of Finance<br>in 2010:        |               |                     |
| <u>DATE</u>                                              | <u>AMOUNT</u> |                     |
| Jan/28/2010                                              | Q 950,002     |                     |
| Mar/11/2010                                              | 1,927,279     |                     |
| Apr/19/2010                                              | 2,536,477     |                     |
| Apr/19/2010                                              | 1,364,282     |                     |
| May/14/2010                                              | 1,554,199     |                     |
| Jul/27/2010                                              | 911,490       |                     |
| Sep/10/2010                                              | 1,929,466     |                     |
| Oct/18/2010                                              | 2,551,440     |                     |
| Oct/19/2010                                              | 1,371,648     |                     |
| Nov/16/2010                                              | 1,556,020     |                     |
|                                                          |               | 16,652,303          |
|                                                          |               | <u>Q 71,793,791</u> |
| <b>2009:</b>                                             |               |                     |
| Initial trust property                                   | Q             | 36,708,829          |
| Payments from the Ministry of Finance<br>(November 2008) |               | 1,484,123           |
| Payments from the Ministry of Finance<br>in 2009         |               | 16,948,536          |
|                                                          |               | <u>Q 55,141,488</u> |

NOTE 8 - REDUCTIONS TO THE TRUST PROPERTY

Reductions to the trust property, as of December 31, are shown on the next page:

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| REDUCTIONS TO THE TRUST PROPERTY | AMOUNT |
|----------------------------------|--------|
|----------------------------------|--------|

**2010:**

|                 |   |           |
|-----------------|---|-----------|
| Initial balance | Q | 8,265,816 |
|-----------------|---|-----------|

|                                  |  |  |
|----------------------------------|--|--|
| Grants awarded<br>of FCA in 2010 |  |  |
|----------------------------------|--|--|

| DATE      | Q | AMOUNT    |            |
|-----------|---|-----------|------------|
| Mar-03-10 | Q | 1,871,506 |            |
| Jun-04-10 |   | 695,310   |            |
| Apr-06-10 |   | 776,428   |            |
| Jul-12-10 |   | 605,190   |            |
| Oct-14-10 |   | 4,995,412 |            |
| Oct-14-10 |   | 1,261,617 | 10,205,463 |

Transfers for administrative expenses in 2010 (10%):

| DATE        | Q | AMOUNT  |           |
|-------------|---|---------|-----------|
| Feb-02-10   | Q | 95,000  |           |
| Mar-18-10   |   | 192,728 |           |
| April-27-10 |   | 136,428 |           |
| April-27-10 |   | 253,648 |           |
| May-20-10   |   | 155,420 |           |
| Aug-05-10   |   | 91,149  |           |
| Sep-28-10   |   | 192,946 |           |
| Nov-11-10   |   | 137,165 |           |
| Nov-12-10   |   | 255,145 |           |
| Nov-26-10   |   | 155,602 | 1,665,231 |

|                                                  |   |            |
|--------------------------------------------------|---|------------|
| Reductions to the trust property during the year |   | 11,870,694 |
|                                                  | Q | 20,136,510 |

**2009:**

|                        |   |           |
|------------------------|---|-----------|
| Grants awarded in 2008 | Q | 3,313,591 |
|------------------------|---|-----------|

|                                                       |  |         |
|-------------------------------------------------------|--|---------|
| Transfers for administrative expenses in 2008 (9.87%) |  | 146,483 |
|-------------------------------------------------------|--|---------|

|                                                     |  |           |
|-----------------------------------------------------|--|-----------|
| Transfers for administrative expenses in 2009 (10%) |  | 1,694,854 |
|-----------------------------------------------------|--|-----------|

|                        |  |           |
|------------------------|--|-----------|
| Grants awarded in 2009 |  | 3,110,888 |
|------------------------|--|-----------|

|  |   |           |
|--|---|-----------|
|  | Q | 8,265,816 |
|--|---|-----------|

**NOTE 9 - FINANCIAL INCOME**

The financial income obtained during the years being reported are shown next:

|                           | 2010        | 2009        |
|---------------------------|-------------|-------------|
| Interest from investments | Q 3,092,520 | Q 2,700,011 |
| Bank interests            | 39,633      | 26,343      |
|                           | Q 3,132,153 | Q 2,726,354 |

NOTE 10 - OTHER INCOME

During 2010 and 2009, other income earned was as follows:

|                                       | 2010             | 2009           |
|---------------------------------------|------------------|----------------|
| Gain on exchange rate fluctuation (*) | Q 169,076        | Q 1,205        |
| Other products                        | 872              | 125            |
|                                       | <u>Q 169,948</u> | <u>Q 1,330</u> |

- (\*) This is originated by the remeasuring of the balance of the investments denominated in US dollars (Note 6).

NOTE 11 - EXPENSES FROM FOREIGN CURRENCY OPERATIONS

A detail of expenses related to foreign currency operations, during the years under review, is presented next:

|                                   | 2010            | 2009           |
|-----------------------------------|-----------------|----------------|
| Exchange loss (*)                 | Q 49,845        | Q 2,224        |
| Loss in exchange rate fluctuation | 6,712           | 662            |
| Account management expenses       | 83              | 165            |
| General expenses                  | 25              | 80             |
| Tax on financial product          | -               | 457            |
|                                   | <u>Q 56,665</u> | <u>Q 3,588</u> |

- (\*) The increase in the exchange loss in relation to 2009, basically resulted due to the difference of the exchange rate used for buying US\$2,700,00 for to capitalize the Endowment Fund Account, at an exchange rate given by Banco de América Central-BAC which was Q7.97, and the reference exchange rate of Banco de Guatemala which was Q7.95306 x US\$1, resulting a loss of Q45,738.

NOTE 12 - INCOME TAX

During the years ended December 31, the income tax was determined as follows:

|                                                           | 2010             | 2009             |
|-----------------------------------------------------------|------------------|------------------|
| Interest from investments                                 | Q 3,092,520      | Q 2,700,011      |
| Interest capitalized in the Debt Service Account          | 29,885           | 26,343           |
| Interest capitalized in the account of FCA Endowment Fund | 9,748            | -                |
| Exchange rate fluctuations                                | 169,076          | -                |
| Exchange gain                                             | 872              | -                |
| Exempt income                                             | (178,803)        | (4,459)          |
| Taxable income                                            | <u>3,123,298</u> | <u>2,721,895</u> |
| Income tax applicable at 5%                               | <u>Q 156,164</u> | <u>Q 136,095</u> |

\* \* \* \* \*

MASCAS, S.C.

RSM

INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT  
OPINION ON THE COMPLEMENTARY  
FINANCIAL INFORMATION



**Illescas E Illescas, S.C.**  
contadores públicos, auditores y consultores

Corresponsales de  
**RSM**  
International

GUATEMALA TFCA TRUST

BALANCE SHEETS  
(Expressed in US dollars)

**INDEPENDENT AUDITOR'S REPORT**  
**OPINION ON THE SUPPLEMENTARY FINANCIAL INFORMATION**

To the  
**OVERSIGHT COMMITTEE OF THE TROPICAL FOREST  
CONSERVATION FUND-FCA and to the  
BOARD OF DIRECTORS OF THE FOUNDATION  
FOR THE CONSERVATION OF NATURAL RESOURCES  
AND ENVIRONMENT IN GUATEMALA-FCG-**

Although the accompanying supplementary financial information is not essential for the presentation of the financial position of the Guatemala TFCA Trust, for the year ended December 31, 2010, the same is presented as additional information. Our exam, which was performed mainly with the purpose to express an opinion on the financial statements taken as a whole, included the tests on the accounting records and the application of other audit procedures that we consider necessary under the circumstances.

In our opinion, the accompanying supplementary financial information mentioned in the above paragraph, is presented fairly in all material aspects, in relation to the financial statements taken as a whole, as of December 31, 2010, which are covered by our opinion included at the beginning of this report.

Guatemala, April 26, 2011.

Lic. Jorge Enrique Illescas García  
CONTADOR PÚBLICO Y AUDITOR  
Colegiado No. CPA-936

GUATEMALA TFCA TRUSTBALANCE SHEETS  
(Expressed in US dollars)

|                                           | <u>AS OF DECEMBER 31</u> |                     |
|-------------------------------------------|--------------------------|---------------------|
|                                           | <u>2010</u>              | <u>2009</u>         |
| <u>ASSETS</u>                             |                          |                     |
| Available cash (Note 2)                   | \$ 2,729,268             | \$ 328,458          |
| Interest receivable (Note 3)              | 212,860                  | 91,568              |
|                                           | <u>2,942,128</u>         | <u>420,026</u>      |
| Investments (Note 4)                      | 4,449,799                | 5,613,630           |
| Total assets                              | <u>\$ 7,391,927</u>      | <u>\$ 6,033,656</u> |
| <u>LIABILITIES AND TRUST PROPERTY</u>     |                          |                     |
| Accounts payable                          |                          |                     |
| Income tax payable                        | \$ 19,097                | \$ 16,210           |
| Interest earned not collected (Note 3)    | 212,860                  | 91,568              |
|                                           | <u>231,957</u>           | <u>107,778</u>      |
| Trust property:                           |                          |                     |
| Primary capital                           |                          |                     |
| Trust property (Note 5)                   | 8,675,135                | 6,600,300           |
| Reductions to the trust property (Note 6) | <u>(2,464,384)</u>       | <u>(989,398)</u>    |
|                                           | 6,210,751                | 5,610,902           |
| Supplementary capital:                    |                          |                     |
| Results of previous years                 | 314,976                  | 5,198               |
| Result of the year                        | 634,243                  | 309,778             |
| Total trust property                      | <u>7,159,970</u>         | <u>5,925,878</u>    |
| Total liabilities and trust property      | <u>\$ 7,391,927</u>      | <u>\$ 6,033,656</u> |

Notes 1 to 10 of this section are an integral part of the supplementary financial information.

GUATEMALA TFCA TRUSTSTATEMENTS OF INCOME  
(Expressed in US dollars)FOR THE YEARS ENDED  
DECEMBER 31

|                                                    | 2010              | 2009              |
|----------------------------------------------------|-------------------|-------------------|
| <u>Income:</u>                                     |                   |                   |
| Financial income (Note 7)                          | \$ 388,617        | \$ 334,131        |
| Other income (Note 8)                              | 21,086            | 163               |
|                                                    | <u>409,703</u>    | <u>334,294</u>    |
| <u>Expenses:</u>                                   |                   |                   |
| Administrative expenses                            | (121)             | -                 |
| Expenses from foreign currency operations (Note 9) | (7,030)           | (440)             |
| Difference from currency translation               | 251,067           | (7,397)           |
| Income before income tax                           | <u>653,619</u>    | <u>326,457</u>    |
| Income tax (Note 10)                               | (19,376)          | (16,679)          |
| Income after income tax                            | <u>\$ 634,243</u> | <u>\$ 309,778</u> |

Notes 1 to 10 of this section are an integral part of the supplementary financial information.

GUATEMALA TFCA TRUST

STATEMENTS OF CHANGES IN TRUST PROPERTY

(Expressed in US dollars)

|                                          | FOR THE YEARS ENDED<br>DECEMBER 31 |              |
|------------------------------------------|------------------------------------|--------------|
|                                          | 2010                               | 2009         |
| <u>Trust property:</u>                   |                                    |              |
| Initial balance                          | \$ 6,600,300                       | \$ 4,571,602 |
| Payments from the Ministry of Finance    | 2,074,835                          | 2,028,698    |
| Final balance (Note 5)                   | 8,675,135                          | 6,600,300    |
| <u>Reductions to the trust property:</u> |                                    |              |
| Initial balance                          | (989,398)                          | (414,162)    |
| Transfers, 10%- administrative expenses  | (207,140)                          | (202,870)    |
| Donations for projects                   | (1,267,846)                        | (372,366)    |
| Final balance (Note 6)                   | (2,464,384)                        | (989,398)    |
| <u>Supplementary capital:</u>            |                                    |              |
| Initial balance                          | 314,976                            | 5,198        |
| Results of the year                      | 634,243                            | 309,778      |
| Final balance                            | 949,219                            | 314,976      |
| Total trust property                     | \$ 7,159,970                       | \$ 5,925,878 |

Notes 1 to 10 of this section are an integral part of the supplementary financial information.

GUATEMALA TFCA TRUST

STATEMENTS OF CASH FLOWS

(Expressed in US dollars)

FOR THE YEARS ENDED  
DECEMBER 31

|                                                                              | 2010         | 2009        |
|------------------------------------------------------------------------------|--------------|-------------|
| Cash flow from operating activities:                                         |              |             |
| Net results of the year                                                      | \$ 634,243   | \$ 309,778  |
| Adjustments to reconcile net results and net flows from operating activities |              |             |
| Accrual for income tax                                                       | 2,887        | 16,210      |
| Income before changes in assets and liabilities                              | 637,130      | 325,988     |
| Net changes in assets and liabilities:                                       |              |             |
| Trust property:                                                              |              |             |
| Cash from payments from the Ministry of Finance (Note 5)                     | 2,074,835    | 2,028,698   |
| Donations for the execution of projects (Note 6)                             | (1,267,846)  | (372,366)   |
| Disbursements to pay administrative expenses (Note 6)                        | (207,140)    | (202,870)   |
|                                                                              | 599,849      | 1,453,462   |
| Cash flow from operating activities                                          | 1,236,979    | 1,779,450   |
| Cash flow from (applied) investment activities                               | 1,163,831    | (1,453,395) |
| Net increase in cash                                                         | 2,400,810    | 326,055     |
| Cash at the beginning of the year                                            | 328,458      | 2,403       |
| Cash at the end of the year                                                  | \$ 2,729,268 | \$ 328,458  |

Notes 1 to 10 of this section are an integral part of the supplementary financial information.

GUATEMALA TFCA TRUST

NOTES TO THE SUPPLEMENTARY FINANCIAL INFORMATION  
DECEMBER 31, 2010 AND 2009

NOTE 1 - TRANSLATION OF THE FINANCIAL STATEMENTS INTO US DOLLARS

The accounting records are kept in quetzals denoted by the symbol "Q"; for presentation purposes, the financial statements are converted to in US dollars denoted by the symbol "\$". The dollar is the national currency of the United States of America.

For the translation of the Entity's operations, from quetzals to US dollars, the exchange rates used are the following:

- Assets and liabilities: At the closing exchange rate which was Q8.01 X US\$1.
- Trust property: At the historical exchange rate.
- Results: At the average exchange rate during 2010 which was Q8.06 X US\$1.

NOTE 2 - AVAILABLE CASH

The cash available on December 31 was:

|                              | <u>2010</u>         | <u>2009</u>       |
|------------------------------|---------------------|-------------------|
| Banco G&T Continental, S.A.: |                     |                   |
| National currency            | \$ 27,801           | \$ 328,015        |
| Foreign currency             | 2,701,467           | 443               |
|                              | <u>\$ 2,729,268</u> | <u>\$ 328,458</u> |

NOTE 3 - INTEREST RECEIVABLE / EARNED INTEREST NOT COLLECTED

Following, we present the interest in relation to the certificates of deposit as of December 31:

| <u>BANK</u>                     | <u>2010</u>       | <u>2009</u>      |
|---------------------------------|-------------------|------------------|
| G&T Continental, S.A.           |                   |                  |
| Certificate: 03-03-3020000030-8 | \$ 208,905        | \$ 91,568        |
| De Desarrollo Rural, S.A.       |                   |                  |
| Certificate: 173749             | 3,955             | -                |
|                                 | <u>\$ 212,860</u> | <u>\$ 91,568</u> |

NOTE 4 - INVESTMENTS

Investments regarding the Trust, as of December 31, were the following:

2010:

| ACCOUNT No.                       | BANK                      | MATURITY  | INTEREST<br>RATE | AMOUNT              |
|-----------------------------------|---------------------------|-----------|------------------|---------------------|
| <u>Investments in quetzals:</u>   |                           |           |                  |                     |
| 03-01-3020000266-7                | G&T Continental, S.A.     | Dec-16-11 | 8.00%            | \$ 1,202,918        |
| 33-006-110847-9                   | Industrial, S.A.          | May-01-11 | 7.50             | 1,164,856           |
|                                   |                           |           |                  | <u>2,367,774</u>    |
| <u>Investments in US dollars:</u> |                           |           |                  |                     |
| 812146                            | De Desarrollo Rural, S.A. | May-18-11 | 3.75             | 381,510             |
| 03-03-3020000030-8                | G&T Continental, S.A.     | Jan-02-11 | 4.00             | 1,700,515           |
| Total investmentes                |                           |           |                  | <u>2,082,025</u>    |
|                                   |                           |           |                  | <u>\$ 4,449,799</u> |

2009:

| ACCOUNT No.                       | BANK                  | MATURITY  | INTEREST<br>RATE | AMOUNT              |
|-----------------------------------|-----------------------|-----------|------------------|---------------------|
| <u>Investments in quetzals:</u>   |                       |           |                  |                     |
| 03-01-3020000105-2                | G&T Continental, S.A. | Dec-03-10 | 8.75%            | \$ 598,488          |
| 03-01-3020000108-8                | G&T Continental, S.A. | Dec-03-10 | 8.75             | 598,488             |
| 01-01-3020000107-3                | G&T Continental, S.A. | Dec-03-10 | 8.75             | 598,488             |
| 01-01-3020000108-9                | G&T Continental, S.A. | Dec-03-10 | 8.75             | 598,488             |
| 01-01-3020000109-4                | G&T Continental, S.A. | Dec-03-10 | 8.75             | 1,685,410           |
|                                   |                       |           |                  | <u>4,079,362</u>    |
| <u>Investments in US dollars:</u> |                       |           |                  |                     |
| 03-03-3020000030-8                | G&T Continental, S.A. | Jan-02-11 | 6.25             | 1,534,268           |
| Total investmentes                |                       |           |                  | <u>\$ 5,613,630</u> |

NOTE 5 - TRUST PROPERTY

As of December 31, the trust property was composed as shown on the next page:

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| TRUST PROPERTY                                        |            | AMOUNT    | AMOUNT    |
|-------------------------------------------------------|------------|-----------|-----------|
| <b>2010:</b>                                          |            |           |           |
| Initial trust property                                |            | \$        | 6,600,300 |
| Payments from the Ministry of Finance in 2010:        |            |           |           |
| DATE                                                  | AMOUNT     |           |           |
| Jan-28-10                                             | \$ 118,680 |           |           |
| Mar-11-10                                             | 239,347    |           |           |
| Apr-19-10                                             | 317,247    |           |           |
| Apr-19-10                                             | 170,636    |           |           |
| May-14-10                                             | 194,432    |           |           |
| Jul-27-10                                             | 113,527    |           |           |
| Sep-10-10                                             | 239,118    |           |           |
| Oct-18-10                                             | 316,794    |           |           |
| Oct-19-10                                             | 170,636    |           |           |
| Nov-16-10                                             | 194,418    | 2,074,835 |           |
|                                                       |            | \$        | 8,675,135 |
| <b>2009:</b>                                          |            |           |           |
| Initial trust property                                |            | \$        | 4,393,956 |
| Payments from the Ministry of Finance (November 2008) |            |           | 177,646   |
| Payments from the Ministry of Finance in 2009         |            |           | 2,028,698 |
|                                                       |            | \$        | 6,600,300 |

#### NOTE 6 - REDUCTIONS TRUST PROPERTY

Reductions to the trust property, as of December 31, are shown on the next page:

| REDUCTIONS TO THE TRUST PROPERTY                           |            | AMOUNT       |
|------------------------------------------------------------|------------|--------------|
| <b>2010:</b>                                               |            |              |
| Initial balance                                            |            | \$ 989,398   |
| Donations for projects of FCA 2010:                        |            |              |
| DATE                                                       | AMOUNT     |              |
| Mar-03-10                                                  | \$ 232,227 |              |
| Jun-04-10                                                  | 87,140     |              |
| Apr-06-10                                                  | 96,905     |              |
| Dec-07-10                                                  | 75,728     |              |
| Oct-14-10                                                  | 619,411    |              |
| Oct-14-10                                                  | 156,435    | 1,267,846    |
| Transfers made for administrative expenses in 2010:        |            |              |
| DATE                                                       | AMOUNT     |              |
| Feb-02-10                                                  | \$ 11,438  |              |
| Mar-18-10                                                  | 23,978     |              |
| April-27-10                                                | 31,681     |              |
| April-27-10                                                | 17,040     |              |
| May-20-10                                                  | 19,454     |              |
| Aug-06-10                                                  | 11,389     |              |
| Sep-29-10                                                  | 23,720     |              |
| Nov-12-10                                                  | 31,876     |              |
| Nov-12-10                                                  | 17,136     |              |
| Nov-26-10                                                  | 19,428     | 207,140      |
| Reductions to trust property during the yaer               |            | 1,474,986    |
|                                                            |            | \$ 2,464,384 |
| <b>2009</b>                                                |            |              |
| Donations for projects during 2008                         |            | \$ 396,628   |
| Transfers made for administrative expenses in 2008 (9.87%) |            | 17,534       |
| Transfers made for administrative expenses in 2009 (10%)   |            | 202,870      |
| Donations for projects in 2009                             |            | 372,366      |
|                                                            |            | \$ 989,398   |

#### NOTE 7 - FINANCIAL INCOME

The financial income obtained during the years being reported are shown on the next page:

| FINANCIAL INCOME          | 2010              | 2009              |
|---------------------------|-------------------|-------------------|
| Interest from investments | \$ 383,700        | \$ 330,903        |
| Bank interests            | 4,917             | 3,228             |
|                           | <u>\$ 388,617</u> | <u>\$ 334,131</u> |

#### NOTE 8 - OTHER INCOME

At December 31, other income earned was as follows:

|                                   | 2010             | 2009          |
|-----------------------------------|------------------|---------------|
| Gain on exchange rate fluctuation | \$ 20,978        | \$ 148        |
| Other products                    | 108              | 15            |
|                                   | <u>\$ 21,086</u> | <u>\$ 163</u> |

#### NOTE 9 - EXPENSES FROM TO FOREIGN CURRENCY OPERATIONS

A detail of expenses related to foreign currency exchange, during the years under review, is presented next:

|                                   | 2010            | 2009          |
|-----------------------------------|-----------------|---------------|
| Exchange loss                     | \$ 6,184        | \$ 273        |
| Loss in exchange rate fluctuation | 833             | 81            |
| Account management expenses       | 10              | 20            |
| General expenses                  | 3               | 10            |
| Tax on financial product          | -               | 56            |
|                                   | <u>\$ 7,030</u> | <u>\$ 440</u> |

#### NOTE 10 - INCOME TAX

During the years ended December 31, the income tax was determined as follows:

|                                                    | 2010             | 2009             |
|----------------------------------------------------|------------------|------------------|
| Interest from investments                          | \$ 383,700       | \$ 330,902       |
| Interest accrued in the Debt service account       | 3,708            | 3,229            |
| Interest accrued in the FCA Endowment Fund account | 1,209            | -                |
| Exempt interest                                    | (1,102)          | (546)            |
| Taxable income                                     | <u>387,515</u>   | <u>333,585</u>   |
| Income tax applicable at 5%                        | <u>\$ 19,376</u> | <u>\$ 16,679</u> |

\* \* \* \* \*

INDEPENDENT AUDITOR'S REPORT  
ON THE COMPLIANCE WITH THE CONTRACTUAL PROVISIONS  
OF ACCOUNTING AND FINANCIAL NATURE

REPORT SUBMITTED OF THE TROPICAL FOREST  
RENEWAL FUND-FCA and to the  
BOARD OF DIRECTORS OF THE FOUNDATION FOR  
THE CONSERVATION OF NATURAL RESOURCES  
AND ENVIRONMENT IN GUATEMALA-FCA

INDEPENDENT AUDITOR'S REPORT  
ON THE COMPLIANCE WITH THE  
CONTRACTUAL CLAUSES  
OF ACCOUNTING AND FINANCIAL  
NATURE OF THE AGREEMENT FOR  
FOREST CONSERVANCY

*[Signature]*

INDEPENDENT AUDITOR  
Escobar E. Illescas, S.C.  
Guatemala



**INDEPENDENT AUDITOR'S REPORT**  
**ON THE COMPLIANCE WITH THE CONTRACTUAL PROVISIONS**  
**OF ACCOUNTING AND FINANCIAL NATURE**

To the  
**OVERSIGHT COMMITTEE OF THE TROPICAL FOREST  
CONSERVATION FUND-FCA** and to the  
**BOARD OF DIRECTORS OF THE FOUNDATION FOR  
THE CONSERVATION OF NATURAL RESOURCES  
AND ENVIRONMENT IN GUATEMALA-FCG-**

We have performed our audit on the financial statements for the year ended December 31, 2010, of Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG- based on the Forest Conservation Agreement among the Government of the Republic of Guatemala and The Nature Conservancy (TNC) and Conservation International Foundation (CI), also, we have issued our report on the same, dated May 23, 2011.

In relation to our audit, we examined the compliance with the clauses and paragraphs of accounting and financial nature established in the aforementioned agreement.

We conducted our audit in conformity with the International Standards on Auditing. Said standards require that we plan and perform the audit to obtain reasonable assurance about whether Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG- has complied with the pertinent provisions of the agreement and the applicable laws and regulations. An audit includes examining, on a test basis, the appropriate evidence. We believe that our audit provides a reasonable base for our opinion.

In our opinion, except for the paragraphs 6.6.1 b) and 7.1.4 which are not in compliance with the stipulated, the Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG- complied, in all material aspects, with the paragraphs of accounting and financial nature of the agreement for the nature conservation and the applicable laws and regulations.

Guatemala, May 23, 2011

Lic. Jorge Enrique Illescas García  
CONTADOR PÚBLICO Y AUDITOR  
Colegiado No. CPA-936

TROPICAL FOREST CONSERVATION FUND-FCA

FOREST CONSERVATION AGREEMENT  
AMONG THE GUATEMALAN GOVERNMENT AND THE  
NATURE CONSERVANCY AND CONSERVATION INTERNATIONAL FOUNDATION

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | EVALUATION PROCESS                                                                                                                                          | RESULT           | MANAGEMENT'S<br>COMMENTS |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------|
| 3.2.6         | <p>"Opening accounts.</p> <p>The accounts must have been opened; if the contract of the Trust had not been signed prior to or at the closing date, the aforementioned condition will not be applied, besides, the manager shall open a "escrow account" in an acceptable financial institution, such account shall serve as the "Debt Service Account" for the purposes of this agreement and other transaction documents until the agreement of the Trust is signed, which will cause the closing of the "armor account" as soon as it may be practical or within thirty (30) days, all the deposited amounts in the <i>blindada</i> account shall be transferred to the Debt Service Account opened by the fiduciary entity."</p> | <p>We verified the contract related to the service and the closing of the escrow accounts, as well as the service of the audit performed for this case.</p> | <p>Complied.</p> |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | EVALUATION PROCESS                                                                                                                                                                                                         | RESULT           | MANAGEMENT'S COMMENTS |
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| 3.2.8      | <p>"Manager</p> <p>The initial Manager, chosen by TNC, CI, GOG (by means of CONAP) and USG, must have formalized and distributed an acceptance instrument."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>We reviewed the acceptance instrument which indicates the rights, obligations and commitments that the manager acquires and undertakes.</p>                                                                             | <p>Complied.</p> |                       |
| 4.1        | <p>"Payment obligations under the New Obligations FCA</p> <p>The GOG promises to pay to the Debt Service Account, the local currency value equivalent to the amounts in US dollars that are stipulated in Annex I, using the exchange rate determined by Banco de Guatemala. The first payment shall be made in the first payment date following the closing date; subsequent payments shall be made in each payment date established in Annex I. When any payment under the New Obligations FCA is made at the expiration date and such date is a non-working day, the amount due that has been deposited in the Debt Service Account shall be considered as being paid on the next working day. The obligation of making payments under this section will not require the issuing of bonus, promissory notes, coupons or other instruments."</p> | <p>We examined the inflows from the GOG, verifying that they were deposited in the bank account managed by the Trust, the "Debt Service Account," in accordance with the Annex I of the Forest Conservation Agreement.</p> | <p>Complied.</p> |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION PROCESS                                                                                                                                                                                                       | RESULT                 | MANAGEMENT'S COMMENTS |
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| 4.2        | <p>"Voluntary payments</p> <p>GOG can prepay, with no cost, premium or penalty, all or any part of the new obligations FCA with a prior written notice of no less than 30 days, to the Oversight Committee. Any prepayment shall be made at the face value with no discounts regarding prepayments."</p>                                                                                                          | <p>During 2010, there were no voluntary payments from GOG.</p>                                                                                                                                                           | <p>Not applicable.</p> |                       |
| 4.3        | <p>"Payment terms</p> <p>GOG shall pay all the amounts owed under the New Obligations FCA, by means of a fund wire transfer of immediate availability, to the account guaranteeing the Debt in accordance to the terms established in Section 4.1."</p>                                                                                                                                                           | <p>We verified that the funds received from GOG during 2010 were transferred via wire transfers.</p>                                                                                                                     | <p>Complied.</p>       |                       |
| 4.4        | <p>"Exchange rate</p> <p>For the purpose of any past due payment, under the new obligations FCA, according to the terms above stipulated (including any prepaid amount established in section 4.2), the exchange rate to be used for the conversion of US dollars into the local currency shall be the one quoted by Banco de Guatemala, based on the article 4, decree 94-2000 (law of free foreign currency</p> | <p>We reviewed the CUR (journal voucher) made by the Ministry of Finance, where the stipulated exchange rate is included for each past due payment; which is informed by the Oversight Committee and the Management.</p> | <p>Complied.</p>       |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | EVALUATION PROCESS                                                                                                           | RESULT    | MANAGEMENT'S<br>COMMENTS |
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| 4.5           | <p>negotiation), one (1) working day before the date of said conversion is required. The calculation of any exchange rate determined according to that section will be made by GOG who will notify, in writing, the manager and the president of the Oversight Committee on each payment date."</p> <p>"Interest on delinquent amounts:<br/>If any payment, under this agreement, made by GOG is not paid on the due date, the interest shall be accrued during the period including the applicable due date and excluding the due date of the delinquent payment, at an annual interest rate of three percent (3%) over any past due payment; except that an annual interest rate of five percent (5%) be applied to the New Obligation FCA and partially replaces the pending payment obligation which was the loan 520 T044B."</p> |                                                                                                                              |           |                          |
| 4.6           | <p>"Application of payments<br/>The payments shall be:<br/>a) Received and managed by the fiduciary according to the contract of the Trust; and</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>During 2010, the payments made by GOG were paid at their due dates therefore, no delinquency interest were generated.</p> | Complied. |                          |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>We examined that the payments made by GOG were received by the fiduciary in the Debt Service</p>                          | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                             | RESULT    | MANAGEMENT'S COMMENTS |
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|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Account, which is managed by the same.                                                                                                                                                                                                                                                                                                                                                                                                         |           |                       |
|            | b) Kept in the Debt Service Account and periodically transferred to the accounts: Endowment Fund FCA and Donations FCA, according to the Section 5.1."                                                                                                                                                                                                                                                                                                                                                                                                                 | We verified that the income received from GOG was in the Debt Service Account and that the funds were transferred to the accounts: Endowment Fund FCA and Donations.                                                                                                                                                                                                                                                                           | Complied. |                       |
| 5.1        | "Accounts:<br>In conformity with this agreement and contract of the Trust, three (3) interest-bearing accounts must be opened with the purpose to manage and distribute payments."                                                                                                                                                                                                                                                                                                                                                                                     | We confirmed there were 3 accounts with the names: Debt Service, Donations and Endowment Fund.                                                                                                                                                                                                                                                                                                                                                 | Complied. |                       |
| 5.1.1      | "An account named Debt Service, which must be managed by the fiduciary, opened for the purpose to receive payments and any payment paid by USG according to the Debt SWAP agreement. Transfers must be made (a) from the Debt Service Account to the Donations FCA Account as the Oversight Committee indicates in accordance with the contract of the Trust, and (b) from the Debt Service Account to the Endowment Fund FCA account as stipulated in Annex I (payment program); provided that (i) the Oversight Committee is able to guide the fiduciary to transfer | <p>We noted that the Trust has a Debt Service Account in quetzals; we verified that the resources from the Guatemalan Government were deposited in said account.</p> <p>We verified that the transfers made to the Debt Service Account to the Donations Account were ordered by the Oversight Committee.</p> <p>We noted that the transfers made from the Debt Service Account to the Endowment Fund FCA account were made in relation to</p> | Complied. |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION PROCESS                                                                                                                                                                                                                                  | RESULT                            | MANAGEMENT'S<br>COMMENTS |
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|               | <p>amounts to the Endowment Fund FCA account, in excess of the amounts specified in Annex 1 (payment program) as deposits in the Debt Service Account, which are not assigned to donations previously approved by the Oversight Committee; (ii) the Oversight Committee will instruct the fiduciary entity to transfer amounts to the Trust property account according to the clause (i) in said amounts and periodically as it may be necessary until accumulating the amount of four million nine hundred thousand dollars (US\$4,900,000) to be deposited in the Trust property account before December 31, 2016; and (iii) from and after the initial date of the disbursement, unless otherwise provided by the Oversight Committee, additional transfers must not be made to the Debt Service Account Endowment Fund FCA."</p> | <p>the amounts established in the Debt Swap Agreement, Annex I.</p>                                                                                                                                                                                 |                                   |                          |
| 5.1.2         | <p>"An account named Endowment Fund, which shall be managed by the fiduciary, opened for the purpose to receive transfers from the Debt Service Account and to apply said amounts to the Endowment Fund. After the initial date of the disbursement of the Endowment Fund, except for (a) the payment of</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>We verified that the trustee had opened a bank account named Endowment Fund FCA and that the same received transfers from the Debt Service Account.</p> <p>We tested that the payments related to administrative expenses were made by means</p> | <p>Complied.</p> <p>Complied.</p> |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | EVALUATION PROCESS                                                                                                                                                                 | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | <p>administrative expenses of the fiduciary in relation to the management of the Endowment Fund FCA account; (b) the payment of taxes applicable to the interest received in relation to the amounts deposited in the Endowment Fund FCA account; and (c) the amounts, if it were the case that the Oversight Committee might give the order to the fiduciary to make a transfer to the donations FCA account after the first date when the total in the Endowment Fund account must be equal to an amount of Two million one hundred dollars (US\$2,100,000), all annual gross interest of the Endowment Fund shall be reinvested in the Endowment Fund FCA account. After the initial date of the disbursement to the Endowment Fund, all annual net interest of the Endowment Fund must be transferred to the donations FCA account in conformity with the instructions of the Oversight Committee."</p> | <p>of a bank account named "Administrative Expenses TFCA."</p>                                                                                                                     |           |                          |
| 5.1.3         | <p>"An account named Donations FCA, which shall be managed by the Manager, opened for the purpose to receive certain transfers from the Debt Service Account and from the Endowment Fund FCA account.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>We reviewed the bank reconciliations, confirming the existence of the Donations FCA account. In addition, we examined on a test basis the income and expense in relation to</p> | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | EVALUATION PROCESS                                                                                                                                                                                                                                  | RESULT    | MANAGEMENT'S COMMENTS |
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|            | The remaining funds in the Donations FCA account shall be applied to the conferring of donations in conformity with this agreement."                                                                                                                                                                                                                                                                                                                                                                                | the donations.                                                                                                                                                                                                                                      |           |                       |
| 5.2        | "Opening and operating the Donations FCA account This account must be opened and operated by the Manager in conformity with following clauses, as they are complemented or modified by the instructions of the Oversight Committee to the Manager, occasionally."                                                                                                                                                                                                                                                   | We noted that the Donations FCA account was managed by FCG, by means of the exam of the bank reconciliations and the exam of the expenses on a test basis.                                                                                          | Complied. |                       |
| 5.2.1      | "Opening of the Donations FCA account FCA:<br>a) Within the thirty (30) days after the subscription and distribution of the contract of the Trust, the manager shall open a Donations FCA account in a financial institution approved by the Oversight Committee according to the section 6.7 (f) of this agreement. Said account shall require a joint signature of at least two representatives authorized by the Manager, for any withdrawal, transfers to other bank accounts, check payments and other payment | We noted that there was a bank account named Donations FCA in Banco Industrial, S.A., and that the authorized signatures were assigned by the Oversight Committee; also, we verified that the signatures were jointly required for the withdrawals. | Complied. |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | EVALUATION PROCESS                                                                                                                                   | RESULT    | MANAGEMENT'S COMMENTS |
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|            | orders; provided that the appointment of said representatives authorized by the Manager is approved by the Oversight Committee. The Manager shall not mix any amount received from any other account herein opened with other funds of the Manager or other person.                                                                                                                                                                                                                                                                     |                                                                                                                                                      |           |                       |
|            | b) The Manager shall not use the funds of the Donations FCA account without the written instructions of the Oversight Committee; said instructions shall be as shown in the attached form in Annex 6."                                                                                                                                                                                                                                                                                                                                  | We reviewed the letter that the Oversight Committee prepares for each disbursement from the Donations account.                                       | Complied. |                       |
| 5.2.2      | "Application of funds: All funds of the Donations FCA account shall be distributed, according to the instructions of the Oversight Committee (as stipulated in section 6.7(c) of this agreement), by the Manager as donations to the eligible entities; provided that the Manager is empowered to receive administrative expenses according to section 5.2.10 of this agreement; provided that, said funds in the donations FCA account are transferred to the Debt Service Account under the instructions of the Oversight Committee." | We made sure that the entities receiving funds in relation to donations were eligibles and had an approval letter issued by the Oversight Committee. | Complied. |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                               | EVALUATION PROCESS                                                                                                                                                            | RESULT                                                                                                                                | MANAGEMENT'S<br>COMMENTS |
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| 5.2.3         | "Recipients of donations: Only the eligible entities will become recipients of donations and the manager will be responsible to confirm the situation of each applicant as an eligible entity."                                                                                                                                                                                            | We reviewed the convocation, evaluation and approval processes of the proposals included in the meeting minutes No. 8-2010 dated August 27, 2010, by the Oversight Committee. | Complied.                                                                                                                             |                          |
| 5.2.4         | "Agreement of the Recipient of the donation: The previous condition for any donation to a recipient of a donation will be that the recipient enters into a contract with the Manager who will have to give the President of the Oversight Committee a copy of said written agreement. The Manager will not charge any type of commission or other charges to the recipients of donations." | We examined the donation agreement signed with the recipients, noting that it was prepared as established in Annex 5 of the agreement.                                        | Complied.<br>The agreements were published in the web page of FCG, which were available for the president of the Oversight Committee. |                          |
| 5.2.5         | "Donation payments: Payments made by the manager to the recipients of donations shall be made by means of a wire transfer or a check, at the time and amounts approved by the Oversight Committee."                                                                                                                                                                                        | We noted that donations were made through checks which matched with the amounts approved by the Oversight Committee in conformity with the instructions of the manager.       | Complied.                                                                                                                             |                          |
| 5.2.7         | "Budget approval: In or before thirty (30) days prior to the date of the donation, the Manager shall obtain from every recipient of a donation a budget and a plan of the projects to submit them to the Oversight                                                                                                                                                                         | We reviewed the approved donation agreements, verifying that they had attached the budgets and operating plan, described in Annexes A and B.                                  | Complied.<br>The donations granted to 12 out of 13 projects were given during the period indicated in                                 |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | EVALUATION PROCESS                                                                                                                                                                                       | RESULT                                                                                                                                                         | MANAGEMENT'S COMMENTS |
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|            | Committee. Said budget and plan should include a detail of the proposed request of the amounts received as a donation (any budget and plan of the project approved by the Oversight Committee, an "Approved Budget")."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                          | this clause.<br><br>The agreement No. 008-2010, approved on December 1, 2010, received the funds of the recipient of the donation on Nov. 24 of the same year. |                       |
| 5.2.8      | <p>"Authorized purposes: The recipients shall apply the donations to the following activities, provided that said activities are directly implemented or benefit Tierra de Selva, and are in conformity with the thematic limitations established in Annex 7 (criterion of decision), as said additional thematic limitations may be occasionally modified by the unanimous vote of the Oversight Committee (each one, an authorized purpose).</p> <p>a) Establishment, restoration, protection and maintenance of parks, protected areas and reserves;</p> <p>b) Development and implementation of a system scientifically healthy in relation to natural resources management, including practices of land and</p> | <p>We verified that the information of each project included these objectives as authorized purposes.</p> <p>We verified that this purpose was included in the information of each approved Project.</p> | <p>Complied.</p> <p>Complied.</p>                                                                                                                              |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                      | RESULT                                                                                                                                                                                                                                         | MANAGEMENT'S COMMENTS |
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|            | <p>ecosystem management.</p> <p>c) Training programs to increase the scientific, technical and administrative of individuals and organizations involved in the efforts for the conservation;</p> <p>d) The restoration, protection or sustainable use of different species of animals and plants;</p> <p>e) Investigation and identification of the medicinal use of tropical forest plants for the treatment of human illnesses and conditions related to health; and</p> <p>f) The development and support in relation to the survival of the people who live in or close to the tropical rainforests, in a consistent way for the protection of said tropical rainforests.</p> | <p>We verified that the Annex A, attached to the approved donation agreements included this purpose.</p> <p>We determined that this purpose was included in the information of each Project.</p> <p>In the approved projects corresponding to the second cycle, this purpose was not included.</p> <p>The information of the Project of the Annex A, of the approved projects, showed this purpose.</p> | <p>Complied.</p> <p>Complied.</p> <p>Not applicable for evaluation because the approved projects included most of the authorized purposes which are described in this clause, in the general information of each Project.</p> <p>Complied.</p> |                       |
| 5.2.9      | Prohibited purposes: Donations will not be applied in relation to the purposes described in paragraphs a), b) c), e) f) y g).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | We selectively examined the expenses, noting that they were incurred in relation to the concepts indicated in this provision.                                                                                                                                                                                                                                                                           | <p>Complied.</p> <p>In the audit reports of the first cycle projects, which were managed by</p>                                                                                                                                                |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | RESULT                                                                                                                                                                                                                                     | MANAGEMENT'S COMMENTS |
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| 5.2.10     | <p>"Administrative expenses: The Oversight Committee shall determine the amount that the Manager is entitled to as administrative expenses according to the clauses (i) and (j) of the section 6.7. The approved amounts shall be deducted by the fiduciary from the funds transferred to the Donations FCA account during said fiscal year and transferred by the fiduciary entity to the Manager. The administrative expenses approved in regards to one fiscal year in particular, under no circumstances shall exceed the maximum of (a) ten percent (10%) of the payments received from GOG during said fiscal year, and (b) fifteen percent (15%) of the disbursed amount as donations FCA during said fiscal year. The Manager is not allowed</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Helvetas, had unqualified opinions for the year ended on December 31, 2010, and the summary of control tests annex indicated that the funds were correctly used. The audit report was issued on February 21, 2011.</p> <p>Complied.</p> |                       |
|            | <p>"Administrative expenses: The Oversight Committee shall determine the amount that the Manager is entitled to as administrative expenses according to the clauses (i) and (j) of the section 6.7. The approved amounts shall be deducted by the fiduciary from the funds transferred to the Donations FCA account during said fiscal year and transferred by the fiduciary entity to the Manager. The administrative expenses approved in regards to one fiscal year in particular, under no circumstances shall exceed the maximum of (a) ten percent (10%) of the payments received from GOG during said fiscal year, and (b) fifteen percent (15%) of the disbursed amount as donations FCA during said fiscal year. The Manager is not allowed</p> | <p>We examined the approval letter by the Oversight Committee in relation with the 10% of administrative expenses for 2010, which does not exceed the established percentage in the agreement; also, we verified that the transfers were made from the Debt Service Account to the Administrative Expenses account, determining that the expenses represented a 10% of the payments received by GOG.</p> <p>a) We examined the approval letter, noting that the percentage was not higher than the 10% established by the Oversight Committee.</p> <p>b) We reviewed the approval letter indicating that the</p> | <p>Complied.</p> <p>Complied.</p>                                                                                                                                                                                                          |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EVALUATION PROCESS                                                                                                                                                                                            | RESULT    | MANAGEMENT'S COMMENTS |
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|            | to charge any fee or commission or other charges to any recipient of donations."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | established percentage will be 10% during 2010.                                                                                                                                                               |           |                       |
| 6.1        | "Creation of the Oversight Committee: the parties of this agreement herein form a committee (Oversight Committee) to supervise the management of the accounts and make sure that all the funds from payments (together with the interest, income and earnings on the related capital) are applied in accordance to the terms of this agreement and all the other transaction documents."                                                                                                                                                                                       | We reviewed the deed where the constitution of the Oversight Committee was approved.                                                                                                                          | Complied. |                       |
| 6.2.1      | "The Oversight Committee will consist of five (5) voting members (each member with one vote). The voting members of the Oversight Committee shall be classified in two groups: (i) Permanent members and (ii) Indefinite-term members. Permanent members shall be designated as stipulated in the section 6.2.2 and indefinite-term members shall be designated or elected as stipulated in section 6.2.3. All voting members shall serve in the Oversight Committee with no remuneration in exchange of their services and with no right to reimbursement of their expenses." | We verified that the Oversight Committee was integrated by 5 members who were appointed by each of the institutions; we also make sure that they did not receive any compensation in exchange of such duties. | Complied. |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | EVALUATION PROCESS                                                                                                          | RESULT    | MANAGEMENT'S<br>COMMENTS |
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| 6.2.2         | <p>"Permanent members will be integrated as: (a) one designated person from the Consejo Nacional de Areas Protegidas of GOG (CONAP) (or any successor of the same); (b) one designated person from the USG; (c) one designated person from CI; and (d) one designated person from TNC."</p> <p>"Each entity shall make reasonable efforts to appoint an individual, who resides in Guatemala, as a designated permanent member; provided that, at no time, the permanent member designated by any NGO will be an agent, employee or officer of any government. Each permanent member will hold that office until a successor is appointed by the entity who elected him in accordance to this section. A permanent member may be removed from the Oversight Committee with or without any cause, by the entity who elected him. A member may, at any time, notify about his resignation as permanent member, by means of the submission of a written resignation to the voting members of the Oversight Committee, and to the entity who appointed said member, within thirty (30) days after said resignation, a substitute shall be elected."</p> | We examined the appointments of the current members of the Oversight Committee who were designated by each of the entities. | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | EVALUATION PROCESS                                                                                                                                                                                     | RESULT    | MANAGEMENT'S<br>COMMENTS |
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| 6.2.3         | <p>"A term member shall be elected by a majority vote from the voting members of the Oversight Committee and (a) he shall reside in Guatemala for practical effects, (b) he shall not be an agent, employee or officer of any government and (c) he shall be an employee, officer or director of a non governmental and environmental scientific and academic organization, as well as a sustainable development organization and forestry research organization in Guatemala or any other non governmental organization in Guatemala; provided that, however, the initial indefinite-term member of the Oversight Committee is elected by unanimous vote of the permanent members in the first meeting of the Oversight Committee; provided that, in addition, however, the Oversight Committee does not make any decision regarding any donation until the indefinite-term member of the Oversight Committee has been elected in such a way. The indefinite-term member shall have the right to reimbursements in relation to trips, Hotels and other expenses duly incurred by him (in Guatemala) when assisting and going back from the meetings of the Oversight Committee whose expenses shall be considered as</p> | <p>We reviewed minute No. FCA 01-1-2009 in which the entity IARNA is incorporated to the Oversight Committee as an term member by means of a voting process, three votes in favor and two against.</p> | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EVALUATION PROCESS                                                                                                                                                                                                                                                                   | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | <p>administrative expenses."</p> <p>"The service period of a indefinite-term member shall be of two years, each service period subsequently expires in the corresponding annual meeting of the Oversight Committee. Each indefinite-term member may be removed in any moment, with or without any cause, by means of the unanimous vote of the permanent members. Each indefinite-term member may, at any time, resign his office by submitting a written notice to other voting member of the Oversight Committee and said voting member shall, within ninety days after the resignation, elect a substitute of the indefinite-term member."</p> | <p>We examined the minute of the last appointment of a term member, which was on 2009 with no changes yet as the two-year service had not ended as of the date of the audit.</p> <p>We also examined minute 9-2010 in which a term member was elected for the period 2011-2012.</p>  | Complied. |                          |
| 6.2.4         | <p>"The manager shall appoint an authorized representative to participate as a non-voting member and secretary of the Oversight Committee."</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>The manager appointed the financial manager as an authorized representative to participate as a non-voting member with no written evidence.</p>                                                                                                                                   | Complied. |                          |
| 6.2.5         | <p>"As secretary of the Oversight Committee, the manager shall, in addition to his functions stipulated in this agreement, render administrative services for the Oversight Committee. The scope of the administrative services rendered by the manager shall be reviewed by the Oversight Committee under an</p>                                                                                                                                                                                                                                                                                                                                 | <p>We reviewed the report submitted by the manager to the Oversight Committee, in relation to the administrative services rendered during 2009, which was submitted before the Committee on December 14, 2009. During 2010, the manager also rendered services to the Committee;</p> | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | EVALUATION PROCESS                                                                                                                          | RESULT    | MANAGEMENT'S COMMENTS                                                                                                                                                                                |
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|            | annual basis."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | however, the report has not been submitted by the manager.                                                                                  |           |                                                                                                                                                                                                      |
| 6.4        | <p>"Oversight Committee decisions.</p> <p>a) Each voting member of the Oversight Committee shall have the right to one (1) vote. In each meeting, no less than four voting members will constitute the quorum. In spite the aforementioned, if the same voting member is absent during three consecutive meetings, said voting member will be considered present during the last of said meetings only for the purpose to have the required quorum for that meeting."</p> <p>"The Oversight Committee shall make reasonable efforts to make all the decisions unanimously. If the decisions were not unanimously taken, except as otherwise provided, the decisions shall be taken by the affirmative vote of, at least, three voting members who are present in one meeting that has been correctly called and held. In spite of the aforementioned, the Oversight Committee may take action with a unanimous written consent of the voting members of the Oversight Committee."</p> | <p>We examined the minutes of the ordinary and extraordinary meetings during 2010, verifying that there was quorum in all the meetings.</p> | Complied. | <p>The ordinary meetings were held on January 18 and August 2, 2010, which were the closest dates to the suggested ones in the agreement when the decision was assumed for holding the meetings.</p> |
|            | "b) However, unless otherwise                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | No donations higher than                                                                                                                    | Complied. |                                                                                                                                                                                                      |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                 | EVALUATION PROCESS                                                                                                                                                              | RESULT        | MANAGEMENT'S<br>COMMENTS                                                                                                                                                                       |
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|               | provided, any decision of the Oversight Committee to authorize a donation for a recipient of a donation FCA shall be made the approval of all the voting members of said Committee. And as a result of said decision, such recipient together with any affiliated of the recipient of the donation FCA shall receive donation commitments in excess of the sum US\$500,000." | US\$500,000 have been authorized.                                                                                                                                               |               |                                                                                                                                                                                                |
| 6.6.1         | <p>"Ordinary and extraordinary meetings.</p> <p>a) The Oversight Committee shall hold meetings at least twice per calendar year. Other meetings of the Oversight Committee will be held according to the Oversight Committee."</p>                                                                                                                                           | We examined the minutes related to the ordinary and extraordinary meetings carried out during 2010, noting that the meetings were carried out more than twice during said year. | Complied.     |                                                                                                                                                                                                |
|               | "b) The ordinary meetings of the Oversight Committee (the ordinary meetings) are held every February 1 and August 1 of each year or the first working day falling immediately after said dates; said meetings shall be called by the manager."                                                                                                                               | We reviewed minute No. VI 2010 dated August 2, 2010 corresponding to the second ordinary meeting of the year; the first one was not held.                                       | Not complied. | "The ordinary meetings were held on January 16 and August 2, 2010, which were the closest dates to the suggested ones in the agreement, when the quorum was assured for holding the meetings." |
| 6.6.3         | <p>"Meetings by telephone</p> <p>The voting members or their</p>                                                                                                                                                                                                                                                                                                             | Meetings by means of telephone                                                                                                                                                  | Complied.     |                                                                                                                                                                                                |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EVALUATION PROCESS                                                                                                                                                                                                                                                         | RESULT    | MANAGEMENT'S COMMENTS |
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|            | substitutes may participate in a meeting of the Oversight Committee by means of telephone conferences or similar equipment of communication through which all the people is able to listen to each other."                                                                                                                                                                                                                                                                                                                                     | conferences have not been held yet.                                                                                                                                                                                                                                        |           |                       |
| 6.7        | <p>"The Oversight Committee shall be vested with the capacity and responsibility in relation to:</p> <p>a) The supervision of the process of the request in relation to the donations to be granted by the manager to the recipients of donations according to the section 5.2."</p>                                                                                                                                                                                                                                                           | We examined the minutes of the Oversight Committee of 2010 which document the process of request of the donations made during the same year.                                                                                                                               | Complied. |                       |
|            | <p>"b) The development of the requests for donation proposals; the review of the requests for donation proposals; the review of the donation proposals including the making of the final resolutions in relation to whether or not the donation proposal is in accordance to the requirements established in the section 5.2; the selection of recipient of donations of this agreement including the making of final resolutions in relation to whether or not a potential recipient of a donation is an eligible entity; the development</p> | We reviewed the minutes of the Oversight Committee in relation to the meetings held during 2010, where we noted the follow-up to the requests for the donation proposals, as well as the final resolutions regarding the donation amounts and the recipients of donations. | Complied. |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                        | EVALUATION PROCESS                                                                                                                  | RESULT                                                                                                                                                                               | MANAGEMENT'S COMMENTS |
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|            | of any criterion in relation to a decision, which will be used in reviewing the donation proposals or the selection of recipients; and the determination of the amounts and terms of donation payments to be made to the recipients of donations according to the section 5.2."  |                                                                                                                                     |                                                                                                                                                                                      |                       |
|            | c) "Giving the written specific instructions to the manager in relation to the amount and payments terms approved for the recipient of the donation; said instructions shall be in accordance to the form in Annex 6."                                                           | We reviewed the forms for the instructions to the manager that were prepared during 2010 in relation to the approved disbursements. | Complied.<br>We verified that the instructions to the manager were prepared in accordance with the format established in Annex 6, which are the following: Nos. 1, 2, 5, 6, 8 and 9. |                       |
|            | d) "Giving specific instructions to the manager in relation to taking any action as the manager may find something against the recipient of the donation under a contract of reception of donations, including the withholding of any disbursement according to this agreement." | No actions have been taken against the recipients of donations.                                                                     | Not applicable.                                                                                                                                                                      |                       |
|            | e) "Approval of any annual budget and project plans proposed by the recipients of donations                                                                                                                                                                                      | We verified that the donation agreements included Annexes A and B that include the budget and                                       | Complied.<br>Said annexes are part of the agree-                                                                                                                                     |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                   | EVALUATION PROCESS                                                                                                                                            | RESULT                                             | MANAGEMENT'S COMMENTS |
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|            | according to section 5.2.7."                                                                                                                                                                                                                                                                                                | proposed plans.                                                                                                                                               | ments signed with the recipients of the donations. |                       |
|            | g) "Giving instructions to the manager in relation to the operation of the Donations FCA account and other matters stipulated in this agreement, and the supervision of the management of the donations FCA account to make sure that the funds are correctly applied according to the terms of the transaction documents." | We examined the instructions forms to the manager sent by the Oversight Committee for the transaction carried out from the donations account.                 | Complied.                                          |                       |
|            | h) "The review of the administration of investments of the funds in relation to the deposits in the accounts under the name of the fiduciary and the manager."                                                                                                                                                              | We verified the six-month-period reports sent by the Trust to the Oversight Committee and reviewed by the same, in relation to the investments of the period. | Complied.                                          |                       |
|            | i) The review, so that the Oversight Committee may determine at its sole discretion, the annual Budget regarding the administrative expenses of the manager in relation to the services rendered by him as stipulated in this agreement."                                                                                   | We reviewed the minute where the 2010 administrative expenses budget was approved.                                                                            | Complied.                                          |                       |
|            | q) "With regards to the management of the program TFCA:                                                                                                                                                                                                                                                                     |                                                                                                                                                               |                                                    |                       |
|            | i) Within a year of the closing,                                                                                                                                                                                                                                                                                            | We examined the 2007-2011                                                                                                                                     | Complied.                                          |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                    | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | <p>the implementation of a written strategic plan including (a) specific key objectives, (b) a list, in order of importance, the priorities of the conservation and financing to comply with those objectives, and (c) target dates for the completion of objectives;</p> <p>ii) The evaluation, under an annual basis, of the progress of the main objectives specified in the strategy plan and the implementation of the changes that are considered necessary by the Oversight Committee in order to correct deficiencies in the achievement of the main objectives."</p> | <p>strategic plan, verifying that the same included the strategic objectives, a list of the conservation and financing priorities and the goals for the 5 years.</p> <p>We reviewed the evaluation reports of the annual strategic plan according to Annex 8 of the agreement.</p>                                                    | Complied. |                          |
|               | <p>r) "With regards to the fiduciary:</p> <p>i) The appointment of an acceptable financial institution as the fiduciary;</p> <p>ii) Giving, under an exclusive base, the instructions to the fiduciary in relation to the operation and investment of the Debt Service Account, the</p>                                                                                                                                                                                                                                                                                       | <p>We examined minute No. 20-2008 in which the contract for the Trust was approved and the request to sign the contract with Banco G&amp;T Continental, S.A. is made.</p> <p>We reviewed the documentation of the investments carried out during 2010, together with the forms of instructions to the manager, and the letters of</p> | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                              | RESULT                            | MANAGEMENT'S<br>COMMENTS |
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|               | <p>Endowment Fund FCA account and all the other aspects stipulated in this agreement and the contract for the Trust;</p> <p>iii) The review, in such time and way so that the Oversight Committee may occasionally determine at its sole discretion, of the administration of investments of the amounts kept in the Endowment Fund FCA account by or in favor to the fiduciary and the general performance of the fiduciary under the contract for the Trust; and</p> <p>iv) Replacement, in such time and way as the Oversight Committee may occasionally determine at its sole discretion, of the fiduciary as stipulated in the contract for the Trust."</p> | <p>instructions by the manager to the fiduciary for carrying out the investments.</p> <p>We examined the 6-month-period reports submitted by the fiduciary to the Oversight Committee, which were reviewed by the same with no remarks in that regard.</p> <p>The Oversight Committee has not determined the substitution of the fiduciary.</p> | <p>Complied.</p> <p>Complied.</p> |                          |
| 6.10          | <p>"Evaluation Committee</p> <p>The Oversight Committee shall establish an Advising Committee named "Evaluation Committee" to provide, under the manager's request, technical evaluations of donation proposals which have been referred to said committee by the manager. Also, to assist the</p>                                                                                                                                                                                                                                                                                                                                                               | <p>We reviewed the invitations sent by FCG on May 12, 2010, to establish the Evaluation Committee for the second cycle, in addition, an ad published on May in Prensa Libre where the call for participating in the formation of the evaluation committee is made.</p>                                                                          | <p>Complied.</p>                  |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                    | RESULT           | MANAGEMENT'S<br>COMMENTS |
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|               | <p>Oversight Committee in the proposal selection according to the criterion established in Annex 7. The Evaluation Committee shall be constituted by five specialists who shall be selected by the Oversight Committee regarding the areas of: biodiversity, forestry, natural resource management and other similar specialties; provided that, however, each member of the Evaluation Committee (a) resides in Guatemala, for practical effects, (b) is not an agent, employee or officer of a government, and (c) is not an employee, officer or director of a non governmental environmental organization, as well as a scientific, academic sustainable development or forestry research organization in Guatemala or any other non governmental environmental organization in Guatemala. The five members of the Evaluation Committee shall be elected every two (2) years by the Oversight Committee, with the possibility to serve up to two (2) consecutive periods. In spite of the preceding stipulations, no member of the Evaluation Committee shall be vested with the capacity to participate in the review of any</p> | <p>In relation to the projects of the second cycle in 2010, we noted the following in the Oversight Committee:</p> <p>The Oversight Committee has not yet received the proposals. We intend that the proposals will be submitted.</p> <p>We immediately assigned the evaluation of the proposals.</p> <p>We immediately assigned the evaluation of the proposals.</p> <p>We immediately assigned the evaluation of the proposals.</p> | <p>Completed</p> |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                         | RESULT                                                              | MANAGEMENT'S<br>COMMENTS |
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|               | donation proposal under the name of an organization in which said member is affiliated, and if any other matter related to said proposal is in the agenda of any meeting of the Evaluation Committee, said member shall be excused at that time."                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                            |                                                                     |                          |
| 6.11          | <p>"Responsibility of the Manager</p> <p>The manager will be responsible for the following:</p> <p>a) The publication of the availability of donations to attract and engage potential recipients of donations;</p> <p>b) To request proposals for donations from potential recipients of donations;</p> <p>c) To make a preliminary analysis to determine whether each potential recipient of a donation is an eligible entity and to report the results of each analysis to the Oversight Committee;</p> <p>d) To review all the proposals received from potential recipients of donations to</p> | <p>In relation to the projects of the second cycle in 2010, we noted the ads published in Prensa Libre on December 18, 2009 and January 18 and 21, 2010.</p> <p>We verified that the proposals were evaluated.</p> <p>We selectively examined the evaluations of the proposals.</p> <p>We selectively reviewed the evaluation operations in relation to the proposals.</p> | <p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p> |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                         | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | <p>analyze if every proposal is in accordance to the requirements established in section 5.2, and to report the results of the analysis to the Oversight Committee;</p> <p>e) To give, at least (30) days prior to each meeting of the Oversight Committee, each voting member of said committee all the proposals received from potential recipients of donations as of the immediate preceding meeting from said voting members (including any proposal that might not be eligible for a donation, based on the analysis made according to the clauses (c) and (d) that are above mentioned), together with a written report describing the results of the analysis made according to the clauses (c) and (d) that are above mentioned), together with a written report describing the results of the analysis made according to the clauses (c) and (d) that are above mentioned;</p> <p>f) Following the deliberation of the</p> | <p>We noted that resolution No. 001-VIII-2010 includes the approval of the proposals chosen by the Oversight Committee.</p> <p>We reviewed that the results of the evaluations, including technical recommendations and weaknesses that were noted in each proposal, were sent to the entities whose proposals were not approved.</p> <p>We verified that the approved</p> | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                             | EVALUATION PROCESS                                                                                                                                                                            | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | Oversight Committee and the instructions from the same in relation to the donation adjudication according to section 6.7 of this agreement, obtaining a reception of donation agreement completely formalized and making donation adjudications and disbursements according to financing decisions from the Oversight Committee ;                                                                                                                                        | projects had signed donation agreements; in addition, we determined that the projects received disbursements in accordance with the instructions form.                                        |           |                          |
| 7.1.1         | "The manager shall keep precise records and true and exact registries according to the Accounting Principles."                                                                                                                                                                                                                                                                                                                                                           | We performed the audit of the financial statements at December 31, 2010, noting that the management keeps records in accordance to accounting practices similar to the accounting principles. | Complied. |                          |
| 7.1.2         | "The manager shall make sure that the auditors prepare and submit to the Oversight Committee or the parties of this agreement, as soon as possible after the closing of the fiscal year (no later than four (4) months after said fiscal year), the complete annual financial statements in relation to said fiscal year which have to be certified by such auditors; said statements shall be prepared in English and Spanish, according to the accounting principles." | We verified the complete audited financial statements of 2009, in English and Spanish; as well as the date of the submission of the same, which was June 15, 2010.                            | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                           | EVALUATION PROCESS                                                                                                                                                                                 | RESULT        | MANAGEMENT'S COMMENTS                                                        |
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| 7.1.3      | "The auditors of the manager shall be from an internationally renowned audit firm, acceptable for the Oversight Committee."                                                                                                                                                                                                                                         | We reviewed the book of minutes which indicates the approval for the audit of the financial statements of 2010, awarded to the firm Illescas e Illescas, S.C.                                      | Complied.     |                                                                              |
| 7.1.4      | "The results of said audits (with the pertinent writing according to the approvals of the Oversight Committee) shall be available by the manager to the public in general in Guatemala by means of a web page or other means reasonably calculated for the public access and acceptable to the Oversight Committee."                                                | We noted that the audits are published in the web page <a href="http://www.fcg.org.gt/fca/informes">www.fcg.org.gt/fca/informes</a> , although, the published audits are only up to the year 2008. | Not complied. | The web page was in the process of restructuring, at the time of the review. |
| 7.1.5      | "The manager shall make its best efforts to allow that the recipients of donations let the executives or employees of GOG, USG and NGO's have access to accounting books, the ledger, accounting programs and other documents relevant and related to Tierra de Selva and its operations and activities carried out according to any of the transaction documents." | We paid visits to the beneficiaries and we were granted access to the requested documents.                                                                                                         | Complied.     |                                                                              |
| 7.1.6      | "The manager will be responsible for the preparation (by itself or third parties who will be subcontracted by the manager) of the audits of the programs to measure the effectiveness of the donations."                                                                                                                                                            | We examined the reports on the reports of the programs of the donations given the management of FCG.                                                                                               | Complied.     |                                                                              |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | EVALUATION PROCESS                                                                                                                                                                                         | RESULT    | MANAGEMENT'S<br>COMMENTS |
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| 7.2           | <p>"Narrative reports: Within the forty-five (45) days of November 1 and May 1 of each year, the manager shall prepare and give a financial and narrative report for a 6-month-period to the parties of this agreement and the Oversight Committee. Said report shall identify all transactions contracted by the manager during the previous six months in relation to any donation. If the Oversight Committee gives instructions to the manager, he shall make sure that the auditors prepare and submit to the parties of this agreement and the Oversight Committee a statement (an "Audit of the Program") that, during the exam of said auditors, each auditor did not note or discover any donation, expense, disbursement or other transactions that could violate the section 5.2.6 (use of donations) of this agreement. Each audit of the program shall include an evaluation of the veracity and accuracy of the program report prepared by the manager. In spite of anything contrary to the stipulated in this agreement, all reasonable costs, if any, such as financial statement, program report and audit of the program, shall be taken on account as administrative expenses which have to be previously approved by</p> | <p>We reviewed the reports sent to the Oversight Committee on the advances of the 6-month-period projects, verifying that they included an evaluation on the donations and the proper use of the same.</p> | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | EVALUATION PROCESS                                                                      | RESULT          | MANAGEMENT'S COMMENTS |
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|            | the Oversight Committee."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                         |                 |                       |
| 7.3.1      | "Make sure that the recipients of donations allow the executives or employees of GOG, USG and the NGOs visit their offices and project places with the purpose to evaluate the implementation of the donations."                                                                                                                                                                                                                                                                                                                                                                                                                                                    | We paid visits to the offices and some projects managed by the recipients of donations. | Complied.       |                       |
| 7.4        | "Registry of administrative expenses: The manager shall keep appropriate and exact records including all the information required for the verification of the administrative expenses. Such records shall be kept in the manager's office for a period of five (5) years following the payment of any expense. Authorized representatives of GOG, NGOs and USG will have the right to exam, copy, and audit these registries, by appointment, during normal working hours (or such registries shall be copied and handed in to the requiring party). Any of said audits shall be performed to the cost of the requiring party and with prior written notification." | We verified that the Management kept the accounting files from 2006 until this date.    | Complied.       |                       |
| 8.2        | "NGO's commitments<br><br>NGOs shall not make amendments to the Trust contract without prior approval from USG and GOG. NGOs shall comply with their obligations under this agreement and any other                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | No amendments were made to the Trust contract.                                          | Not applicable. |                       |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                      | EVALUATION PROCESS                                                                                             | RESULT    | MANAGEMENT'S COMMENTS |
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|            | transaction document. In addition, NGOs shall make their reasonable efforts to."                                                                                                                                               |                                                                                                                |           |                       |
| 8.2.1      | "Publish the efforts of GOG in relation to the conservation, keeping and restoring Tierra de Selva, in the publications to their corresponding members, web pages, conferences and other appropriate forums;                   | We noted the publications made by the NGO's (The Nature Conservancy and conservation International Foundation) | Complied. |                       |
| 8.3        | "Trust contract<br>NGOs shall make their reasonable efforts to make sure that the relevant parties enter into the Trust contract with the initial fiduciary within the six months following the closing date."                 | We reviewed the Trust contract No. 151 signed on September 30, 2008.                                           | Complied. |                       |
| 9.3        | "Bad performance<br>Each of the following events (each one, a "bad performance") will constitute a noncompliance by virtue of this Agreement."                                                                                 |                                                                                                                |           |                       |
| 9.3.1      | "The determination of the Oversight Committee, at its sole discretion, that:<br>a) Any of the parties has failed in complying with any of the corresponding obligations or commitments included in this Agreement or any other | We made sure that no entity had failed to comply with any obligation included in the agreement.                | Complied. |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                     | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | RESULT    | MANAGEMENT'S<br>COMMENTS |
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|               | transaction document, that is not a noncompliance regarding a payment or a noncompliance situation; or                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                          |
| b)            | Any part of the donations or amounts kept in the Endowment Fund FCA account or the donations FCA account has been given to a ineligible entity and has been used for a purpose different from the authorized purpose or a forbidden purpose or has been used in a way not allowed under this agreement or the Trust contract; or | We noted that the donations have only been given to eligible entities supported by the donation agreements of the projects approved by the Oversight Committee and confirmed by means of the resolution FCA 001-VIII-2010 included in the minute of the extraordinary meeting No. 8 dated August 27, 2010. Said meeting was carried out in the Savoy room of the Princess Hotel. In addition, we determined that the funds given to the projects approved in the first cycle (2008) had been authorized by the Oversight Committee, which we confirmed through the instructions form. | Complied. |                          |
| c)            | It is possible that future donations or amounts to be transferred to the Endowment Fund FCA account or to the donations FCA account might be transferred to an ineligible entity or said transfers might not be used for authorized purposes or used for forbidden purposes."                                                    | We verified that the donations were given only to the eligible entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | EVALUATION PROCESS                                                                                      | RESULT    | MANAGEMENT'S<br>COMMENTS |
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| 9.4           | <p>"Deficiency notification</p> <p>When it is verified that a failure to comply with a payment, a situation of noncompliance or a bad performance has occurred, the President shall send a written notification on this (the "deficiency notification") to the person who is failing to comply or showing a bad performance (the "bad performing person"); provided that such notice may be given by any voting member of the Oversight Committees if the President is the designated one of the bad performance."</p> | <p>There was no instance of non-compliance in relation to any payment or any incorrect performance.</p> | Complied. |                          |
| 9.6           | <p>"Substitution of recipients of donations</p> <p>In case that the bad performing person might be a recipient of a donation, then, in addition to the aforementioned solutions, the Oversight Committee or the manager will acquire the right to substitute said recipient according to the clauses of the recipient of donations agreement."</p>                                                                                                                                                                     | <p>There was no substitution of any recipient of donations.</p>                                         | Complied. |                          |

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH THE CONTRACTUAL CLAUSES  
OF ACCOUNTING AND FINANCIAL NATURE  
OF THE TRUST ARTICLES OF INCORPORATION

To the  
OVERSIGHT COMMITTEE OF THE TRINICAL FOREST  
CONSERVATION FUND-FCF and  
THE BOARD OF DIRECTORS OF THE FOUNDATION  
FOR THE CONSERVATION OF NATURAL RESOURCES  
AND ENVIRONMENT (FONAFIA)

**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE WITH THE**  
**CONTRACTUAL CLAUSES**  
**OF ACCOUNTING AND FINANCIAL**  
**NATURE OF THE TRUST'S ARTICLES OF**  
**INCORPORATION**

In the course of our audit of the Trust, we have reviewed the accounting records, with all the assets and liabilities, of accounting and financial nature of the articles of incorporation and the articles of incorporation.

Guatemala, April 22, 2013

  
By:   
Auditor General  
Guatemala, April 22, 2013



**Illescas E Illescas, S.C.**  
contadores públicos, auditores y consultores

Corresponsales de  
**RSM**  
International

**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE WITH THE CONTRACTUAL CLAUSES**  
**OF ACCOUNTING AND FINANCIAL NATURE**  
**OF THE TRUST ARTICLES OF INCORPORATION**

To the  
**OVERSIGHT COMMITTEE OF THE TROPICAL FOREST  
CONSERVATION FUND-FCA** and to the  
**THE BOARD OF DIRECTORS OF THE FOUNDATION  
FOR THE CONSERVATION OF NATURAL RESOURCES  
AND ENVIRONMENT IN GUATEMALA-FCG-**

We have performed our audit on the financial statements for the year ended December 31, 2010, of Guatemala TFCA Trust based on its articles of incorporation and have issued our report on the same, dated April 26, 2011.

In relation to our audit, we examined the compliance with the clauses and the contractual articles of accounting and financial nature established in the articles of incorporation of the Trust.

We conducted our audit in conformity with the international auditing standards. Said standards require that we plan and perform the audit to obtain reasonable assurance about whether the Guatemala TFCA Trust has complied with the clauses and pertinent articles of the deed of incorporation and applicable laws and regulations. An audit includes examining, on a test basis, the appropriate evidence. We believe that our audit provides a reasonable base for our opinion.

In our opinion, Guatemala TFCA Trust has complied, in all material respects, with all the clauses and contractual articles of accounting and financial nature of its articles of incorporation and applicable laws and regulations.

Guatemala, April 26, 2011

Lic. Jorge Enrique Illescas García  
CONTADOR PÚBLICO Y AUDITOR  
Colegiado No. CPA-936

FIDEICOMISO GUATEMALA TFCA

FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES-FCA

DEED OF INCORPORATION OF THE FIDEICOMISO GUATEMALA TFCA

COMPLIANCE WITH THE CLAUSES

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                              | EVALUATION PROCESS                                                                                                                                                                                                                                                                                            | RESULT                                                  | MANAGEMENT'S<br>COMMENTS |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|
| Third         | <p>"Part of the TRUST PROPERTY will be:</p> <p>a) Any appreciation of value, interest and investments, generated from such funds.</p> <p>b) Any additional deposit from third parties, as approved by the OVERSIGHT COMMITTEE and the FIDUCIARY is informed by means of the TRUSTOR."</p> | <p>We examined the interest generated from the investments of Q3,092,520 and generated by the bank accounts for Q39,633, observing that they were part of the Trust property as a supplementary capital.</p> <p>We verified the income, noting that there were no additional deposits from third parties.</p> | <p>Objective fulfilled.</p> <p>Objective fulfilled.</p> |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                            | RESULT                                                                              | MANAGEMENT'S<br>COMMENTS |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------|
| Fifth         | <p>A. "Opening the accounts:</p> <p>a) THE FIDUCIARY shall, as the manager of the Trust, open and keep an account in quetzals, named "Debt Service Account" where the resources that the GOG shall pay for the protection of the FOREST CONSERVATION AGREEMENT AND DEBT SWAP AGREEMENT will be deposited, as well as those amounts paid by USG.</p> <p>d) The FIDUCIARY, as manager of the TRUST, will open and keep an account in US dollars named "Endowment Fund FCA".</p> <p>B. "Debt Service Account Management:</p> <p>a) Beginning on the date when the Debt Service Account is opened by the FIDUCIARY according to the <i>subliteral</i> a), <i>literal</i> A), the payments</p> | <p>We reviewed the bank reconciliations of July and December 2010 of the "Debt Service Account" and reviewed the income from transfers made by the Government of Guatemala, verifying the deposit in said account by means of the bank statement.</p> <p>We examined the bank reconciliations of July and December 2010 of the "Endowment Fund FCA account," in US dollars.</p> <p>We examined the income from the Guatemalan Government:</p> | <p>Objective fulfilled.</p> <p>Objective fulfilled.</p> <p>Objective fulfilled.</p> |                          |

| CLAUSE No.  | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                            | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | RESULT    | MANAGEMENT'S COMMENTS |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|-----------|-----------|-----------|-----------|-------------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|--|--|
|             | that shall be made by GOG, in conformity with Annex one (1) of the FOREST CONSERVAITON AGREEMENT, will be deposited in the Debt Service Account.                                                                                                                                                                                                     | <table><thead><tr><th>DATE</th><th>AMOUNT</th></tr></thead><tbody><tr><td>Jan/28/10</td><td>Q 950,002</td></tr><tr><td>Mar/11/10</td><td>1,927,278</td></tr><tr><td>April/19/10</td><td>2,536,477</td></tr><tr><td>April/19/10</td><td>1,364,282</td></tr><tr><td>Sep/10/10</td><td>1,929,466</td></tr><tr><td>Oct/18/10</td><td>2,551,440</td></tr></tbody></table> <p>Likewise, we verified that such income was deposited in the bank account managed by the Trust, which is named "Debt Service Account."</p> | DATE      | AMOUNT                | Jan/28/10 | Q 950,002 | Mar/11/10 | 1,927,278 | April/19/10 | 2,536,477 | April/19/10 | 1,364,282 | Sep/10/10 | 1,929,466 | Oct/18/10 | 2,551,440 |  |  |
| DATE        | AMOUNT                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| Jan/28/10   | Q 950,002                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| Mar/11/10   | 1,927,278                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| April/19/10 | 2,536,477                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| April/19/10 | 1,364,282                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| Sep/10/10   | 1,929,466                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| Oct/18/10   | 2,551,440                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |
| b)          | THE FIDUCIARY shall open the Debt Service Account for the purpose to receive the payments and other amounts mentioned in the third clause and the clause of this contract of the TRUST. THE FIDUCIARY will receive from the Debt Service Account all the income part of the TRUST PROPERTY as indicated, and shall perform the following operations: | <p>We reviewed the income form the Guatemalan Government and verified that the fiduciary entity had opened the Debt Service Account and that the income was deposited in said account by checking the bank statement of account. The examined income is shown next:</p>                                                                                                                                                                                                                                           | Complied. |                       |           |           |           |           |             |           |             |           |           |           |           |           |  |  |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                 | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | RESULT    | MANAGEMENT'S COMMENTS |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
|            |                                                                                                                                                                                           | <table><tr><th>DATE</th><th>AMOUNT</th></tr><tr><td>Jan-28-10</td><td>Q 950,002</td></tr><tr><td>Mar-11-10</td><td>1,927,278</td></tr><tr><td>Apr-19-10</td><td>2,536,477</td></tr><tr><td>Apr-19-10</td><td>1,364,282</td></tr><tr><td>Sep-10-10</td><td>1,929,466</td></tr><tr><td>Oct-18-10</td><td>2,551,440</td></tr></table>                                                                                                                                                    | DATE      | AMOUNT                | Jan-28-10 | Q 950,002   | Mar-11-10 | 1,927,278 | Apr-19-10 | 2,536,477 | Apr-19-10 | 1,364,282 | Sep-10-10 | 1,929,466 | Oct-18-10 | 2,551,440 |           |  |
| DATE       | AMOUNT                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Jan-28-10  | Q 950,002                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Mar-11-10  | 1,927,278                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Apr-19-10  | 2,536,477                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Apr-19-10  | 1,364,282                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Sep-10-10  | 1,929,466                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Oct-18-10  | 2,551,440                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
|            | (i) From the Debt Service Account to the Donations FCA account which is managed by the MANAGER in accordance to the instructions of the OVERSIGHT COMMITTEE by means of the MANAGER: and, | <p>We verified the expenses required by the Foundation, for the donations, confirming that they had been transferred to the Donations FCA account.</p> <table><tr><th>DATE</th><th>AMOUNT</th></tr><tr><td>Mar-03-10</td><td>Q 1,871,508</td></tr><tr><td>Apr-06-10</td><td>695,310</td></tr><tr><td>Jun-04-10</td><td>776,428</td></tr><tr><td>Jul-12-10</td><td>605,190</td></tr><tr><td>Oct-14-10</td><td>4,995,413</td></tr><tr><td>Oct-14-10</td><td>1,261,617</td></tr></table> | DATE      | AMOUNT                | Mar-03-10 | Q 1,871,508 | Apr-06-10 | 695,310   | Jun-04-10 | 776,428   | Jul-12-10 | 605,190   | Oct-14-10 | 4,995,413 | Oct-14-10 | 1,261,617 | Complied. |  |
| DATE       | AMOUNT                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Mar-03-10  | Q 1,871,508                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Apr-06-10  | 695,310                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Jun-04-10  | 776,428                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Jul-12-10  | 605,190                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Oct-14-10  | 4,995,413                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
| Oct-14-10  | 1,261,617                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |
|            | (ii) From the Debt Service Account to the Endowment Fund FCA in conformity with the stipulated in Annex one (1) of the FOREST CONSERVATION                                                | <p>We examined the transfers made to the Endowment Fund account, verifying that they had been made in conformity with the Forest Conservation Agreement and we reviewed</p>                                                                                                                                                                                                                                                                                                           | Complied. |                       |           |             |           |           |           |           |           |           |           |           |           |           |           |  |

| CLAUSE No.  | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | RESULT    | MANAGEMENT'S COMMENTS |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|-----------|-----------|-----------|---------|-------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-------------|---------|--|--|
|             | AGREEMENT, with the understanding that:                                                                                                                                                                                                  | <p>the deposits in the bank statement of the Endowment Fund FCA account. The income reviewed was the following:</p> <table><thead><tr><th>DATE</th><th>AMOUNT</th></tr></thead><tbody><tr><td>Feb/03/10</td><td>Q 395,659</td></tr><tr><td>Mar/16/10</td><td>383,250</td></tr><tr><td>April/21/10</td><td>382,295</td></tr><tr><td>May/17/10</td><td>381,579</td></tr><tr><td>Jul/30/10</td><td>382,773</td></tr><tr><td>Sep/13/10</td><td>385,111</td></tr><tr><td>Oct/21/10</td><td>382,534</td></tr><tr><td>Oct/21/10</td><td>382,534</td></tr><tr><td>Nov/17/10</td><td>383,727</td></tr><tr><td>April/21/10</td><td>382,295</td></tr></tbody></table> | DATE      | AMOUNT                | Feb/03/10 | Q 395,659 | Mar/16/10 | 383,250 | April/21/10 | 382,295 | May/17/10 | 381,579 | Jul/30/10 | 382,773 | Sep/13/10 | 385,111 | Oct/21/10 | 382,534 | Oct/21/10 | 382,534 | Nov/17/10 | 383,727 | April/21/10 | 382,295 |  |  |
| DATE        | AMOUNT                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Feb/03/10   | Q 395,659                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Mar/16/10   | 383,250                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| April/21/10 | 382,295                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| May/17/10   | 381,579                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Jul/30/10   | 382,773                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Sep/13/10   | 385,111                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Oct/21/10   | 382,534                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Oct/21/10   | 382,534                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| Nov/17/10   | 383,727                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
| April/21/10 | 382,295                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |
|             | (iii) THE OVERSIGHT COMMITTEE, by means of the MANAGER, shall give instructions to the FIDUCIARY to transfer the amounts to the Endowment Fund FCA account, amounts higher to the stipulated in Annex one (1) of the FOREST CONSERVATION | <p>We reviewed the transfers made to the Endowment Fund FCA account during 2010, which are in accordance to the Forest Conservation Agreement. The reviewed transfers are the following:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Complied. |                       |           |           |           |         |             |         |           |         |           |         |           |         |           |         |           |         |           |         |             |         |  |  |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                 | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | RESULT    | MANAGEMENT'S COMMENTS |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|-----------|-----------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|--|--|
|            | AGREEMENT, at the equivalent value of the amounts deposited in the Debt Service Account that are not assigned to the donations (referred to in the FCA as Grants) previously approved by the OVERSIGHT COMMITTEE.                                         | <table><thead><tr><th>DATE</th><th>AMOUNT</th></tr></thead><tbody><tr><td>Feb-03-10</td><td>Q 395,659</td></tr><tr><td>Mar-16-10</td><td>383,250</td></tr><tr><td>Apr-21-10</td><td>382,295</td></tr><tr><td>May-17-10</td><td>381,579</td></tr><tr><td>Jul-30-10</td><td>382,773</td></tr><tr><td>Sep-13-10</td><td>385,111</td></tr><tr><td>Oct-21-10</td><td>382,534</td></tr><tr><td>Oct-21-10</td><td>382,534</td></tr><tr><td>Nov-17-10</td><td>383,727</td></tr><tr><td>Apr-21-10</td><td>382,295</td></tr></tbody></table> <p>We examined the transfers made to the Endowment Fund FCA account and instruction forms for the manager for making said transfers.</p> | DATE      | AMOUNT                | Feb-03-10 | Q 395,659 | Mar-16-10 | 383,250 | Apr-21-10 | 382,295 | May-17-10 | 381,579 | Jul-30-10 | 382,773 | Sep-13-10 | 385,111 | Oct-21-10 | 382,534 | Oct-21-10 | 382,534 | Nov-17-10 | 383,727 | Apr-21-10 | 382,295 |  |  |
| DATE       | AMOUNT                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Feb-03-10  | Q 395,659                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Mar-16-10  | 383,250                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Apr-21-10  | 382,295                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| May-17-10  | 381,579                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Jul-30-10  | 382,773                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Sep-13-10  | 385,111                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Oct-21-10  | 382,534                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Oct-21-10  | 382,534                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Nov-17-10  | 383,727                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| Apr-21-10  | 382,295                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |
| (iv)       | THE OVERSIGHT COMMITTEE, by means of the MANAGER, shall give instructions to the FIDUCIARY to transfer the amounts to the Endowment Fund FCA account in conformity with the preceding paragraph (ii.i), as necessary, with the purpose that the amount of | <p>At December 31, 2010, the balance of the Endowment Fund account of FCA was US\$2,701,467.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Complied. |                       |           |           |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |           |         |  |  |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | EVALUATION PROCESS                                                                                                                                                 | RESULT    | MANAGEMENT'S<br>COMMENTS |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------|
|               | <p>four million nine hundred thousand dollars of the United States of America (US\$ 4,900,000) is deposited in the Endowment Fund FCA account before December thirty-one (31) of two thousand sixteen (2016); and (ii.ii) As of the date of the initial disbursement of the Endowment Fund (referred to in the FCA as the Initial Endowment Disbursement Date), unless otherwise provided by the OVERSIGHT COMMITTEE, by means of the MANAGER. No subsequent transfer shall be made from the Debt Service Account to the Endowment Fund FCA account.</p> <p>(V) At the reception of each of the payments programmed in annex one (1) of the FOREST CONSERVATION AGREEMENT, in conformity with the instructions of the</p> |                                                                                                                                                                    |           |                          |
|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>We reviewed the minutes of the Oversight Committee where it was approved that 10% of the income received from the Government of Guatemala is to be used for</p> | Complied. |                          |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                         | EVALUATION PROCESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | RESULT | MANAGEMENT'S COMMENTS |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------------------|-----------|----------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|--------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|--|--|
|            | <p>OVERSIGHT COMMITTEE, evidencing in writing that the budget has been approved for the current year, by the OVERSIGHT COMMITTEE. THE FIDUCIARY will transfer from the Debt Service Account to the bank account in the Republic of Guatemala indicated by the MANAGER, the amount corresponding to the amount approved for the administrative expenses (referred to in the FCA as Management Expenses) for the current year."</p> | <p>the administrative expenses of FCA.</p> <p>We examined the transfers from the Debt Service Account to the Administrative Expenses Account, verifying that said transfers corresponded to the 10% approved by the Oversight Committee. Likewise, we reviewed the credit in the bank statement of the Administrative Expenses Account in relation to the following transfers:</p> <table><thead><tr><th>DATE</th><th>AMOUNT</th></tr></thead><tbody><tr><td>Feb-02-10</td><td>Q 95,002</td></tr><tr><td>Mar-18-10</td><td>192,728</td></tr><tr><td>Apr-27-10</td><td>253,648</td></tr><tr><td>Apr-27-10</td><td>136,428</td></tr><tr><td>May-20-10</td><td>155,420</td></tr><tr><td>Aug-06-10</td><td>91,149</td></tr><tr><td>Sep-29-10</td><td>192,947</td></tr><tr><td>Nov-12-10</td><td>255,144</td></tr><tr><td>Nov-12-10</td><td>137,165</td></tr><tr><td>Nov-26-10</td><td>155,602</td></tr></tbody></table> | DATE   | AMOUNT                | Feb-02-10 | Q 95,002 | Mar-18-10 | 192,728 | Apr-27-10 | 253,648 | Apr-27-10 | 136,428 | May-20-10 | 155,420 | Aug-06-10 | 91,149 | Sep-29-10 | 192,947 | Nov-12-10 | 255,144 | Nov-12-10 | 137,165 | Nov-26-10 | 155,602 |  |  |
| DATE       | AMOUNT                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Feb-02-10  | Q 95,002                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Mar-18-10  | 192,728                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Apr-27-10  | 253,648                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Apr-27-10  | 136,428                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| May-20-10  | 155,420                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Aug-06-10  | 91,149                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Sep-29-10  | 192,947                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Nov-12-10  | 255,144                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Nov-12-10  | 137,165                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |
| Nov-26-10  | 155,602                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |                       |           |          |           |         |           |         |           |         |           |         |           |        |           |         |           |         |           |         |           |         |  |  |

| CLAUSE No. | DESCRIPTION OF THE CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | EVALUATION PROCESS                                                                                                                                                                                                                                                                                      | RESULT    | MANAGEMENT'S COMMENTS |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|
|            | <p>C. "Management of the Endowment Fund FCA account: THE FIDUCIARY shall open the Endowment Fund FCA Account which will be the account of the Trust and will be managed by the FIDUCIARY. The purpose of the account will be to receive the transfers from the Debt Service Account and to apply such amounts to the Endowment Fund (referred to in FCA as Endowment). This account shall be opened in US dollars in conformity with FCA. To that effect, the FIDUCIARY shall purchase the corresponding dollars of the United States of America. THE FIDUCIARY shall make his best effort to obtain the most favorable exchange rate that is not illegal in the Republic of Guatemala, when purchasing US dollars for the Endowment Fund (as referred in the FCA)."</p> | <p>We examined the bank reconciliations of July and December, 2010, of the Endowment Fund account in US dollars.</p> <p>We also examined the quotes of different Banks for the purchase of US dollars deposited in the Endowment Fund account, verifying that the most favorable rate was obtained.</p> | Complied. |                       |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | EVALUATION PROCESS                                                                                                                                                                                                                                                                                     | RESULT    | MANAGEMENT'S<br>COMMENTS |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------|
|               | <p>D. "Investment:</p> <p>a) THE FIDUCIARY shall invest the balance of the amounts deposited in the ACCOUNTS, by means of an investment agent ("THE INVESTMENT AGENT") and, in any case, in conformity with the written instructions timely given by the OVERSIGHT COMMITTEE to the MANAGER for the FIDUCIARY.</p> <p>e) Any earnings obtained from such investments will be destined according to the specifications included in this contract and the terms of the FOREST CONSERVATION AGREEMENT -FCA-."</p> | <p>We reviewed the increases in the investments made during 2010 for Q6,312,281 and Q9,639,677, in the balances in the bank accounts. In addition, we reviewed the forms of instructions to the manager transmitted by means of a letter.</p> <p>Earnings from investments have not been used yet.</p> | Complied. |                          |
| Tenth         | <p>"Fiduciary's fees and expenses</p> <p>A) Fees: The fiduciary, during its effective practice as such, until its removal or unilateral resignation shall</p>                                                                                                                                                                                                                                                                                                                                                  | We reviewed the fees paid to the fiduciary entity by the manager, corresponding to April 2010; the amount was                                                                                                                                                                                          | Complied. |                          |

| CLAUSE<br>No. | DESCRIPTION OF THE<br>CLAUSE                                                                                                                                                                                                                                          | EVALUATION PROCESS | RESULT | MANAGEMENT'S<br>COMMENTS |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------|--------------------------|
|               | charge the following fees ("THE FEES") as remuneration in relation to the services rendered in accordance to the TRUST contract: One thousand dollars of the United States of America (US\$1,000.00) on a monthly basis, as of the forth month the TRUST operations." | US\$1,000.         |        |                          |



Illescas E. Illescas, S.C.

INDEPENDENT AUDITORS' REPORTS, AUDITING & CONSULTING

Conservation  
RSM  
Foundation

INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH THE TERMS OF THE AGREEMENT, IN RELATION TO  
CONFERRING DONATIONS, MANAGEMENT OF PROJECTS AND RECIPIENTS'  
COMPLIANCE WITH THE TERMS OF THE AGREEMENT OF 15 OUT OF 20  
PROJECTS APPROVED BY THE OVERSIGHT COMMITTEE OF TROPICAL  
FOREST CONSERVATION FUND-FCA

INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH THE TERMS OF THE  
AGREEMENT, IN RELATION TO  
CONFERRING DONATIONS,  
MANAGEMENT OF PROJECTS AND  
RECIPIENTS' COMPLIANCE WITH THE  
TERMS OF THE AGREEMENT OF 15 OUT  
OF 20 PROJECTS APPROVED BY THE  
SUPERVISION COMMITTEE OF FONDO  
PARA LA CONSERVACIÓN DE BOSQUES  
TROPICALES

In our opinion, except for the non-compliance mentioned in the attached report, we conclude that the Program Tropical Forest Conservation Fund-FCA, managed by Fundación for the Conservation of Natural Resources and Environment in Guatemala-FONCE, complied in all material aspects, with the matters specified in paragraph 5 of the Forest Conservation Agreement, related to the donations, management, follow-up and projects carried out, as well as the compliance of the subject institutions of 15 out of 20 projects, in terms of funds in a reasonable manner and according to the authorized purposes.



**Illescas E Illescas, S.C.**  
contadores públicos, auditores y consultores

Corresponsales de  
**RSM!**  
International

**INDEPENDENT AUDITORS' REPORT ON**  
**COMPLIANCE WITH THE TERMS OF THE AGREEMENT, IN RELATION TO**  
**CONFERRING DONATIONS, MANAGEMENT OF PROJECTS AND RECIPIENTS'**  
**COMPLIANCE WITH THE TERMS OF THE AGREEMENT OF 15 OUT OF 20**  
**PROJECTS APPROVED BY THE OVERSIGHT COMMITTEE OF TROPICAL**  
**FOREST CONSERVATION FUND-FCA**

To the  
**OVERSIGHT COMMITTEE OF THE TROPICAL FOREST**  
**CONSERVATION FUND-FCA** and to the  
**BOARD OF DIRECTORS OF THE FOUNDATION**  
**FOR THE CONSERVATION OF NATURAL RESOURCES**  
**AND ENVIRONMENT IN GUATEMALA-FCG-**

We have audited the compliance of the Program "Tropical Forest Conservation Fund-FCA", in relation to a debt for nature swap, which is managed by the Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG, in relation to section 5 of the Forest Conservation Agreement regarding the conferring of donations, the management and follow up to the Projects (section 5.2.6 Use of Donations) and the compliance of the execution of donations according to the terms of the agreement.

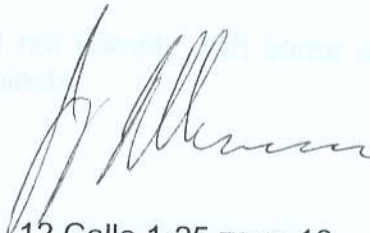
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the authorized funds for the recipient institutions have been disbursed according to the authorized purposes and whether the Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG, as the manager of the program, has complied with the provisions of section 5.2.6 Use of Donations and whether the recipients of the donations are executing the project under the terms of the agreement. An audit includes examining, on a test basis, the appropriate evidence. We believe that our audit provides a reasonable base for our opinion.

In our opinion, except for the noncompliance mentioned in the attached report, we conclude that the Program "Tropical Forest Conservation Fund-FCA", managed by Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG, complied, in all material respects, with the matters specified in section 5 of the Forest Conservation Agreement, related to the donations, management, follow-up and projects control, as well as the compliance of the recipient institutions of 15 out of 20 projects, in using the funds in a reasonable manner and according to the authorized purposes.

This report was prepared for the Oversight Committee of the Program "Tropical Forest Conservation Fund-FCA" and Foundation for the Conservation of Natural Resources and Environment in Guatemala-FCG. However, once this report is distributed, the same is a matter of public interest and its distribution will not be restricted.

Guatemala, May 23, 2011.

Lic. Jorge Enrique Illescas García  
CONTADOR PÚBLICO Y AUDITOR  
Colegiado No. CPA-936



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**ILLESCAS E ILLESCAS, S. C.**  
Contadores Públicos y Auditores

TROPICAL FOREST CONSERVATION FUND  
-FCA-

REPORT ON COMPLIANCE WITH THE TERMS OF THE AGREEMENT, IN  
RELATION TO CONFERRING DONATIONS, MANAGEMENT OF PROJECTS AND  
THE RECIPIENTS' COMPLIANCE WITH THE TERMS OF THE DONATION  
AGREEMENTS OF 15 OUT OF 20 PROJECTS APPROVED BY THE OVERSIGHT  
COMMITTEE OF TROPICAL FOREST CONSERVATION FUND

CONDITION:

The recipients of donations did not comply with some sections included in the agreements regarding the following projects:

Projects approved during 2008:

1. Recipient of the donation:

Fundación para el Ecodesarrollo y la Conservación-FUNDAECO

Name of the project:

"Resolución de tres conflictos de manejo y gobernabilidad territorial en áreas protegidas del Caribe en Guatemala".

Donation agreement No.:

FCA 001-2008

Not-complied sections:

1.4 Fund reception account

Fund transfers were made to and from other projects, which were not established in the agreement. For example:

| <u>ACCOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>CONCEPT</u> |
|----------------|-------------|---------------|----------------|
| Fundaeco 2MC   | Nov/16/10   | Q 26,200      | Expense        |
| Fundaeco 2MC   | Jul/20/10   | 14,050        | Expense        |
| Fundaeco II    | Jul/22/10   | 80,000        | Expense        |
| Fundaeco XVII  | Jun/08/10   | 50,000        | Income         |
| Fundaeco XVII  | Jun/29/10   | 15,000        | Income         |
| Fundaeco II    | Apr/09/10   | 50,000        | Income         |

## 2.1 Financial audits

At the date of our review, the recipient of the donation had not provided the audit report for 2010 to the manager.

### 2.1.2 Auditors' certification

The audit report related to the donation had not been provided to the manager.

## 2.2 Technical and financial reports

Technical and financial reports were not delivered within the stipulated time.

### Management's comment

"FCG, through its Accounting Unit, will make a review by visiting the project in order to confirm the use and registry of the funds of the donation."

## 2. Recipient of the donation:

Helvetas Guatemala

### Name of the project:

"Gestión Municipal y Comunitaria para la Conservación del Cerro Cucho y del Cerro Saquibutz en el departamento de San Marcos, Guatemala.

### Donation agreement No.:

FCA 002-2008

### Not-complied sections:

## 2.1 Financial audits

The release document was not given to the recipient of the donation as the final field supervision had not been not carried out.

## 2.5 Access to the offices and inspection of the investment places.

We were not given the general ledger for review.

5.1 Amendment; termination, resignation

The release document had not been given as the final field supervision had not been made yet.

3. Recipient of the donation:

Helvetas Guatemala

Name of the project:

"Fortalecimiento de la Gestión Comunitaria en el Manejo Local de los Bosques Comunales en la Cuenca Alta del Río Samalá, en los departamentos de Quetzaltenango y Totonicapán, Guatemala".

Donation agreement No.:

FCA 003-2008

Not-complied sections:

2.1 Financial audits

The manager did not issue the release document despite the fact that the recipient of the donation complied with the submission of the financial audit report, because the final field supervision had not been carried out.

2.1.2 Auditors certification

The release document had not been prepared despite the fact that the recipient of the donation complied with the submission of the financial audit report, because the final field supervision had not been carried out.

2.5 Access to offices and inspection to the investment places

We were not given the general ledger for review.

4. Recipient of the donation:

Fundación Defensores de la Naturaleza.

Name of the project:

"Estrategia de Conservación del Paisaje y Especies Prioritarias de la Región Semiárida del Valle del Motagua".

Donation agreement No.:

FCA 006-2008

Not-complied sections:1.4 Fund reception account

The disbursements were not deposited directly to the bank account established in the agreement.

On April 13, 2010, the funds received were deposited in the account No. 000-640083-2 which is the general account of the recipient of the donation; subsequently, on April 16 (three days later), a deposit was made in the account of the project.

2.1.2 Auditors' certification

The audit report of the donation had not been provided to the manager.

5.1 Amendment; termination, resignation

The release document had not been issued as the final field supervision had not been carried out.

5. Recipient of the donation:

Fundación Defensores de la Naturaleza.

Name of the project:

"Fortalecimiento de las capacidades institucionales y desarrollo comunitario sostenible para la conservación del patrimonio natural y cultural del parque nacional Sierra del Lacandón".

Donation agreement No.:

FCA 007-2008

Not-complied sections:1.4 Account of receptions

The income was deposited in the general account of the recipient of the donation and, subsequently, it was partially transferred to the Project's accounts, as follows:

| DEPOSIT |           |           |
|---------|-----------|-----------|
| NUMBER  | DATE      | AMOUNT    |
| 3942096 | May-10-10 | Q 335,421 |
| 3942096 | May-10-10 | 313,739   |

## 2.1 Financial audits

At the date of our review, the recipient of the donation had not provided the audit report for 2010 to the manager.

### 2.1.2 Auditors' certification

The audit report of the donation had not been provided to the manager.

## 5.1 Amendment; termination, resignation

The release document had not been issued due to the emergency situation in Petén which has made impossible the planning of the visit for the final field supervision.

## 6. Recipient of the donation:

Asociación Vivamos Mejor

### Name of the project:

"Fortalecimiento del sistema de parques regionales municipales de Sololá y promoción del desarrollo sostenible en el corredor ecológico de la región sur de la reserva de usos múltiples de la cuenca del Lago de Atitlán".

### Donation agreement No.:

FCA 005-2008

### Not-complied sections:

## 1.1 Payments to the recipient of the donation

We noted that the Project received funds from other projects to cover expenses that should have been timely paid; the same were reimbursed with the following checks:

| CHECK   |          |                  |  |
|---------|----------|------------------|--|
| No.     | AMOUNT   | PAYEE            |  |
| 2686343 | Q 80,000 | Vivamos Mejor    |  |
| 2686344 | 50,000   | Fondo Revolvente |  |
| 3349526 | 30,000   | Fondo Revolvente |  |
| 3349528 | 80,000   | Vivamos Mejor    |  |

### Management's comment

"According to the recipient of the donation this transactions are made in order not to interrupt the Project's programmed advance, while a disbursement is liquidated and new funds are received."

### Financial audits

At the date of our review, the recipient of the donation had not provided the audit report for 2010 to the manager.

#### 2.1.2 Auditors' certification

The audit report of the donation had not been provided to the manager.

#### 5.1 Amendment; termination, resignation

The release document had not been issued as the final field supervision had not been carried out yet.

### Projects approved during 2010:

#### 7. Recipient of the donation:

Helvetas Guatemala

#### Name of the project:

"Gestión municipal y comunitaria para el manejo integral de zonas de recarga hídrica de las áreas estratégicas de conservación de los altos de Totonicapán y Sierra Santa Rita de Quetzaltenango".

#### Donation agreement No.:

FCA 001-2010

#### Not-complied sections:

#### 2.5 Access to offices and inspection of the investment places related to the income from donations.

The accounting books were not presented to us.

#### 8. Recipient of the donation:

Helvetas Guatemala

Name of the project:

"Fortalecimiento y consolidación del manejo descentralizado de los parques regionales municipales, bosques comunales y reservas naturales privadas, en zonas prioritarias de conectividad en la cadena volcánica, Saquibutz-Tewancarnero".

Donation agreement No.

FCA 002-2010

Not-complied section:

- 2.5 Access to offices and inspection of the investment places related to the income from donations.

The accounting books were not provided to us.

9. Recipient of the donation:

Fundación para el Ecodesarrollo y la Conservación-FUNDAECO.

Name of the project:

"Apoyo al establecimiento y consolidación de una red de áreas protegidas comunitarias, municipales y privadas, y al manejo de paisajes bioculturales en la región frontera norte de Huehuetenango, Guatemala".

Agreement donation No.:

FCA 009-2010

Not-complied section:

- 2.5 Paragraph c) To have access to the accounting books and other documents related to the projects.

The budgetary execution was not provided to us for review.

Management's comment:

"FCG, through its Accounting Unit, will make a review by visiting the project in order to confirm the use and registry of the funds of the donation."

CAUSE:

The recipients of donations were not in compliance with some sections established in the donation agreements.

RECOMMENDATION:

For the projects that ended on 2010:

An action plan and a chronogram must be prepared, establishing the dates and commitments of the recipients of the donations in order to comply with the clauses and sections of the donation agreements. The entities must be informed about the plan; also, sanctions must be established in case of noncompliance.

\* \* \* \* \*