

**FUNDO BRASILEIRO PARA A
BIODIVERSIDADE
FUNBIO**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009
ACCOMPANIED BY THE INDEPENDENT
AUDITORS' REPORT**

**FUNDO BRASILEIRO PARA A
BIODIVERSIDADE – FUNBIO**

CE-0310/II ING

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009
ACCOMPANIED BY THE
INDEPENDENT AUDITORS' REPORT**

Pages

| | |
|---|------------|
| INDEPENDENT AUDITORS' REPORT | 2-3 |
|---|------------|

FINANCIAL STATEMENTS

| | |
|--|-----|
| Balance Sheet | 4-5 |
| Statement of Surplus | 6 |
| Statement of Changes in Net Worth..... | 7 |
| Statement of Cash Flows..... | 8 |

| | |
|---|-------------|
| NOTES TO THE FINANCIAL STATEMENTS..... | 9-30 |
|---|-------------|

INDEPENDENT AUDITORS' REPORT

The Management

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Rio de Janeiro - RJ

We have audited the accompanying financial statements of **FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO**, comprising the balance sheet as of December 31, 2010 and the related statements of surplus, of changes in net worth and of cash flows for the year then ended, as well as a summary of the main accounting practices and other explanatory notes.

Management's responsibility for the financial statements

The Entity's management is responsible for the preparation and proper presentation of these financial statements, in accordance with accounting practices adopted in Brazil, and the internal controls deemed necessary for preparing financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to issue an opinion on these financial statements, based on our audit, in accordance with Brazilian and international auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing selected procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Entity's preparation and presentation of its financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal controls. An audit also includes evaluating accounting practices used, and the reasonableness of estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **FUNDO BRASILEIRO PARA A BIODIVERSIDADE – FUNBIO** as of December 31, 2010, the results of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Other Matters

Audit of prior years' statements

The statements referring to the year ended December 31, 2009, presented for comparative purposes, were previously audited by other independent auditors, whose report dated April 14, 2010 was not modified.

Rio de Janeiro, March 18, 2011.

Directa
Auditores

CRC N° 2SP013002/O-3F-RJ

Antonio Carlos Bonini Santos Pinto
CTCRC N° 1SP/14365/O-0S-RJ

FUNDO BRASILEIRO PARA A BIODIVERSIDADE -FUNBIO

BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009 (In Thousands of Reais)

| ASSETS | 2010 | 2009 |
|---|----------------|---------------|
| CURRENT ASSETS | | |
| Cash and banks | 665 | 971 |
| Short-term investments in the Brazilian money market (Note 3) | 75.169 | 30.471 |
| Banks – checking account and foreign investments (Note 4) | 48.686 | 50.885 |
| Other | 157 | 807 |
| Total Current Assets | 124.677 | 83.134 |
| NON-CURRENT ASSETS | | |
| Fixed assets (Note 5) | 413 | 481 |
| Intangibles | 75 | 111 |
| Total Non-Current Assets | 488 | 592 |
| TOTAL ASSETS | 125.165 | 83.726 |

The accompanying notes are an integral part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE -FUNBIO

BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009 (In Thousands of Reais)

| LIABILITIES AND NET WORTH | 2010 | 2009 |
|--|----------------|---------------|
| CURRENT LIABILITIES | | |
| Suppliers – Trade payables | 235 | 493 |
| Salaries and related charges | 1.053 | 1.151 |
| Taxes and rates | 226 | 197 |
| Project-linked third parties' resources (Note 6) | 108.067 | 53.337 |
| Other accounts payable | 9 | 79 |
| Total Current Liabilities | 109.590 | 55.257 |
| NON-CURRENT LIABILITIES | | |
| “Fundo de Recursos FUNBIO” (Note 7) | 15.118 | 9.523 |
| Financial lease | 8 | - |
| Total Non-Current Liabilities | 15.126 | 9.523 |
| NET WORTH | | |
| Accumulated surplus | 18.946 | 38.710 |
| Accumulated surplus – adjustment (Note 12) | (19.734) | - |
| Surplus(deficit) for the year | 1.237 | (19.764) |
| Total Net Worth | 449 | 18.946 |
| TOTAL LIABILITIES AND NET WORTH | 125.165 | 83.726 |

The accompanying notes are an integral part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

STATEMENT OF SURPLUS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of Reais)

| | 2010 | 2009 |
|--|-----------------|-----------------|
| REVENUES | | |
| Project-linked reimbursements (Note 8) | 3.799 | 771 |
| Management fee (Note 9) | 665 | 49 |
| Services rendered (Note 10) | 635 | 1.197 |
| Donations | - | 15.963 |
| TOTAL REVENUES | 5.099 | 17.980 |
| EXPENSES | | |
| Salaries and related charges | (7.833) | (7.439) |
| Third parties' services | (1.097) | (1.693) |
| Rental and maintenance | (713) | (939) |
| General expenses | (641) | (1.394) |
| Travel expenses | (367) | (884) |
| Miscellaneous supplies | (79) | (99) |
| TOTAL EXPENSES | (10.730) | (12.448) |
| FINANCIAL REVENUES (EXPENSES) | 57 | (4.037) |
| INCOME ON PROJECTS (Note 11) | (535) | (23.859) |
| OPERATING INCOME | (6.109) | (22.364) |
| RESOURCES USED (Note 7) | 7.346 | 2.600 |
| SURPLUS/DEFICIT FOR THE YEAR | 1.237 | (19.764) |

The accompanying notes are an integral part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE – FUNBIO

STATEMENT OF CHANGES IN NET WORTH FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of Reais)

| | Accumulated surplus | Surplus (deficit) for the year | Total |
|-----------------------------------|------------------------|--------------------------------------|---------------|
| AT DECEMBER 31, 2008 | 38.710 | - | 38.710 |
| Deficit for the year | | (19.764) | (19.764) |
| Transfer to accumulated surplus | (19.764) | 19.764 | - |
| AT DECEMBER 31, 2009 | 18.946 | - | 18.946 |
| Prior years' adjustment (Note 12) | (19.734) | - | (19.734) |
| Surplus for the year | - | 1.237 | 1.237 |
| Transfer to accumulated surplus | 1.237 | (1.237) | - |
| AT DECEMBER 31, 2010 | 449 | - | 449 |

The accompanying notes are an integral part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of Reais)

| | 2010 | 2009 |
|---|-----------------|-----------------|
| Operating activities | | |
| Surplus/(Deficit) for the year | 1.237 | (19.764) |
| Adjustments for reconciliation of income to cash and cash equivalents generated by operating activities | | |
| Residual cost of fixed assets written off | 5 | 5 |
| Depreciation and amortization | 146 | 171 |
| Net cash used in operating activities | 1.388 | (19.588) |
| Activities relating to changes in working capital | | |
| (Increase)/decrease in advances to suppliers | (411) | (130) |
| (Increase)/decrease in other assets | (237) | (122) |
| Increase/(decrease) in suppliers – trade payables | 196 | 253 |
| Increase/(decrease) in other liabilities | 713 | 240 |
| Increase/(decrease) in net worth | (19.734) | - |
| Net cash used in changes in working capital | (18.085) | (19.347) |
| Activities relating to changes in other than working capital | | |
| Acquisitions of fixed assets | (45) | (117) |
| Acquisitions in intangibles | (2) | (73) |
| Net cash used in investing activities | (47) | (190) |
| Financing activities | | |
| Receipt of project-linked resources | 66.730 | 3.318 |
| Yield on project-linked resources | 5.428 | 5.014 |
| Exchange variation on project-linked resources | (2.219) | (14.869) |
| Financial management of project-linked resources | (305) | (20) |
| Transfer and rendering of accounts relating to projects | (14.905) | - |
| Increase/decrease in reserve funds | 5.595 | (2.600) |
| Net cash generated by financing activities | 60.324 | -9.157 |
| Net changes in cash and cash equivalents | 42.192 | (28.694) |
| Stated as follows: | | |
| Cash and cash equivalents at the end of year | 124.520 | 82.328 |
| Cash and cash equivalents at the beginning of year | 82.328 | 111.022 |
| Net changes in cash and cash equivalents | 42.192 | (28.694) |

The accompanying notes are an integral part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010 AND 2009

(In thousands of Reais)

I. OPERATIONS

Fundo Brasileiro para a Biodiversidade – FUNBIO is a civil, non-profit association whose work has been geared towards the Brazilian biological diversity since 1995. It was created out of a US\$ 20 million donation from the Fund to the Global Environment Facility – GEF, to supplement governmental actions, in line with the worldwide Biological Diversity Convention (CDB) resulting from Rio 92 and the Brazilian Biological Diversity Program (Pronabio).

In accomplishing its mission, Funbio carries out several tasks, namely: identification of opportunities and priority investment needs; search for, and identification of, strategic resources; arrangements and economic and financial mechanisms to ensure financial sustainability of long-term conservation initiatives; design and implementation of programs to encourage and stimulated the capacity of local agencies to use the resources they help to make available.

Given its ability to develop projects and manage assets, Funbio is increasingly sought by the private sector entities to develop conservation strategies. Its activities are in line with the strategic vision of leading companies and institutions that seek to preserve the environment without losing financial return on conservation processes in several different production scenarios.

Funbio's mission is to provide strategic resources for biodiversity conservation

From its inception, Funbio's governance relies on its Advisory Board ("CD") formed by leaders from its four comprising segments: Academic, Environmental, Entrepreneurial and Governmental.

The "CD" is responsible for defining strategies and general management of the Fund. Also, it is in charge of approving annual operating plans, investment policies, public notices and projects developed. The Board Members voluntarily participate by contributing their experiences and knowledge. The Advisory Board is organized into committees that deal with specific issues such as the Assets Management Committee, the Finance and Audit Committee, and the Technical Program Committees.

Advisory Board in 2010

Pedro Leitão - Chairman

Álvaro de Souza - Vice-Chairman

Academic Segment

José Augusto Cabral

Miguel Â. Marini

Oscar Graça Couto

Paulo Eugenio Oliveira

Environmental Segment

Aurélio Vianna

Pedro Leitão

Paulo Moutinho

Miguel Milano-

Entrepreneurial Segment

Álvaro de Souza

Bruno Mariani

Gabriel Azevedo

Roberto Waack

Governmental Segment

Guilherme Euclides Brandão

Izabella Mônica Teixeira

Maria Cecília Wey de Brito

Rômulo José Fernandes Barreto Mello

Former Board Members and leaders have been invited to form the Consultative Council Funbio (CC), which operates in the technical advice of the institution, and meets once a year, with the possibility of participating in technical committees.

Presidency of Funbio's Advisory Board:

Roberto Konder Bornhausen – from 1995 to 2002

Roberto Klabin – from 2003 to 2006

Guilherme Leal – from 2007 to 2009

Pedro Leitão – from 2010 to present

In order to guarantee optimization of resources received and investment thereof in conversation projects, Funbio performs a finance, purchase and contracting management work, thus supporting its partners in the preparation of annual operation plans, planning of project-related demand and provision of resources by way of assets, engagement of services or financial means. This whole work is monitored and reported to financiers and donators, on an ongoing basis, thereby ensuring transparency in the use of resources.

The Assets Management Committee, formed by members of the Board and external specialists, is responsible for selecting a professional manager of assets and the investment policies for the different funds administered by Funbio, as well as for following up the results of this administration.

The Finance and Audit Committee, formed by members of the Advisory Board and the Consultative Board, is in charge of evaluating Funbio's management, and reviewing and recommending reports on the financial statements for approval.

Topical and recurring themes for society, such as biodiversity protection, sustainability and the scenario of climate change have been a reality at Funbio for 15 years. The following were the major donors, lenders and investment sponsors in 2010:

"Alcoa"; "Alcoa Foundation"; "Banco Mundial" (Bird), "BNDES" (National Economic and Social Development Bank (Amazônia Fund), "Organização das Nações Unidas para Agricultura e Alimentação" (FAO), Chemonics, Conservation International, Global Environment Facility (GEF), Gordon and Betty Moore Foundation, "Instituto Arapyaú de Educação e Desenvolvimento Sustentável"; KfW Entwicklungsbank (Germany Development Bank); FFEM – Fond Français pour L'Environnement Mondiale; "Fundação Avina"; "Natura Cosméticos"; "O Boticário", "Omnia Minérios S/A"; "Petrobrás"; "Porticus", "Secretaria de Estado do Ambiente do Rio de Janeiro" (SEA/RJ Agreement); environmental compensation resources from entrepreneurs Thyssenkrupp; "CSA Siderúrgica do Atlântico Ltda."; "Transportadora Associada de Gás S/A – TAG"; "Petróleo Brasileiro S/A"; "LLX AÇU Operações Portuárias S.A"; "Prefeitura da Cidade do Rio de Janeiro" (Rio de Janeiro Municipal Authority); "Concessionária Rio Barra S/A"; "SERB - Saneamento e Energia Renovável do Brasil S/A"; "Pedras Transmissora de Energia S.A"; "Macaé Projetos e Serviços Ambientais Ltda."; "Companhia Construtora Vilar Mar"; "Prefeitura Municipal de Volta Redonda" (Volta Redonda Municipal Authority); "SPE Dominus 03 Empreendimento Imobiliário S/A"; "SINPLAN Empreendimentos e Participações Ltda."; The Nature Conservancy (TNC) and WWF-Brasil.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with accounting practices adopted in Brazil, as laid down in corporate legislation.

The following are the main accounting practices used in preparing these financial statements:

a) Short-term investments in the money market

Stated at cost plus the related earnings and Exchange variations up to the balance sheet date, duly adjusted to market value, if this is lower.

b) Foreign currency

Monetary assets denominated in foreign currencies were converted to Reais at the exchange rate ruling at the balance sheet date. Variations resulting from conversion of foreign currency are recognized as income for the year.

c) Fixed assets

Stated at the acquisition cost, net of accumulated depreciation, which is calculated on the straight-line method, at rates that take into account the estimated useful life of assets expected to be recovered in the course of the Entity's operating activities.

d) Intangibles

Stated at the acquisition or formation cost (including interest and other financial charges). Amortization is calculated on the straight-line method, taking into account the estimated useful life of assets.

e) Income tax and social contribution

Pursuant to Law 9532/97. Art. 5, as a non-profit Entity, Funbio is income tax and social contribution exempt, provided that it complies with the provisions of art. 2, section 2, "a" and "e", of said law.

Contribution to the Social Integration Program - PIS and Contribution to Social Security Funding – COFINS.

Pursuant to art. 13 of the Provisional Measure ("MP") 2158-35 of 2001, non-profit entities who have employees as defined in Labor Legislation, are required to pay contributions to PIS at the rate of 1% of the monthly payroll. These entities are PIS exempt on revenues, according to the MP 2158-35/01, art. 14, section 1, provided that they comply with the provisions of art. 12 of Law 9532/97.

As regards COFINS, under of "MP" 2158-35 sub-section X, art. 14 of 2001, it is not due on revenues earned by non-profit institutions. Also, in this case, exemption is contingent upon compliance with the provisions of Law 9532/97, art. 12

f) Other current and non-current liabilities

Stated at known or estimated amounts plus, where applicable, the related charges, monetary and/or exchange variations incurred up to the balance sheet date.

g) Revenues and expenses

Revenues and expenses are recognized on the accrual basis.

3. **SHORT-TERM INVESTMENTS IN THE BRAZILIAN MONEY MARKET**

These comprise:

| | | 2010 | 2009 |
|--|------------|---------------|---------------|
| Banco do Brasil - Carteira Fauna (Sísmica) | (a) | 874 | 1.680 |
| Itaú Pragma FAP | (b) | 4.892 | - |
| Itaú FUNBIO - Pragma FRF | (c) | 15.118 | 13.953 |
| Itaú FUNBIO – FRF | | - | 7.087 |
| Itaú Private FAP | | - | 3.798 |
| Banpará – Fundo Juruti | (d) | 1.930 | - |
| Banco do Brasil - AFCOF II | (e) | 1.551 | - |
| Banco do Brasil – Administrativa | (e) | 1.069 | - |
| Banco do Brasil - ARPA KfW 1ª Fase | (e) | 707 | - |
| Banco do Brasil CDB - CSA II | (e) | 22.571 | - |
| Banco do Brasil - FMA Comperj | (e) | 6.504 | - |
| Banco do Brasil - CSA II | (e) | 1.737 | - |
| Banco do Brasil CDB - FMA LLX AÇU | (e) | 3.451 | - |
| Banco do Brasil - FMA GASDUC III | (e) | 7.355 | - |
| Banco do Brasil - FMA GROTA FUNDA | (e) | 691 | - |
| Banco do Brasil - ARPA BNDES 2ª Fase | (e) | 3.625 | - |
| Banco do Brasil - GEF Cerrado | (e) | 1.214 | - |
| Miscellaneous | - | 1.882 | 3.953 |
| Total | | 75.169 | 30.471 |

- (a) The investments in “Carteira Fauna” in Brazil are made under the “Sísmicas” project, using resources provided by “ Processo IBAMA no. 02001.003030/2001-82 – Term of Commitment and Amendment between IBAMA - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis and IAGC - International Association of Geophysical Contractors (D.O.U (Official Gazette). of January 8, 2003, the Term of Technical Cooperation between “IBAMA - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis” (Brazilian Institute of Environment and Natural Renewable Resources) and “FUNBIO” – Brazilian Biodiversity Fund, entered into on November 28, 2006 and Ofício (Official Notice) 67/2007 - GP/IBAMA of January 18, 2007).
- (b) The “FAP” investments in Brazil are made out of the five first portions of donations from: “O Boticário Franchising” and “Natura Cosméticos S.A.”, in the amount of US\$ 200 thousand each, totaling US\$ 2.000 thousand, which was used by the Manager of Assets “Pragma Gestão de Patrimônio Ltda.”, with yield of 10.7% p.a. which equals the Benchmark and corresponds to 110% of the “CDI” (interbank deposit certificate).

Below, a statement of changes in the Brazilian FAP – Protected Amazon Areas Fund – in 2010:

| | 2010 | 2009 |
|----------------------------------|--------------|--------------|
| At January 1 | 3.798 | 2.781 |
| Adjustments to the accrual basis | 4 | |
| Resources contributed | 724 | 776 |
| Net yield | 365 | 241 |
| At December 31 | 4.892 | 3.798 |

- (c) Until April 2010, part of the “Fundo de Recursos Funbio – FRF” was kept in CDI-linked investments, being subsequently transferred to the Manager of Assets “Pragma Gestão de Patrimônio Ltda”. In 2010, the local portfolio’s yield was 10.5%, against a benchmark of 10.6% representing 108% of the “CDI”.
- (d) The short-term investments in the Brazilian money market comprise CDI-linked CDBs, with 9.75% yield at the end of the year.
- (e) The short-term investments in the Brazilian money market comprise investments in short-term funds with annual yield of 9.21% on average, and CDI-linked CDBs with yield of 9.75% at the end of the year.

4. **BANKS – CHECKING ACCOUNT AND INVESTMENTS ABROAD**

These comprise:

| | 2010 | 2009 |
|---|---------------|---------------|
| Banks – foreign checking accounts | | |
| Itau LUX Funbio | - | 3 |
| Banco do Brasil Frankfurt - ARPA KfW 1ª fase | - | 791 |
| Banco do Brasil NY - Moore/Reclac | 3 | 518 |
| Banco do Brasil Frankfurt - AFCOF II | 37 | 1.754 |
| Banco do Brasil Frankfurt - BMU ARPA | - | 829 |
| Banco do Brasil NY - RedLac Capacitação | 58 | - |
| Banco do Brasil Frankfurt – FFEM | 223 | - |
| Other | 157 | 294 |
| Total | 478 | 4.189 |
| Short-term investments in foreign money markets | | |
| Itau LUX FAP (a) | 47.527 | 46.659 |
| Banco do Brasil NY - RedLac Capacitação | 616 | - |
| Other investments | 65 | 37 |
| Total | 48.208 | 46.696 |
| Total | 48.686 | 50.885 |

- (a) The short-term investments in foreign money markets in 2010 are basically composed of investments in securities, international shares and FAP funds, with yield of 6.6% p.a. against a benchmark of 7.7% p.a.. As decided by the donors, the FAP resources have not been brought into Brazil, and remain with Itaú - Luxembourg, managed by Pragma Gestão de Patrimônio Ltda..

Below, a statement of changes in balances of “FAP - Fundo de Áreas Protegidas da Amazônia” held abroad in 2010:

| | 2010 | 2009 |
|---------------------------|---------------|---------------|
| At January I | 46.659 | 56.972 |
| Resources contributed | | |
| Earnings | 3.167 | 4.576 |
| Exchange variation | (2.117) | (14.869) |
| Financial management cost | (182) | (20) |
| At December 31 | 47.527 | 46.659 |

5. FIXED ASSETS

Composition:

| | Depreciation rate % (p.a) | 2010 | | | 2009 | |
|------------------------|---------------------------|-----------------------------------|--------------|--------------|----------------|----------------|
| | | Net add-backs and Cost write-offs | Depreciation | | Residual value | Residual value |
| Furniture and fixtures | 10% | 287 | - | (199) | 88 | 110 |
| Machines and equipment | 10% | 182 | 3 | (95) | 90 | 98 |
| Computer hardware | 20% | 600 | (4) | (441) | 155 | 188 |
| Leasehold improvements | 4% | 111 | - | (31) | 80 | 85 |
| | | 1.180 | (1) | (766) | 413 | 481 |

6. THIRD PARTIES' RESOURCES LINKED TO PROJECTS

In 2010, as compared to 2009, the third parties' resources linked to projects grew by R\$ 54.730 thousand, basically due to FMA's environmental compensation contributions (R\$ 43.492 thousand), adjustment to accumulated surplus (R\$ 8.214 thousand), which in turn resulted from the change of cash basis to the accrual basis of accounting; and incoming resources relating to other projects (R\$ 3.024 thousand).

Below, the composition of project balances and comments on each project:

| | | 2010 | 2009 |
|------------------------------------|-----|----------------|---------------|
| ARPA FAP | (a) | 52.419 | 50.462 |
| CSA – Thyssenkrup – Mata Atlantica | (b) | - | 1.003 |
| Alcooa – Fundo Juruti Sustentável | (c) | 1.930 | 1.578 |
| ARPA BNDES - 2ª Fase | (d) | 3.960 | |
| FMA - CSA II | (e) | 24.308 | |
| FMA - Convênio SEA | (e) | 19.184 | |
| Carteira Fauna - Sísmica | f) | 929 | |
| Carteira Fauna - Fundo Fauna | (f) | 107 | 67 |
| Capacitação RedLac | (h) | 973 | |
| ARPA KFW - 1ª Fase | (d) | 707 | |
| Probio II | (i) | 119 | |
| AFCOF I | (j) | 62 | |
| AFCOF II | (j) | 1.589 | |
| RedLAC | (g) | 5 | 121 |
| GEF Cerrado | (l) | 1.231 | |
| GEF Polinizadores | (m) | 41 | |
| Diálogos Pórticus | - | 110 | |
| Bolsa Pórticus | - | 40 | |
| Ecofunds/BCID | (n) | 213 | |
| CFA | (o) | 32 | |
| Other projects | - | 108 | 106 |
| Total | | 108.067 | 53.337 |

(a) FAP – “Fundo de Áreas Protegidas da Amazônia”

The “Fundo de Áreas Protegidas da Amazônia (FAP)” is an endowment fund created under the “Programa Áreas Protegidas da Amazônia (ARPA)” under an agreement with the entities responsible for the National Environmental Policy. Its main objective is to support long-term financial sustainability of full conservation and protection units consolidated under the “Programa ARPA” and conservation units of sustainable use, selected by ARPA. This type of fund receives donated funds and invests in financial assets. The net earnings on these investments can be used to support conservation units or for capitalization of the fund itself, depending on the Fund’s capitalization goals, so that it can begin to cover the expenses of a system of conservation units, permanently.

In 2010, two deposits of US\$ 200 thousand each were made by “O Boticário” and “Natura”, thus completing the US\$ 1 million donation made by each institution to FAP in 2006. The increase in the balance was also due to appreciation of the Fund’s assets (Note 3).

As an auxiliary financial mechanism of “Projeto ARPA” management, operating within the scope of administration of FAP’s resources, FUNBIO has the following responsibilities:

1. Implement and administer the “Fundo de Áreas Protegidas (FAP)”, characterized as an endowment fund, to support the sustainability of full protection Conservation Units (UCs) consolidated under the Project and the selected “UCs ” of sustainable use;
2. Establish general policies, procedures and principles for financial investment of resources; and engage firms specializing in assets management for investment thereof;
3. Contract and supervise managers of financial assets and monitor and evaluate their performance in complying with investment policies and attaining good results;
4. Prepare and present reports and financial statements on the use and application of FAP’s resources;
5. Periodically engage independent auditors; and
6. Supervise compliance with legal and contractual obligations and standards and procedures set forth by the donors, in connection with financial accounting aspects of the fund.

(b) Restructuring of the “Fundo Estadual de Conservação Ambiental e Desenvolvimento Urbano no Rio de Janeiro (Fecam) (Rio de Janeiro State Fund of Environmental Protection and Urban Development) and modeling of a “Fundo de Compensação Ambiental – Piloto CSA Thyssen Krup” (Thyssen Krup CSA Pilot Environmental Compensation Fund)

In 2008, Funbio submitted to SEA-RJ (State of Rio de Janeiro Environment Secretariat) a proposal for institutional restructuring of “Fecam” and a model of an environmental compensation fund. Besides improving the management of resources arising from compensation, Funbio innovates by creating a mechanism capable of linking the private sector to state-controlled environmental financing.

In 2009, Funbio managed the “Fundo Piloto” using environmental compensation resources provided by the Thyssenkrup process - CSA Companhia Siderurgica with the “INEA – Instituto Estadual do Ambiente” (State Environmental Institute).

At the end of 2009, Funbio and SEA signed an agreement for operation, maintenance and control of the “Mecanismo para a Conservação da Biodiversidade do Estado do Rio de Janeiro – FMA” (Mechanism for the State of Rio de Janeiro Biodiversity Protection). (See item (e) hereof).

(c) “Projeto Juruti Sustentável” (Sustainable Juruti Project)

In order to finance local development projects focused on environmental, economic and social aspects, “Fundo Juruti Sustentável” (Funjus) was launched in May 2009. The result of a partnership between Funbio and Alcoa, in its first publication Funjus approved 21 projects with a maximum 18-month duration as from March 2010. This pilot phase of the initiative is designed to adjust their design and operation to the social, economic and environmental context of Juruti, a municipality in the state of Pará, Amazon, while testing the society’s responsiveness where the Company operates a bauxite mine.

2010 marked the beginning of implementation of projects approved by the first Funjus’s publication. Of the 67 consultation letters received in the first selection stage, 41 were transformed into projects submitted to the Fund by organizations from Juruti and surroundings, of which 21 were selected and will jointly receive funds of some R\$ 510 thousand. Approximately R\$ 300,000 was disbursed in 2010.

One of the main objectives of “Edital 01/2009” (Public Notice 01/2009) was to check the demand for resources in the municipality, as a means to support the planning of Funjus’s next financing strategies. As a consequence, a scenario of short-term projects was depicted, all geared towards the creation of income generation alternatives and proposed by organizations from the community. In view of this, still in 2010 Funbio and Alcoa began to discuss the continuity of Funjus and the next calls of projects to enable use of resources still available at the Fund, totaling R\$ 1,9 thousand including the earnings of the period.

(d) “Programa Áreas Protegidas da Amazônia – Arpa” (Protected Amazon Areas Program)

The goal of Arpa, deemed to be the biggest rain forest protection initiative in the world, is to protect and enable the sustainable use of 60 million ha of rain forest – 12% in the Amazon region – by 2016. To this end, it supports the creation and consolidation of Conservation Units (“UCs”) in a decentralized and participative manner, aimed at not only protecting an ecologically representative sample of biodiversity but also maintaining ecological processes and services in that region, while helping its sustainable development. Funbio is the manager of ARPA’s financial resources, carries out UCs’ purchase and acquisition activities and manages assets owned by the “Fundo de Áreas Protegidas (FAP)” (Protected Areas Fund).

Among its positive results attained in seven years of activity are the support to creation of 44 conservation units covering an area of 23.9 million inserted in new protected regions; and the establishment and consolidation of 62 Units totaling 23 million ha. ARPA currently comprises a 44-UC network in seven states within the Brazil’s Amazon.

At the second phase of the Program (from 2010 to 2013), ARPA intends to support the creation of a further 13,5 million ha protected and consolidate some 32 million ha. In addition to the commitment to a new donor, “BNDES/Fundo Amazônia” amounting to R\$ 20 million, at Phase II ARPA will count on contributions of US\$ 15,9 million from the “Fundo para o Meio Ambiente Mundial (GEF) through “Banco Mundial”; US\$ 10 million from the German government and US\$ 10 million from WWF-Brasil. With the state and federal governments’ contributions, the budget for the second phase will add up to over R\$ 130 million worth of direct investments in the “UCs” supported by ARPA.

From 2011 on ARPA will concentrate its efforts on consolidation of the “UCs”, with special attention to structuring activities. Part of the maintenance costs will be borne by managing institutions such as state environmental agencies and “Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio)”, which acknowledge has been structuring itself and using new tools for providing input for the UCs’ recurring use, for example the fuel card. It is intended that the consolidated “UCs” access the “Fundo de Áreas Protegidas (FAP)” an endowment fund created to ensure the maintenance of protected areas in the long run.

In July the agreement with KfW/BMU was analyzed. It involves contributions of □ 2,8 million exclusively intended for the sustainable use “UCs” supported by the Program, which are mostly invested in hiring consultants for drawing up handling plans for Phase I, mobilization of deliberative boards, purchasing equipment, signage and enforcement activities.

In April, the agreement with “BNDES/Fundo Amazônia” guaranteed investment of the first resources at Phase II of the Program. Nevertheless, the first portion totaling R\$ 5 million was not released until the end of October, as it depended on a series of factors, especially the preparation and approval of the “POA – Plano Operativo Anual”, a tool used in Program management. The “POA”, in turn, comprises executive agencies and is organized by the Ministry of Environment, being subsequently approved by the Program Committee, at ARPA’s highest deliberative level. Due to the delay in the process, the BNDES’s resources were made available only in late October 2010.

Throughout this year, the full protection “UCs” continued to be supported by the Program, through resources donated by KfW/BMZ to the first phase of ARPA.

As part of the procedures adopted by Funbio, around 45 new environment analysts were trained during the year. The training was focused on management and operation of tools used under the Program, such as the brain system and blocked account, a type of account jointly held by Funbio and each of the conservation unit serviced.

Under the responsibility of Funbio, the financial sustainability component was created at ARPA to identify and implement financial instruments capable of helping the maintenance of full protection “UCs” in the long run. Besides the creation of the “Fundo de Áreas Protegidas (FAP)” it also envisaged studies on mechanisms capable of generating resources for the units, either directly, through exploration of their assets, or indirectly, via “FAP”.

For the second phase of ARPA, it was agreed to develop a new management model for the activities of this component, which remains under the responsibility of Funbio, but also relies on expanded participation of partners in the Program, through creation of a technical group which will support the definition of objectives and agenda of themes, as well as implementation and evaluation of activities

In 2010, Funbio has also invested in refining the cost calculation methodology for ARPA's next phases, in partnership with the WWF. This analysis includes investment expenses and the "UCs" consolidation costs, as well as a forecast of incoming resources for "FAP".

Created to involve the communities around protected areas in conservation efforts focused on the latter, the community participation component of ARPA has completed its stage of support to projects through public notices in 2010. During the first phase of the program, 14 projects located around the national parks Serra da Cutia (RO), Jaú (AM) and Serra do Divisor (AC; the state parks Corumbiara (RO), Cantão (TO); and the Biological Reserve Jaru (RO) were selected and supported.

Of these 14 projects, 8 were discontinued in 2009, 1 had its contract suspended due to the low level of execution, and five continued to be implemented in 2010 and will continue to be supported in 2011 using "Fundo Amazônia" 's resources up to the closing.

ARPA's partners and donors are still discussing how to take actions to involve local and surrounding communities during the second phase of the program. The experience with financed projects has led those in charge of the program to consider new possibilities of support other than through strictly calling projects.

(e) "FMA/RJ - Fundo da Mata Atlântica do Rio de Janeiro" (Rio de Janeiro Atlantic Forest Fund)

Created to enable environmental investments in the state of Rio de Janeiro, the "Fundo da Mata Atlântica (FMA)" innovated by implementing a private mechanism for environmental compensation management, ruled by the "Sistema Nacional de Unidades de Conservação da Natureza – SNUC" (National Nature Conservation Units System) (Law 9.985/00). Funbio was responsible for its modeling and pilot stage. The successful initiative guaranteed the renewal of the partnership between the "Secretaria de Estado do Ambiente do Rio de Janeiro (SEA-RJ)" (State of Rio de Janeiro Environment Secretariat) and Funbio for operation of the fund for a period of over three years, as from 2010. By the end of 2010, FMA had already accounted for R\$ 115 million worth of contracts approved by the "Câmara de Compensação Ambiental do Estado" (State Environmental Compensation Chamber). The Fund has a huge growth potential due to the new investments forecast for the state.

The “FMA - CSA II”, mentioned herein, is worth R\$ 24.308 thousand, specifically referring to the environmental compensation account held by the entrepreneur Thyssen Krup, who currently finances the projects approved by “CCA. FMA – Convênio SEA”. With a R\$ 19.184 balance, this account is the grouping of other deposit accounts of entrepreneurs, from which no withdrawals are made for use in projects. The sum of the two above lines totals R\$ 43.492. 000 of funds for the “FMA” in 2010.

The “Fundo da Mata Atlântica (FMA)” was created by Funbio, inspired by its experience with the program ARPA. “FMA” is designed to attach more agility, efficiency and transparency to projects oriented towards state parks and reserves, as well as those intended for preservation and recovery of biodiversity in the state of Rio de Janeiro.

The Fund operates four portfolios, the most significant of which is the one intended for project execution using resources from big enterprises’ environmental compensation. Also, included in the operations are local and international donations and a fiduciary, permanent fund to be organized to cover the Conservation Units’ recurring expenses.

(f) “Carteira Fauna Brasil – Sísmica e Fundo Fauna” (Brasil Fauna Portfolio – Fauna Sísmica and Fund)

Created in 2006, under the “Acordo de Cooperação Técnica” (Technical Cooperation Agreement) signed by Funbio, Ibama and Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio), with the intervention of the “Ministério Público Federal” (Federal Prosecutors), the “Carteira Fauna Brasil” (Fauna Brazil Portfolio) aims to raise funds from payment for criminal sanctions, administrative fines and environmental grants and donations, for direct investment in actions to protect wildlife and fishery resources in Brazil. In 2010 the “Carteira Fauna” continued to fund seven research projects and conservation of marine fauna, approved the support to another project (out of resources donated by AFCoF) and launched the “Banco de Projetos da Carteira Fauna Brasil” (Fauna Brazil Portfolio Project Bank)

One of the most significant actions in 2010 was the launching of the “Banco de Projetos da Carteira Fauna Brasil” now accessible at the new website www.faunabrasil.org.br. The Bank is open to institutions who wish to apply for resources to be invested in fauna conservation projects.

In submitting projects, the institutions need to meet certain criteria, namely: be directly connected with fauna and fishery resources conservation efforts; fit into one of the activities supported by the “Carteira” and apply for resources varying between R\$ 50 thousand and R\$ 250 thousand.

At every three months, at the meeting of the “Comissão Técnica de Fauna” (Fauna Technical Committee) – composed of representatives of Funbio, Ibama, ICMBio and the “Ministério Público Federal”, the projects are evaluated and may be included in the “Vitrine de Projetos” (Project Showcase) which is designed to offer pre-selected projects to be supported.

By the end of 2010 the “Banco de Projetos” had recorded 30 projects already registered and nine other recommended to the “Vitrine” by the “Comissão Técnica de Fauna”. Of these nine projects, the first to be chosen to receive financing was the “Projeto de Conservação do Papagaio-de-Cara-Roxa, Litoral do Paraná”, submitted by the “Sociedade de Pesquisa em Vida Selvagem e Educação Ambiental (SPVS)” (Wild Life and Environmental Education Research Society).

(g) “RedLAC - Rede de Fundos Ambientais da América Latina e Caribe” (Latin America and Caribbean Environmental Funds Network)

Through the RedLAC, Funbio raised funds for a project for enhancement of environmental funds, which in 2010 held its first workshop. During the “12ª Assembleia Anual da RedLAC” (12th Annual RedLAC Meeting) held in Mexico in November, the Ecofunds Project coordinated by Funbio was officially launched. Also at that event the new chairman of the network and director of the Colombian “Fondo para la Acción Ambiental y la Niñez” was elected, and will take office at the end of 2011. Another project with which Funbio proceeded was the “Parceria para o Carbono Florestal da Amazônia” (Amazon Forest Carbon Partnership - AFCP).

(h) “Projeto de Capacitação da RedLAC” (RedLAC Empowerment Project)

Its objective is to strengthen environmental funds through exchange of innovative experiences and practices. It began in 2010, under the coordination of Funbio, and is expected to last three years, during which 10 workshops will be conducted in attendance. The project is funded by the “Fundo Francês para o Meio Ambiente Mundial” (French Fund for World Environment) and “Fundação Gordon e Betty Moore” (Gordon and Betty Moore Foundation), representing a total US\$ 1,9 thousand investment.

(i) “Projeto Nacional de Ações Integradas Público-Privadas para Biodiversidade – Probio II” (National Integrated Public-Private Biodiversity Actions Project)

Probio II is intended as a means to show that changing the current private and public production, occupation and consumption models in Brazil is feasible. Funbio is responsible for the public sectors’ engagement actions, so that it prioritizes integration (mainstreaming) of conservation and sustainable use of biodiversity into their planning strategies and practices in productive landscapes. The project is funded by GEF through the World Bank, which will provide US\$ 22 million to the initiative. Funbio will transfer US\$ 6 million for projects in partnership with the private sector until 2013.

The exploration of areas for Probio II’s performance was one of the activities performed during 2010. One of the areas visited by Funbio Araripe was the region, bordering the states of Ceara, Piaui and Pernambuco, where the intensive use of firewood has been identified as an opportunity for actions towards sustainable forest management.

The municipalities visited are located at the base of “Chapada do Araripe”, a region classified as a priority area for biodiversity conservation in the “Caatinga” and one of the most industrialized parts of the interior of Ceará, housing important production sectors such as the shoe pole (the third largest in Brazil), and the potter, ceramic and juice poles. In the state of Pernambuco there is the Araripe’s plasterer pole, which is responsible for supplying 95% of the plaster produced in Brazil.

The energy matrix of these sectors is composed of electricity, oil by-products, and especially firewood. In this territory, the change proposed by Probio II focuses on forest management for sustainable production of firewood. After the meetings were held with the “Fundação Araripe, IBAMA / PE”, and Assogesso SEBRAE from Araripina / PE. It is now expected that subprojects are developed together with the producers of plaster in the region.

Also in 2010, Funbio monitored the “Grupo de Trabalho da Pecuária Sustentável” (Sustainable Cattle-Raising Task Force). Created in 2009, this group is formed by representatives of several segments of the Brazilian cattle raising chain. Their goal is to define common principles and standards to be adopted by the industry, thus ensuring the development of sustainable, socially just, environmentally sound and economically viable cattle-raising activities.

Funbio participated in technical meetings to prepare a proposal for strengthening cattle-raising activities in the “Pampa”, in partnership with Ibama/RS. Also it started negotiations with the WWF-Brazil to develop a sustainable cattle-raising Project at the “Pantanal”, and with TNC for a possible partnership in the western region of Bahia, an area of expansion of soybean in the “Cerrado”.

To organize and map geographic information on the territories for Probio II, the Fund has developed internal capacity for handling georeferenced data via Geographic Information System (GIS). Also, it adapted its project management system - known as the Brain - and made it available to partners of Probio II.

Additionally, Funbio is responsible for the implementation of the “Base de Conhecimento do Probio II” (Probio II’s Knowledge Basis), an online, collaboration system dealing with several topics, which will facilitate the exchange of information between the partner organizations, in addition to recording and consolidating the knowledge gained in project implementation. In 2010 the operation platform and the strategy for use of the basis were defined and the system due to be launched in 2011 began to be developed.

(j) "Fundo para Conservação da Floresta Atlântica – AFCoF" (Atlantic Forest Conservation Fund)

Coordinated by the Ministry of Environment, the "Proteção da Mata Atlântica II" (Atlantic Forest II Protection) project, which started in 2010, represents the second phase of the AFCoF. Planned to last three years, it aims to contribute to the protection, sustainable management and recovery of the Atlantic Forest, and will count on contribution of 6.5 million euros. The AFCoF is funded by the "Iniciativa Internacional de Proteção do Clima" (International Climate Protection (IKI, its acronym in German), the Ministry of Environment, and "Proteção da Natureza e Segurança Nuclear da Alemanha" (Nature Conservation and Nuclear Safety of Germany (BMU)). It reckons on technical support from the "Agência Alemã de Cooperação Técnica" (German Agency for Technical Cooperation (GTZ) and financial support through the "Banco de Desenvolvimento da Alemanha" (Development Bank of Germany - KfW Entwicklungsbank). In Brazil, its resources are managed by Funbio.

At its first phase, the AFCoF received resources amounting to 2 million euros, which enabled the acquisition of equipment for 12 federal Conservation Units, 36 state conservation units (22 in Rio de Janeiro and 14 in Minas Gerais), and one municipal unit in Teresópolis, RJ, among other things. Also, it was possible to transfer R\$500 thousand for creation of 43 new "Reservas Particulares do Patrimônio Natural (RPPNs)" (Private Natural Reserves) and finance the functioning of 15 of these units, as well as R\$ 800 thousand for financing seven sustainability and biodiversity projects.

Planned to last three years, the second phase of the AFCoF started in 2010, aiming to assist in the protection, sustainable handling and recovery of the "Mata Atlântica". The structure of the project has four components: expansion and consolidation of the Conservation Units' system; environmental services; monitoring of biodiversity and climate changes; and development of abilities and skills (public and private entities).

Among the activities carried out this year, the publication of four public notices is worth mentioning, of which three were published by Funbio and one by the NGOs "Conservação Internacional" (International Conservation), "SOS Mata Atlântica" (SOS Atlantic Forest) and The Nature Conservancy (TNC), under the "Programa de Incentivo às Reservas Particulares do Patrimônio Natural da Mata Atlântica" (Incentive Program to Private Atlantic Forest Natural Reserve). Some R\$ 7,6 thousand was assigned to conservation of the "Mata Atlântica" through calls to society.

(l) "Iniciativa Cerrado Sustentável" (Sustainable Cerrado Initiative)

"Iniciativa Cerrado Sustentável" (Sustainable Cerrado Initiative) is a project funded by the "Fundo para o Meio Ambiente Mundial (GEF)" through the World Bank, aiming to contribute to the enhancement of the "Cerrado" by means of conservation activities, restoration, rehabilitation and sustainable management. The donation agreement was signed in 2010 with US\$13 million being allocated to four sub-projects intended for preservation of the biome. The Fund is the financial manager of the subproject "Políticas e Monitoramento do Bioma Cerrado" (Policies and Monitoring of the Cerrado Biome), implemented by the MMA, which will receive an investment of U.S. \$ 4 million for the four years of project duration.

The main initiatives under the “Iniciativa Cerrado Sustentável” are: investment in implementation of new environmental policies and strengthening of public institutions and civil society entities involved in environmental protection; expansion of protected areas; and development of a biome monitoring system. The donation agreement was signed by GEF late in 2010, concurrently with the implementation of its four sub-projects which Will be developed by the Ministry of Environment (MMA), Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio) the state governments of Goiás and Tocantins.

The subproject “Políticas e monitoramento do bioma Cerrado”, conducted by the MMA, is intended to develop a political structure for the Cerrado protection, thus contributing to biodiversity conservation in over 20% of the biome and at least four priority regions of the “Cerrado”.

(m) “Projeto Polinizadores” (Pollinators Project)

A FAO initiative funded by GEF, this project is designed to consolidate a basis of integrated knowledge on pollination services. Promote actual conservation and sustainable use of pollinators for agriculture; expand farmers’ and landowners capacity to protect and use pollinators; and develop public policies and generate public awareness. In Brazil, its technical coordination is the responsibility of the MMA, while Funbio is in charge of its finance management and technical monitoring. The total amount involved in this five-year project is US\$ 3,5 thousand.

(n) “Ecofunds”

“Ecofunds Database” is a RedLAC Project coordinated by Funbio. Its primary purpose is to track key trends and needs on investment in biodiversity conservation of the Andean-Amazonian region. It is a portal that facilitates communication between donors and those in charge of implementing projects, improves the allocation of resources to conservation. At its first phase, it has received a financial contribution of US\$ 618 thousand from the Gordon and Betty Moore Foundation. In 2010, US \$ 100,000 was donated for one more year of project activities, with the support of Avina and Skoll foundations.

After completion of its prototype and validation of the related data, Ecofunds was presented at the “10ª Conferência das Partes da Convenção sobre Diversidade Biológica – COP-10” (10th Conference of Parties to the Biological Diversity Convention) in Japan, and launched in Mexico during the RedLAC Meeting. Ecofunds enables monitoring investments in programs and projects and identifying conservation needs and opportunities in the Andean-Amazonian region.

Available in three languages (Portuguese, English and Spanish) Ecofunds has over 880 projects registered. The information contained therein was registered by members of RedLAC and other partners. Its focal points are spread over seven countries in the above mentioned region: Bolivia, Brazil, Colombia, Ecuador, Peru, Suriname and Venezuela.

The systematization of investments in biodiversity conservation is crucial to monitor and view the areas and topics in greatest need of investment. Thus, the Ecofunds guides investors and project developers for a better allocation of resources and conservation efforts, promoting more strategic and effective investments.

(o) **“Aliança para Finanças da Conservação – CFA” (Conservation Finance Alliance)**

Under the CFA, Funbio has coordinated the creation of the “Caixa de Ferramentas para Fundos Ambientais” (Environmental Funds Tool Box) an online, interactive library named Tool Kit. The proposal is to make available to environmental documents in several languages, provided by funds all over the world, which will serve as a reference for their establishment and operation. Over 200 documents have been collected and classified and the online system began to be developed. The Tool Kit will be released in the first half of 2011.

In 2010, a further Funbio’s activity under the CFA was the support to studies. In partnership with Pricewaterhouse Coopers, Funbio participated in a study on the role of civil organizations and environmental funds in the carbon market for Redução de Emissões por Desmatamento e Degradação (REDD+) (Reducing Emissions from Deforestation and Degradation (REDD)). The study was released at the 10th Conference of Parties to the Convention on Biological Diversity (COP-10) held in Japan in October where the CFA had a stand.

7. “FUNDO DE RECURSOS FUNBIO – FRF”

This fund comprises resources originating from the Global Environment Facility – GEF, which were donated by “Banco Mundial” for FUNBIO to start operating, as well as subsequent donations, the changes in which in 2010 and 2009 were as follows:

| | 2010 | 2009 |
|---|---------------|---------------|
| At January 1 | 9.523 | 12.123 |
| Adjustment to the accrual basis of accounting | 11.520 | - |
| Earnings in the year | 1.533 | - |
| Gestão Pragma | (13) | - |
| Provision for income tax | (99) | - |
| Redemptions during the year (a) | (7.346) | (2.600) |
| At December 31 | 15.118 | 9.523 |

(a) Below, the redemptions made in 2010, totaling R\$ 7.346 thousand:

| Dates | In thousands of R\$ |
|--------------|----------------------------|
| 01/29/2010 | 500 |
| 02/26/2010 | 500 |
| 03/31/2010 | 495 |
| 04/27/2010 | 551 |
| 04/30/2010 | 500 |
| 05/31/2010 | 500 |
| 06/25/2010 | 500 |
| 07/08/2010 | 500 |
| 07/26/2010 | 500 |
| 08/25/2010 | 700 |
| 09/30/2010 | 500 |
| 11/26/2010 | 700 |
| 12/17/2010 | 900 |
| Total | 7.346 |

8. **PROJECT – LINKED REIMBURSEMENTS**

Amounts spent by Funbio and reimbursed under the projects:

| Projects | 2010 | 2009 |
|--------------------|--------------|-------------|
| ARPA WWF-BR | 979 | 544 |
| RedLac | 126 | 35 |
| Ecofunds/BCID | 308 | - |
| BACP | 59 | 69 |
| Focus Visão Brasil | 200 | - |
| AFCP | 205 | - |
| Carteira Fauna | 196 | - |
| GEF Nutrição | 28 | - |
| CFA | 125 | - |
| FMA - CSA II | 133 | - |
| GEF Cerrado | 106 | - |
| ARPA BNDES | 782 | - |
| GEF Polinizadores | 78 | - |
| Probio II | 474 | - |
| AFCOF I | - | 12 |
| Other(i) | - | 112 |
| Total | 3.799 | 771 |

9. MANAGEMENT FEE

Amounts calculated and received based on the variable percentage of completion of projects

| Projects | 2010 | 2009 |
|-------------------------|------------|-----------|
| ARPA BMU – KfW | 192 | - |
| Fundo Fauna | 2 | 3 |
| AFCOF I | 268 | - |
| AFCP | 7 | - |
| GEF Polinizadores | 15 | - |
| AFCOF II | 169 | - |
| RedLac | 12 | 14 |
| Associação SOS Amazônia | - | 32 |
| Total | 665 | 49 |

10. SERVICES RENDERED

Amounts received from services rendered to other companies or institutions.

| Projects | 2010 | 2009 |
|----------------------------|------------|--------------|
| Fundo Juruti – Alcoa | 160 | 160 |
| SEA FECAM | 312 | 451 |
| Natura Cosméticos | 163 | 354 |
| Santo Antonio Energia S.A. | - | 50 |
| Omnia Minérios S.A. | - | 17 |
| Alcoa Alumínio S.A. | - | 70 |
| Other | - | 95 |
| Total | 635 | 1.197 |

11. INCOME ON PROJECTS

| | 2010 | 2009 | | |
|--|----------------------------------|-------------------|--------------|-----------------|
| | Costs incurred on projects | Resources used | Income | |
| Carteira Fauna | 741 | 684 | (58) | (240) |
| Projeto RedLac | 43 | 110 | 67 | (80) |
| Projeto BCID/Ecofunds | 166 | 84 | (82) | (240) |
| Fundo Mata Atlântica – CSA - Piloto | 255 | 235 | (20) | (2.215) |
| Fundo Mata Atlântica – CSA - Convenio SEA | 1.686 | 1.647 | (38) | - |
| ARPA KfW - 1st Phase | 8.521 | 8.530 | 9 | (14.707) |
| CFA | 96 | 55 | (41) | - |
| Probio II | 76 | 84 | 8 | - |
| AFCOF I | 226 | 226 | - | (5.483) |
| FOCUS (a) | 229 | - | (229) | - |
| GEF Polinizadores | 360 | 345 | (15) | - |
| AFCOF II | 1.644 | 1.698 | 54 | - |
| RedLac Capacitação (b) | 116 | - | (116) | - |
| ARPA BNDES - 2ª Fase | 310 | 310 | - | - |
| Fundação Ford | - | - | - | (409) |
| Componente 2.3 – ARPA | - | - | - | (53) |
| Outros (BACP, TNC, Natura, AFCP, TFCA, Alcoa, GEF Cerrado) | 74 | - | (74) | (432) |
| Total | 14.543 | 14.008 | (535) | (23.859) |

- (a) The “FOCUS” project account-rendering was completed in January/2010. The resources advanced have been recorded as revenue from reimbursement of expenses.
- (b) The “RedLac Capacitação” project started in September 2010, using resources received from the Gordon and Betty Moore Foundation: US\$ 450.000 x 1,6800 = R\$ 756.000,00, and FFEM - French Global Environment Facility E: 100.000 x 2,2370 = R\$ 223.700,00, both of which under agreements signed in September 2010. The related account-rendering is under way.

12. ADJUSTMENT TO ACCUMULATED SURPLUS

Given the increase in resources received and the relevance of the respective balances, and in order to ensure more transparent and reliable financial data, the Entity has replaced the cash basis of accounting, used until 2009, with the accrual basis of accounting, in force in 2010.

Under the accrual basis of accounting and adjusting third parties’ resources linked to projects representing the Entity’s obligations with the donors and financiers, an adjustment of R\$ 19.734 thousand was made to the accumulated surplus, after a review of agreements taking into account the new accounting practice and adjustment to the projects’ bank balances.

Below, the detailed effect of each fund and project:

| Funds/Projects | In thousands of R\$ |
|---------------------------------------|----------------------------|
| Aplicação de recursos do Funbio – FRF | 11.520 |
| BMU ARPA | 2.095 |
| AFCOF II | 1.754 |
| Carteira Fauna Sísmica | 1.725 |
| ARPA KfW - 1ª Fase | 1.421 |
| Econfunds/BCID | 502 |
| AFCOF I | 465 |
| CFA | 132 |
| Probio II | 127 |
| GEF Polinizadores | 10 |
| Fundo Juruti | (10) |
| FAP Local | (4) |
| Fundo Fauna | (2) |
| Other | (1) |
| Total Adjustments | 19.734 |

Rosa Maria Lemos de Sá
General Secretary

Aylton Coelho Neto
Planning and Management Superintendent

Daniele Soares dos Santos
Accountant CRC-RJ – 095.266/0-0