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Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED FINANCIAL STATEMENTS

December 31, 2011

- President & CEO

- CORPORATE SECRETARY

Comptroller

THURSDAY

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Sheehan & COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Stockholder
Nausch, Hogan & Murray, Inc

We have audited the accompanying combined balance sheets of Nausch, Hogan & Murray, Inc , NHM International, Inc and Nausch, Hogan & Murray, (V I) Inc. as of December 31, 2011 and 2010 and the related combined statements of income and comprehensive income, retained earnings and cash flows for the years then ended These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Nausch, Hogan & Murray, Inc , NHM International, Inc and Nausch, Hogan & Murray, (V I) Inc as of December 31, 2011 and 2010 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Sheehan & Company, CPA PC

October 16, 2012

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED BALANCE SHEETS

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	$ 17,294,664	$ 24,898,400
Commissions receivable	1,248,857	2,196,945
Prepaid assets	483,690	503,739
Total current assets	19,027,211	27,599,084
Fixed assets:		
Property and equipment, net	368,616	366,849
Total assets	$ 19,395,827	$ 27,965,933

The accompanying notes are an integral part of these financial statements

Sheehan & COMPANY

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED BALANCE SHEETS

December 31, 2011 and 2010

LIABILITIES AND STOCKHOLDER'S EQUITY

	2011	2010
Current liabilities:		
Accounts payable	$ -	$ 2,007
Unremitted insurance premiums	11,528,032	13,257,913
Unremitted insurance claims	1,622,474	3,019,717
Insurance premium financing	295,830	260,562
Pension plan contribution payable	337,539	319,729
Accrued expenses	50,000	89,316
Accrued taxes	1,500	-
Employee withholding pension payable	30,996	22,171
Other current liabilities	4,715	11,754
Total current liabilities	13,871,086	16,983,169
Long-term liabilities:		
Deferred rent	117,818	-
Total liabilities	13,988,904	16,983,169
Stockholder's equity:		
Common stock	21,600	21,600
Additional paid-in-capital	1,290,097	1,642,624
Retained earnings	3,843,275	9,124,320
Accumulated other comprehensive income		
Unrealized gains on foreign currency	251,951	194,220
Total stockholder's equity	5,406,923	10,982,764
Total liabilities and stockholder's equity	$ 19,395,827	$ 27,965,933

The accompanying notes are an integral part of these financial statements

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2011 and 2010

	2011	2010
Revenues:		
Commissions	$ 17,510,973	$ 16,626,323
Adjusters fees	79,889	503
Interest income	186,190	189,312
Other income	431,470	97,605
Total revenues	18,208,522	16,913,743
Expenses:		
Compensation and related costs	7,169,666	7,225,626
Payroll taxes	375,625	384,937
Pension contribution expense	337,539	319,729
Rent	626,230	635,256
Depreciation and amortization	231,778	182,878
Professional and consultant fees	540,881	161,301
Telephone	62,822	67,141
Bank charges	23,343	41,316
Automobile expenses	139,500	145,731
Dues and subscriptions	31,371	30,993
Travel and entertainment	216,996	226,015
Interest expense	7,416	102,869
Insurance expense	1,268,422	1,252,345
General office expenses	4,129,387	4,423,199
Total expenses	15,160,976	15,199,336

The accompanying notes are an integral part of these financial statements

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2011 and 2010

	2011	2010
Net income before provision for income taxes	$ 3,047,546	$ 1,714,407
Provision for income taxes	(367,118)	(328,034)
Net income	2,680,428	1,386,373
Other comprehensive income (loss):		
Unrealized gains (losses) on foreign currency translation arising during period, net of tax	57,731	(132,660)
Total other comprehensive income (loss)	57,731	(132,660)
Comprehensive income	$ 2,738,159	$ 1,253,713

The accompanying notes are an integral
part of these financial statements

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Retained earnings, beginning of year	$ 9,124,320	$ 13,003,641
Net income	2,680,428	1,386,373
Write off of stockholder loan	352,527	-
Stockholder's distributions	(8,314,000)	(5,265,694)
Retained earnings, end of year	$ 3,843,275	$ 9,124,320

The accompanying notes are an integral
part of these financial statements

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net income	$ 2,680,428	$ 1,386,373
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Unrealized gains (losses) on foreign currency	57,731	(132,660)
Depreciation and amortization	231,778	182,878
Deferred rent	117,818	-
(Increase) decrease in assets		
Commissions receivable	948,088	3,191,947
Prepaid assets	20,049	(125,983)
Increase (decrease) in liabilities:		
Accounts payable	(2,007)	(29,697)
Unremitted insurance premiums	(1,729,881)	(9,658,159)
Unremitted insurance claims	(1,397,243)	(1,602,544)
Pension plan contribution payable	17,810	(16,116)
Accrued expenses	(39,316)	(54,241)
Accrued taxes	1,500	(2,550)
Employee withholding pension payable	8,825	17,981
Other current liabilities	(7,039)	8,441
Total adjustments to net income	(1,771,887)	(8,220,703)
Net cash provided (used) by operating activities	908,541	(6,834,330)
Cash flows from investing activities:		
Purchases of property and equipment	(233,545)	-
Repayments of notes receivable	-	213,651
Net cash provided (used) by investing activities	(233,545)	213,651

The accompanying notes are an integral part of these financial statements

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from financing activities:		
Proceeds from insurance premium financing	$ 493,050	$ 469,011
Payments on insurance premium financing	(457,782)	(468,389)
Principal payments on note payable	-	(4,568,000)
Distributions to stockholder	(8,314,000)	(5,265,694)
Net cash (used) by financing activities	(8,278,732)	(9,833,072)
Net decrease in cash and cash equivalents	(7,603,736)	(16,453,751)
Cash and cash equivalents, beginning of year	24,898,400	41,352,151
Cash and cash equivalents, end of year	$ 17,294,664	$ 24,898,400
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 7,416	$ 102,869
Taxes	364,887	381,516
Non-cash financing activity:		
Adjustment to additional paid-in-capital for stockholder loan	$ 352,527	$ -

The accompanying notes are an integral part of these financial statements

Sheehan & COMPANY

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

NOTES TO FINANCIAL STATEMENTS

1. **Nature of operations and summary of significant accounting policies:**

Description of business: Nausch, Hogan & Murray, Inc (the Company), and its affiliates and subsidiaries, is a non-public insurance organization arranging property, casualty and marine liability coverage to both domestic and foreign clientele

The significant accounting policies followed by the Company and its subsidiaries and affiliates are summarized as follows

Principles of combination: The combined financial statements include the accounts of the Company, which includes two Brazil subsidiaries and its affiliates NHM International, Inc. and Nausch, Hogan and Murray, (VI), Inc. All significant balances and transactions amongst the entities have been eliminated in combination

Basis of presentation: The accompanying combined financial statements have been prepared on the accrual basis of accounting

Cash equivalents and foreign cash conversions: Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Foreign currencies are converted to United States dollars using the prevailing exchange rates at the Combined Balance Sheets date.

Commissions receivable: The commissions receivable balance is the amount management expects to collect on balances outstanding at year end and is presented in the Combined Balance Sheets, net of allowance for doubtful accounts Management closely monitors outstanding balances and writes off, as appropriate, any balances that are deemed to be uncollectible. As management has significant experience with and knowledge of their clients, they have been successful in monitoring and collecting their receivables At December 31, 2011 and 2010, the allowance for doubtful accounts had a zero balance based upon management's estimate of collectability

Property and equipment: Acquisitions of property and equipment in excess of $1,000 are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Property and equipment is recorded at cost and is depreciated principally under the double declining method over the estimated useful lives of the respective assets Depreciation and amortization expense for the years ending December 31, 2011 and 2010 was $231,778 and $182,878, respectively

NOTES TO FINANCIAL STATEMENTS

1. **Nature of operations and summary of significant accounting policies (continued):**

Leases: The Company has operating leases and the related rental is charged to expense as incurred on a straight-line basis

Long-lived assets: Long-lived assets are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets When any such impairment exists, the related assets will be written down to fair value No impairment losses have been necessary through December 31, 2011

Accruals, prepayments and expense recognition: Accruals and prepayments have been recognized, including income tax

Other comprehensive income: Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are excluded from net income as these amounts are recorded directly as an adjustment to stockholder's equity. Accumulated other comprehensive income is comprised of the cumulative effects of foreign currency translations

Recognition of premium commission revenues: Property, casualty and marine liability premium commissions are generally recognized as revenue when earned

Employee benefit plan: The Company sponsors a 401(k) savings plan that covers substantially all full-time employees Benefits are a function of years of service and level of compensation, as well as employee elected salary deferrals The Company's funding policy is to fund all accrued profit sharing costs on a current basis

Taxes on income: The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the entity's taxable income The Company is not taxed as an S corporation in New York City Accordingly, the provision and liability reflects New York City taxes The provision and liability for federal, state, city and foreign income taxes in the financial statements also includes taxes on the income of NHM International, Inc

NOTES TO FINANCIAL STATEMENTS

1. **Nature of operations and summary of significant accounting policies (continued):**

Taxes on income (continued):

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date Any deferred tax liabilities and assets resulting from temporary differences are considered immaterial and, therefore, are not provided for at December 31, 2011 and 2010

The Company has adopted requirements for accounting for uncertainty in income taxes in accordance with recently enacted accounting standards As of December 31, 2011, management has analyzed the Company's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded or disclosed related to uncertain tax positions taken on returns filed for open tax years (2008-2010) or expected to be taken in the Company's 2011 tax returns

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses During the years ended December 31, 2011 and 2010, the Company did not recognize or accrue any interest and penalties related to unrecognized tax benefits

Fair value measurements: As required by accounting principles generally accepted in the United States of America, the Company reports the fair value of assets and liabilities based on established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements) The three levels of the fair value hierarchy are as follows

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Company has the ability to access at the measurement date
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly
- Level 3 inputs are unobservable inputs for the investment

NOTES TO FINANCIAL STATEMENTS

1. **Nature of operations and summary of significant accounting policies (continued):**

Fair value measurements (continued):

The level ın the faır value hıerarchy withın whıch a faır measurement ın ıts entırety falls, ıs based on the lower level ınput that ıs sıgnıficant to the faır value measurement ın ıts entırety

The Company's financıal ınstruments cannot consıst prımarıly of cash and cash equıvalents, commıssions receivable, accounts payable, accrued expenses and debt The carryıng values for the Company's financıal ınstruments approxımate faır value The Company measures ıts cash and cash equıvalents at faır value and ıs classıfied wıth Level 1 as the valuatıon ınputs are based on quoted prıces ın actıve markets for ıdentıcal assets There are no financıal assets or lıabılıtıes classıfied as Level 2 or 3

Use of estimates: The preparatıon of financıal statements in conformıty wıth generally accepted accounting prıncıples requires management to make estimates and assumptıons that affect the reported amounts of assets and liabılıtıes and dısclosure of contıngent assets and lıabılıtıes at the date of the financıal statements and the reported amounts of revenues and expenses durıng the reportıng perıod Actual results could dıffer from those estımates

Events occurring after reporting date: The Company has evaluated events and transactıons that occurred between December 31, 2011 and October 16, 2012, whıch ıs the date the financıal statements were avaılable to be ıssued, for possıble dısclosure and recognıtıon in the financıal statements

NOTES TO FINANCIAL STATEMENTS

2. **Insurance premium financing:**

Insurance premium financing consists of the following

	2011	2010
Note payable, Signature Bank, due June 23, 2012, payable in ten monthly installments of $49,305, which includes principal of $49,305 The note has an interest rate of 1 40% and is secured by an interest in one of the Company's money market accounts	$295,830	$ -
Note payable, gotoPremiumFinance com, due May 23, 2011, payable in nine monthly installments of $53,258 90, which includes amortization and interest at 5 25%, secured by an interest in return premiums, dividend payments and certain loss payments.	-	260,562
Total insurance premium financing	$295,830	$260,562

3. **Operating leases:**

The Company leased office space in New York City under an operating lease that expired on August 31, 2011 The Company extended the lease for an additional five years, expiring on August 31, 2016. Under the terms of this lease, the Company is obligated to pay escalation rentals for certain operating expenses and real estate taxes Minimum future rental payments due under the lease as of December 31, 2011 are summarized as follows

Year Ending December 31,	Amount
2012	$ 461,025
2013	478,100
2014	512,250
2015	512,250
2016	341,500
	$2,305,125

3. **Operating leases (continued):**

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2011 and 2010, was $448,988 and $423,785, respectively

The Company leased office space in Miami under an operating lease which expired on December 31, 2011 Under the terms of this lease, the Company was obligated to pay escalation rentals for certain operating expenses and real estate taxes The lease was not renewed upon the expiration of the lease

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2011 and 2010, was $103,247 and $92,611, respectively

The Company leased office space in St Thomas, Virgin Islands under an operating lease which expired on December 31, 2008 On September 9, 2008, the Company exercised a lease option under the terms of the original contract extending the lease until December 31, 2010 On August 17, 2010, the Company exercised a second lease option extending the lease through December 31, 2013 Under the terms of this lease, the rent may be adjusted to reflect increases in the Consumer Price Index Minimum future rental payments under the lease as of December 31, 2011 are summarized as follows

Year Ending December 31,	Amount
2012	$29,360
2013	29,360
	$58,720

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2011 and 2010, was $29,360 and $34,154, respectively

The Company leased an apartment in Miami under an operating lease beginning May 10, 2010 expiring on May 9, 2011 Under the terms of the lease, the Company was obligated to pay a base rent of $10,000 per month plus the costs of utilities The lease was not renewed

Rent expense, including utilities, for the years ending December 31, 2011 and 2010, was $44,637 and $84,403, respectively

NOTES TO FINANCIAL STATEMENTS

4. **Concentrations of credit risk:**

The Company maintains its cash balances in multiple financial institutions located in various countries. At December 31, 2011, interest bearing accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation and non-interest bearing accounts are insured fully under the Temporary Liquidity Guarantee Program From time to time, during the year, balances may exceed the insured amount Management has not experienced any loss and does not believe there is any significant market risks associated with such balances

For the years ended December 31, 2011 and 2010, a significant portion of the Company's operating income and total outstanding commissions receivable are related to the following sources

	December 31, 2011	
	Commissions	Commissions Receivable
Customer A	48%	73%

	December 31, 2010	
	Commissions	Commissions Receivable
Customer A	28%	38%
Customer B	3%	20%

5. **Property and equipment:**

Property and equipment are summarized by major classifications as follows

	2011	2010
Machinery and equipment	$ 91,889	$ 78,805
Furniture and fixtures	144,844	144,844
Leasehold improvements	10,348	10,348
Transportation equipment	3,063,213	2,842,753
	3,310,294	3,076,750
Less accumulated depreciation and amortization	(2,941,678)	(2,709,901)
	$ 368,616	$ 366,849

6. **Common stock:**

The Company was incorporated on August 17, 1976 and has been authorized to issue 200 shares of common stock, no par value, all of which are issued and outstanding as of December 31, 2011 and 2010

NHM International, Inc was incorporated on February 19, 1980 and has been authorized to issue 100 shares of common stock, no par value, all of which are issued and outstanding as of December 31, 2011 and 2010

Nausch, Hogan and Murray, (V I) Inc was incorporated on April 2, 2001 and has been authorized to issue 10,000 shares of common stock, no par value, all of which are issued and outstanding as of December 31, 2011 and 2010

7. **Guarantee of debt:**

In connection with its accounts held at ABN AMRO Bank N V , the Company is acting as a guarantor of various third parties' debts, totaling $60,907 and $115,239 at December 31, 2011 and 2010, respectively An example of an event that would require the Company to provide a cash payment pursuant to the guarantee is a loan default, which would result from the third party's failure to service its obligations Significant losses are not anticipated and there is currently no recorded liability for potential losses under this guarantee, nor is there any liability for the Company's obligation to "stand ready" to fund such guarantee

8. **Foreign operations:**

Operations outside the United States include branch and subsidiary offices in England, Brazil and the Netherlands Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls and restrictions on currency exchange

Results of operations for the Company's foreign branch and subsidiary offices are translated from the local (functional) currency to the U S dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date Unrealized gains and losses on foreign currency at the Combined Balance

8. **Foreign operations (continued):**

Sheets date are included in accumulated other comprehensive income in the equity section of the Combined Balance Sheets At December 31, 2011 and 2010, the unrealized gains were $251,951 and $194,220, respectively. Gains and losses on transactions denominated and settled in foreign currency were immaterial for the years ended December 31, 2011 and 2010, respectively

9. **Retirement plan:**

The Company maintains a discretionary defined contribution profit sharing and 401(k) plan covering all of its eligible employees An employee must have been employed with the Company for at least one year in order to participate, as defined by the plan document. Profit sharing contributions are funded by periodic, discretionary Company contributions to the plan as well as voluntary payroll deductions from employees The amount contributed by the Company to the plan for the years ending December 31, 2011 and 2010 amounted to $337,539 and $319,729, respectively

10. **Income taxes:**

The Company's provision for income taxes at December 31, 2011 and 2010 consists of the following

	2011	2010
State	$ 16,220	$ 6,000
City	289,972	229,038
Foreign	60,926	92,996
Total	$367,118	$328,034

11. **Contingencies:**

Current litigation: In 2010, the Company became aware that an employee of the Company's Brazil subsidiary, Nausch, Hogan & Murray Brasil Corretora de Resseguros Ltda attempted to steal a majority of the shares of that corporation Attorneys were retained and were successful in obtaining a restraining order against the now ex-employee forcing her to return control of the corporation to the Company. The ex-employee either destroyed or stole all of the local records for the branch office which made it difficult for the Company to determine the impact, if any, that resulted from the

Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.

NOTES TO FINANCIAL STATEMENTS

11. Contingencies (continued):

Current litigation (continued):

ex-employee's actions In late 2011, after the Company was able to reconstruct its files, it was determined that the ex-employee had stolen approximately $4,000,000 from one of the Company's clients while these funds were under the Company's care It was determined that one of the employees of this client who was an executive officer, was also involved in the theft further complicating the matter

A civil action has been commenced against the Brazil subsidiary seeking damages in the amount of approximately $5,500,000. The Company is attempting to negotiate a settlement and maintains a level of insurance to cover a portion of any loss the Company may incur The Company believes its exposure to loss is limited due the insurance coverage noted above as well as the collusion the ex-employee of the Company had with an executive employee of the client as well as collusion with a representative of the insurance carrier. Since the amount of settlement, if any, cannot be reasonably estimated, no accrual has been provided in the financial statements as of December 31, 2011.

General litigation: The Company is involved in various routine legal proceedings incidental to the operation of its business The Company does not believe that it is reasonably possible that any ongoing litigation will have a material effect on the future financial position, net income or cash flows of the Company as these amounts, including legal fees, are covered by the Company's E&O Insurance. Notwithstanding the foregoing, legal proceedings involve an element of uncertainty. Future developments could cause these legal proceedings to have a material adverse effect on the Company's future financial statements