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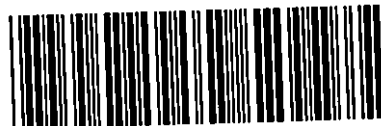
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**Nausch, Hogan & Murray, Inc.
NHM International, Inc.
Nausch, Hogan & Murray, (V.I.) Inc.**

COMBINED FINANCIAL STATEMENTS

December 31, 2008

MONDAY



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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, 2008 and 2007 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, 2008 and 2007, 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 27, 2009

William J. Murray
Chairman

[Signature]
Controller

[Signature]
CORPORATE SECRETARY

[Signature]
President

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

COMBINED BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

| | <u>2008</u> | <u>2007</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 50,547,253 | \$ 47,131,902 |
| Commissions receivable | 6,292,362 | 5,788,539 |
| Prepaid assets | <u>335,225</u> | <u>335,824</u> |
| Total current assets | <u>57,174,840</u> | <u>53,256,265</u> |
| Fixed assets: | | |
| Property and equipment, net | <u>736,119</u> | <u>898,785</u> |
| Other assets: | | |
| Notes receivable | <u>3,808,518</u> | <u>3,903,556</u> |
| Total assets | <u>\$ 61,719,477</u> | <u>\$ 58,058,606</u> |

The accompanying notes are an integral
part of these financial statements

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Sheehan
& COMPANY

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

COMBINED BALANCE SHEETS

December 31, 2008 and 2007

LIABILITIES AND STOCKHOLDER'S EQUITY

| | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| Current liabilities: | | |
| Accounts payable | \$ 44,936 | \$ 111,980 |
| Note payable, short-term borrowing | - | 499,997 |
| Note payable, current portion | 571,000 | 571,000 |
| Unremitted insurance premiums | 31,346,435 | 28,564,852 |
| Unremitted insurance claims | 2,429,249 | 5,528,803 |
| Insurance premium financing | 250,842 | 251,246 |
| Pension plan contribution payable | 334,116 | 326,039 |
| Accrued expenses | 182,322 | 86,063 |
| Accrued taxes | 419,999 | 18,940 |
| Employee withholding pension payable | 11,064 | 12,931 |
| Other current liabilities | 3,511 | 147,417 |
| Total current liabilities | 35,593,474 | 36,119,268 |
| Long-term debt (less current portion above): | | |
| Note payable | 4,568,000 | 5,139,000 |
| Total liabilities | 40,161,474 | 41,258,268 |
| Stockholder's equity: | | |
| Common stock | 21,600 | 21,600 |
| Additional paid-in capital | 1,642,624 | 1,642,624 |
| Retained earnings | 19,723,191 | 14,728,998 |
| Accumulated other comprehensive income: | | |
| Unrealized gains on foreign currency | 170,588 | 407,116 |
| Total stockholder's equity | 21,558,003 | 16,800,338 |
| Total liabilities and stockholder's equity | \$ 61,719,477 | \$ 58,058,606 |

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, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|--------------------|--------------------|
| Revenues: | | |
| Commissions | \$ 22,974,712 | \$ 23,484,259 |
| Interest income | 1,485,234 | 1,649,204 |
| Other income | 34,517 | 23,531 |
| Total revenues | <u>24,494,463</u> | <u>25,156,994</u> |
| Expenses: | | |
| Compensation and related costs | 8,778,882 | 7,121,770 |
| Payroll taxes | 363,078 | 312,737 |
| Pension contribution expense | 334,116 | 326,039 |
| Corporation taxes | 143,703 | 148,300 |
| Rent | 526,270 | 521,825 |
| Depreciation and amortization | 179,002 | 239,054 |
| Professional and consultant fees | 353,054 | 1,292,874 |
| Telephone | 60,286 | 53,028 |
| Bank charges | 31,196 | 25,070 |
| Automobile expenses | 156,158 | 150,232 |
| Commercial rent tax | 15,430 | 14,884 |
| Dues and subscriptions | 28,705 | 20,004 |
| Travel and entertainment | 338,665 | 466,975 |
| Interest expense | 287,534 | 356,029 |
| Insurance expense | 1,097,944 | 1,034,847 |
| General office expenses | 5,069,786 | 4,524,369 |
| Total expenses | <u>17,763,809</u> | <u>16,608,037</u> |
| Net income before provision for income taxes | 6,730,654 | 8,548,957 |
| (Provision) benefit for income taxes | <u>(547,561)</u> | <u>36,124</u> |
| Net income | <u>6,183,093</u> | <u>8,585,081</u> |

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, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Other comprehensive income (loss): | | |
| Unrealized gains (losses) on foreign currency arising during period | \$ (236,528) | \$ 158,466 |
| Total other comprehensive income (loss) | <u>(236,528)</u> | <u>158,466</u> |
| Comprehensive income | <u>\$ 5,946,565</u> | <u>\$ 8,743,547</u> |

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

December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|-----------------------------|-----------------------------|
| Retained earnings at January 1, as previously reported | \$ 14,728,998 | \$ 6,940,542 |
| Adjustment for write-off of investment | <u>-</u> | <u>(796,625)</u> |
| Retained earnings at January 1, as restated | 14,728,998 | 6,143,917 |
| Net income | 6,183,093 | 8,585,081 |
| Stockholder's distributions | <u>(1,188,900)</u> | <u>-</u> |
| Retained earnings at December 31 | <u><u>\$ 19,723,191</u></u> | <u><u>\$ 14,728,998</u></u> |

The accompanying notes are an integral
part of these financial statements

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& COMPANY

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

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|------------------|--------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 6,183,093 | \$ 8,585,081 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Unrealized gains on foreign currency | (236,528) | 158,466 |
| Depreciation and amortization | 179,002 | 239,054 |
| Loss on investment | - | 1,134,453 |
| (Increase) decrease in assets: | | |
| Commissions receivable | (503,822) | (3,734,042) |
| Prepaid assets | 599 | (298,876) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (67,044) | 111,980 |
| Unremitted insurance premiums | 2,781,583 | 9,856,922 |
| Unremitted insurance claims | (3,099,554) | 3,501,583 |
| Pension plan contribution payable | 8,077 | 51,039 |
| Accrued expenses | 96,259 | 86,063 |
| Accrued taxes | 401,059 | (159,470) |
| Employee withholding pension payable | (1,867) | 9,289 |
| Other current liabilities | (143,906) | 71,877 |
| Total adjustments to net income | (586,142) | 11,028,338 |
| Net cash provided by operating activities | <u>5,596,951</u> | <u>19,613,419</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (16,337) | (4,333) |
| Payments on notes receivable | 95,038 | - |
| Proceeds advanced on notes receivable | - | (2,500,709) |
| Net cash provided (used) by investing activities | <u>78,701</u> | <u>(2,505,042)</u> |

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, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|---------------------------------|---------------------------------|
| Cash flows from financing activities: | | |
| Principal payments on note payable, short-term borrowing | \$ (499,997) | \$ - |
| Proceeds from note payable, short-term borrowing | - | 2,997 |
| Proceeds from insurance premium financing | 451,514 | 452,243 |
| Payments on insurance premium financing | (451,918) | (200,997) |
| Proceeds from note payable | - | 5,710,000 |
| Principal payments on mortgage payable | - | (1,681,318) |
| Principal payments on note payable | (571,000) | (2,957,488) |
| Distributions to shareholder | (1,188,900) | - |
| Net cash provided (used) by financing activities | <u>(2,260,301)</u> | <u>1,325,437</u> |
| Net increase in cash and cash equivalents | 3,415,351 | 18,433,814 |
| Cash and cash equivalents, beginning of year | <u>47,131,902</u> | <u>28,698,088</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 50,547,253</u></u> | <u><u>\$ 47,131,902</u></u> |
| Supplemental disclosures: | | |
| Cash paid for: | | |
| Interest | \$ 287,534 | \$ 356,029 |
| Taxes | 146,502 | 65,462 |

The accompanying notes are an integral
part of these financial statements

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, 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 affiliates are summarized as follows:

Principles of combination: The combined financial statements include the accounts of the Company and its affiliates.

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 Balance Sheet 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 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, 2008 and 2007, 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, 2008 and 2007 was \$179,002 and \$239,054, respectively.

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 (continued):

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

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: Nausch, Hogan & Murray, Inc., with the consent of its shareholder, 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 and city income taxes in the financial statements also includes taxes on the income of NHM International, Inc.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Line of credit:

The Company had an open credit line of \$500,000 available from Barclays Bank, PLC, which was reviewed annually. Advances on the credit line are subject to interest at 1% above the prime rate and are secured by a letter of charge held by Barclays Bank, PLC. The line expired on July 30, 2008 and was not renewed.

As of December 31, 2008 and 2007, the outstanding balance on the credit line was \$-0- and \$499,997, respectively.

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

NOTES TO FINANCIAL STATEMENTS

3. Note payable:

On December 12, 2007, the Company entered into a note with Capital One Bank, N.A. (formerly North Fork Bank) with a principal balance of \$5,710,000. Proceeds from the note were used to pay off principal balances on a mortgage and a previous loan from North Fork Bank, in the amounts of \$1,577,314 and \$2,431,524, respectively.

The note has a ten-year term, with principal payments of \$571,000 due annually on December 12. Interest is payable monthly at a rate of 0.75% in excess of the bank's one-year certificate of deposit rate, which is adjusted annually on the 12th of each year. At December 31, 2008 and 2007, the interest rate was 2.24% and 4.75%, respectively.

The future scheduled maturities of long-term debt are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|--------------------|
| 2009 | \$ 571,000 |
| 2010 | 571,000 |
| 2011 | 571,000 |
| 2012 | 571,000 |
| 2013 | 571,000 |
| Thereafter | <u>2,284,000</u> |
| | <u>\$5,139,000</u> |

The note is collateralized by a certificate of deposit held with the bank. At December 31, 2008 and 2007, the balance of the certificate of deposit was \$5,710,000.

In addition, the Company is required to maintain a minimum average monthly balance of \$2,000,000 with Capital One Bank, N.A., excluding the pledged certificate of deposit. During the years ended December 31, 2008 and 2007, the Company was in compliance with the minimum balance requirements.

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

NOTES TO FINANCIAL STATEMENTS

4. Insurance premium financing:

Insurance premium financing consists of the following:

| | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|
| Note payable, gotoPremiumFinance.com, due May 23, 2009, payable in nine monthly installments of \$51,322.77, which includes amortization and interest at 5.49%, secured by an interest in return premiums, dividend payments, and certain loss payments. | \$250,842 | \$ - |
| Note payable, gotoPremiumFinance.com, due May 23, 2008, payable in nine monthly installments of \$51,492.64, which includes amortization and interest at 5.90%, secured by an interest in return premiums, dividend payments, and certain loss payments. | - | <u>251,246</u> |
| Total insurance premium financing | <u>\$250,842</u> | <u>\$251,246</u> |

5. Operating leases:

The Company leases office space in New York City under an operating lease expiring on August 31, 2011. 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 under the lease as of December 31, 2008 are summarized as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|--------------------|
| 2009 | \$ 379,065 |
| 2010 | 379,065 |
| 2011 | <u>252,710</u> |
| | <u>\$1,010,840</u> |

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

NOTES TO FINANCIAL STATEMENTS

5. Operating leases (continued):

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2008 and 2007 was \$414,705 and \$413,886, respectively.

The Company leases office space in Miami under an operating lease expiring on December 31, 2011. 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 under the lease as of December 31, 2008 are summarized as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2009 | \$ 81,012 |
| 2010 | 83,448 |
| 2011 | <u>85,945</u> |
| | <u>\$250,405</u> |

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2008 and 2007 was \$87,666 and \$81,484, 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. 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, 2008 are summarized as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-----------------|
| 2009 | \$23,004 |
| 2010 | <u>23,004</u> |
| | <u>\$46,008</u> |

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

NOTES TO FINANCIAL STATEMENTS

5. Operating leases (continued):

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2008 and 2007 was \$25,611 and \$26,455, respectively.

6. Concentrations of credit risk:

The Company maintains its cash balances in multiple financial institutions located in various countries. The balances held in accounts in the United States of America are insured by the Federal Deposit Insurance Corporation up to \$250,000, as of December 31, 2008 and \$100,000 as of December 31, 2007 per financial institution. From time to time, the cash balances maintained by the Company may exceed the insured amount.

For the years ended December 31, 2008 and 2007, a significant portion of the Company's operating income and total outstanding commissions receivable are related to the following sources:

| | <u>December 31, 2008</u> | |
|------------|--------------------------|-----------------------------------|
| | <u>Commissions</u> | <u>Commissions Receivable</u> |
| Customer A | 29% | 23% |
| Customer B | 24% | 54% |

| | <u>December 31, 2007</u> | |
|------------|--------------------------|-----------------------------------|
| | <u>Commissions</u> | <u>Commissions Receivable</u> |
| Customer A | 37% | 44% |

7. Related party transactions:

Notes receivable at December 31, 2008 and 2007, were due from the following related parties stated at unpaid principal balances:

| | <u>2008</u> | <u>2007</u> |
|--|--------------------|--------------------|
| Note receivable from shareholder | \$3,600,000 | \$3,600,000 |
| Note receivable from employee | 194,418 | 202,847 |
| Accrued interest receivable on above notes | 14,100 | 100,709 |
| | <u>\$3,808,518</u> | <u>\$3,903,556</u> |

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

NOTES TO FINANCIAL STATEMENTS

7. Related party transactions (continued):

Interest income related to these notes was \$102,291 and \$100,709 during the years ended December 31, 2008 and 2007, respectively. Interest is calculated using the Applicable Federal Rate.

8. Property and equipment:

Property and equipment are summarized by major classifications as follows:

| | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| Machinery and equipment | \$ 78,805 | \$ 67,488 |
| Furniture and fixtures | 144,844 | 139,824 |
| Leasehold improvements | 10,348 | 10,348 |
| Transportation | <u>2,682,040</u> | <u>2,682,040</u> |
| | 2,916,037 | 2,899,700 |
| Less accumulated depreciation and amortization | <u>(2,179,918)</u> | <u>(2,000,915)</u> |
| | <u>\$ 736,119</u> | <u>\$ 898,785</u> |

9. Common stock:

Nausch, Hogan and Murray, Inc. 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, 2008 and 2007.

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, 2008 and 2007.

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, 2008 and 2007.

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

NOTES TO FINANCIAL STATEMENTS

10. 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 \$119,912 and \$123,405 at December 31, 2008 and 2007, 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 parties' 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.

11. Foreign operations:

Operations outside the United States include branch offices in England, Brazil, and the Netherlands. The branch office located in Canada was closed during the year ended December 31, 2008. 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 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 Balance Sheet date are included in accumulated other comprehensive income in the equity section of the Balance Sheets. At December 31, 2008 and 2007, the unrealized gains were \$170,588 and \$407,116, respectively.

12. Retirement plans:

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. Profit sharing contributions are funded by periodic, discretionary company contributions to the plans as well as voluntary payroll deductions from employees. The amount contributed by the Company to the plan for the years ending December 31, 2008 and 2007 is \$334,116 and \$326,039, respectively.

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

NOTES TO FINANCIAL STATEMENTS

13. Income taxes:

The Company's provision for income taxes at December 31, 2008 and 2007 consists of the following:

| | <u>2008</u> | <u>2007</u> |
|---------|------------------|-------------------|
| Federal | \$213,893 | \$(23,596) |
| State | 6,143 | 2,181 |
| City | <u>327,525</u> | <u>(14,709)</u> |
| Total | <u>\$547,561</u> | <u>\$(36,124)</u> |

14. Prior-period adjustment:

Retained earnings at the beginning of 2007 have been adjusted for an unrecognized loss in the prior year. The correction has no effect on the results of the 2007 activities; however, the adjustment decreases beginning retained earnings for 2007 by \$796,625. As this adjustment occurred on Nausch, Hogan & Murray, Inc., an S corporation, there is no tax related adjustment as the entity's taxes are paid by the shareholder.