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

COMBINED FINANCIAL STATEMENTS

December 31, 2013

John L. Murray
President

[Signature]
CFO

[Signature]
CORPORATE SECRETARY

**Sheehan
& COMPANY**

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INDEPENDENT AUDITOR'S REPORT

To the Stockholder
Nausch, Hogan & Murray, Inc.

We have audited the accompanying combined financial statements of Nausch, Hogan & Murray, Inc., NHM International, Inc. and Nausch, Hogan & Murray, (V I) Inc., which comprise the combined balance sheets as of December 31, 2013 and 2012 and the related combined statements of income and comprehensive income, stockholder's equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements

To the Stockholder
Nausch, Hogan & Murray, Inc

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

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, 2013 and 2012 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

Brightwaters, New York
September 16, 2014

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

COMBINED BALANCE SHEETS

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 23,579,602	\$ 18,276,093
Commissions receivable	1,545,898	1,574,968
Prepaid assets	<u>402,661</u>	<u>350,216</u>
Total current assets	<u>25,528,161</u>	<u>20,201,277</u>
Fixed assets:		
Property and equipment, net	<u>125,369</u>	<u>145,956</u>
Total assets	<u>\$ 25,653,530</u>	<u>\$ 20,347,233</u>

John L. Murray
President

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, 2013 and 2012

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Unremitted insurance premiums	\$ 16,120,662	\$ 12,209,542
Unremitted insurance claims	2,683,258	3,003,201
Insurance premium financing	295,830	295,830
Pension plan contribution payable	306,960	297,855
Accrued expenses	50,000	50,000
Employee withholding pension payable	4,187	4,187
Other current liabilities	-	3,111
Total current liabilities	<u>19,460,897</u>	<u>15,863,726</u>
Long-term liabilities:		
Deferred rent	<u>154,530</u>	<u>186,972</u>
Total liabilities	<u>19,615,427</u>	<u>16,050,698</u>
Stockholder's equity:		
Common stock	21,600	21,600
Additional paid-in-capital	1,290,097	1,290,097
Retained earnings	4,461,219	2,777,884
Accumulated other comprehensive income:		
Unrealized gains on foreign currency	<u>265,187</u>	<u>206,954</u>
Total stockholder's equity	<u>6,038,103</u>	<u>4,296,535</u>
 Total liabilities and stockholder's equity	 <u>\$ 25,653,530</u>	 <u>\$ 20,347,233</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 STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Commissions	\$ 18,607,296	\$ 16,036,620
Adjusters fees	82	966
Interest income	108,680	90,937
Other income	26,551	42,808
Total revenues	<u>18,742,609</u>	<u>16,171,331</u>
Expenses:		
Compensation and related costs	6,093,478	5,767,125
Payroll taxes	331,605	320,617
Pension contribution expense	306,960	297,855
Rent	505,437	527,659
Depreciation and amortization	74,134	232,725
Professional and consultant fees	380,392	379,795
Telephone	57,835	65,191
Bank charges	15,176	13,395
Automobile expenses	126,039	112,228
Dues and subscriptions	27,412	38,745
Travel and entertainment	256,656	250,332
Interest expense	1,963	2,418
Insurance expense	1,117,896	1,186,492
Foreign office expenses	3,619,037	3,470,422
General office expenses	454,271	306,919
Total expenses	<u>13,368,291</u>	<u>12,971,918</u>
Income from operations	5,374,318	3,199,413

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 STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Other income (expenses):		
(Loss) on disposal of equipment	\$ (6,015)	\$ -
Income before provision for income taxes	5,368,303	3,199,413
Provision for income taxes	(419,968)	(264,804)
Net income	<u>4,948,335</u>	<u>2,934,609</u>
Other comprehensive income (loss):		
Unrealized gains (losses) on foreign currency translation arising during period, net of tax	58,233	(44,997)
Total other comprehensive income (loss)	58,233	(44,997)
Comprehensive income	<u>\$ 5,006,568</u>	<u>\$ 2,889,612</u>

The accompanying notes are an integral
part of these financial statements

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

COMBINED STATEMENTS OF STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2013 and 2012

	<u>Common Stock</u>	<u>Additional Paid-In- Capital</u>	<u>Retained Earnings/ Distributions Paid</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholder's Equity</u>
Balance, January 1, 2012	\$ 21,600	\$ 1,290,097	\$ 3,843,275	\$ 251,951	\$ 5,406,923
Net income	-	-	2,934,609	-	2,934,609
Unrealized gains on foreign currency, net of tax	-	-	-	(44,997)	(44,997)
Distributions	-	-	<u>(4,000,000)</u>	<u>-</u>	<u>(4,000,000)</u>
Balance, December 31, 2012	21,600	1,290,097	2,777,884	206,954	4,296,535
Net income	-	-	4,948,335	-	4,948,335
Unrealized gains on foreign currency, net of tax	-	-	-	58,233	58,233
Distributions	-	-	<u>(3,265,000)</u>	<u>-</u>	<u>(3,265,000)</u>
Balance, December 31, 2013	\$ 21,600	\$ 1,290,097	\$ 4,461,219	\$ 265,187	\$ 6,038,103

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income	\$ 4,948,335	\$ 2,934,609
Adjustments to reconcile net income to net cash provided by operating activities		
Unrealized gains (losses) on foreign currency	58,233	(44,997)
Depreciation and amortization	74,134	232,725
Deferred rent	(32,442)	69,154
Loss on disposal of equipment	6,015	-
(Increase) decrease in assets		
Commissions receivable	29,070	(326,111)
Prepaid assets	(52,445)	133,474
Increase (decrease) in liabilities		
Unremitted insurance premiums	3,911,120	681,510
Unremitted insurance claims	(319,943)	1,380,727
Pension plan contribution payable	9,105	(39,684)
Accrued taxes	-	(1,500)
Employee withholding pension payable	-	(26,809)
Other current liabilities	(3,111)	(1,604)
Total adjustments to net income	<u>3,679,736</u>	<u>2,056,885</u>
Net cash provided by operating activities	<u>8,628,071</u>	<u>4,991,494</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(59,562)</u>	<u>(10,065)</u>
Net cash (used) by investing activities	<u>(59,562)</u>	<u>(10,065)</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from financing activities:		
Proceeds from insurance premium financing	\$ 493,050	\$ 493,050
Payments on insurance premium financing	(493,050)	(493,050)
Distributions to stockholder	<u>(3,265,000)</u>	<u>(4,000,000)</u>
Net cash (used) by financing activities	<u>(3,265,000)</u>	<u>(4,000,000)</u>
 Net increase in cash and cash equivalents	 5,303,509	 981,429
 Cash and cash equivalents, beginning of year	 <u>18,276,093</u>	 <u>17,294,664</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 23,579,602</u></u>	 <u><u>\$ 18,276,093</u></u>
 Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$ 1,963	\$ 2,418
Taxes	472,413	131,170

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.

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, (V I), Inc All significant balances and transactions amongst the entities have been eliminated in combination A new subsidiary of the Company in Singapore was formed on January 25, 2013 that will commence operations once all regulatory requirements have been met.

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, 2013 and 2012, 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

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):

Property and equipment (continued):

for the years ending December 31, 2013 and 2012 was \$74,134 and \$232,725, respectively.

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, 2013.

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

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):

Taxes on income (continued):

liability for federal, state, city and foreign income taxes in the combined financial statements also includes taxes on the income of NHM International, Inc. as well as the foreign branch offices and subsidiaries. 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, 2013 and 2012.

The Company has adopted requirements for accounting for uncertainty in income taxes in accordance with recently enacted accounting standards. As of December 31, 2013, 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 (2010-2012) or expected to be taken in the Company's 2013 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, 2013 and 2012, 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.

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):

Fair value measurements (continued):

- 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

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lower level input that is significant to the fair value measurement in its entirety

The Company's financial instruments consist primarily of cash and cash equivalents, commissions receivable, accounts payable, accrued expenses and debt. The carrying values for the Company's financial instruments approximate fair value. The Company measures its cash and cash equivalents at fair value and is classified with Level 1 as the valuation inputs are based on quoted prices in active markets for identical assets. There are no financial assets or liabilities classified as Level 2 or 3.

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.

Events occurring after reporting date: The Company has evaluated events and transactions that occurred between December 31, 2013 and September 16, 2014, which is the date the combined financial statements were available to be issued, for possible disclosure and recognition in the combined financial statements.

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

NOTES TO FINANCIAL STATEMENTS

2. Insurance premium financing:

Insurance premium financing consists of the following

	<u>2013</u>	<u>2012</u>
Note payable, Signature Bank, due June 23, 2014, payable in ten monthly principal installments of \$49,305, plus interest. The note has an interest rate of 1 00% and is secured by an interest in one of the Company's money market accounts.	\$295,830	\$ -
Note payable, Signature Bank, due June 23, 2013, payable in ten monthly principal installments of \$49,305, plus interest. The note has an interest rate of 1 00% and is secured by an interest in one of the Company's money market accounts.	<u>-</u>	<u>295,830</u>
Total insurance premium financing	<u>\$295,830</u>	<u>\$295,830</u>

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, 2013 are summarized as follows.

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 512,250
2015	512,250
2016	<u>341,500</u>
	<u>\$1,366,000</u>

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

NOTES TO FINANCIAL STATEMENTS

3. Operating leases (continued):

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2013 and 2012, was \$476,077 and \$503,697, 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. The lease has not been renewed subsequent to December 31, 2013 and is currently renting the space on a month to month basis.

Rent expense, including charges for operating expenses and taxes, for the years ending December 31, 2013 and 2012, was \$29,360 and \$33,206, respectively.

4. Concentrations of credit risk:

The Company maintains its cash balances in multiple financial institutions located in various countries. At December 31, 2012, interest bearing accounts were insured up to \$250,000 by the Federal Deposit Insurance Corporation and non-interest bearing accounts were insured fully under the Temporary Liquidity Guarantee Program. From time to time, during the year, balances exceeded 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, 2013 and 2012, a significant portion of the Company's operating income and total outstanding commissions receivable are related to the following sources:

	<u>December 31, 2013</u>	
	<u>Commissions</u>	<u>Commissions Receivable</u>
Customer A	57%	79%
	<u>December 31, 2012</u>	
	<u>Commissions</u>	<u>Commissions Receivable</u>
Customer A	48%	70%

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

NOTES TO FINANCIAL STATEMENTS

5. Property and equipment:

Property and equipment are summarized by major classifications as follows

	<u>2013</u>	<u>2012</u>
Machinery and equipment	\$ 103,087	\$ 95,143
Furniture and fixtures	144,844	144,844
Leasehold improvements	10,348	10,348
Transportation equipment	<u>3,089,331</u>	<u>3,063,213</u>
	3,347,610	3,313,548
Less accumulated depreciation and amortization	<u>(3,222,241)</u>	<u>(3,167,592)</u>
	<u>\$ 125,369</u>	<u>\$ 145,956</u>

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, 2013 and 2012.

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, 2013 and 2012

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, 2013 and 2012

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 \$64,750 and \$62,158 at December 31, 2013 and 2012, 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.

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

NOTES TO FINANCIAL STATEMENTS

8. Foreign operations:

Operations outside the United States include branch and subsidiary offices in England, Brazil, the Netherlands and Singapore, effective in 2013. 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 Sheets date are included in accumulated other comprehensive income in the equity section of the Combined Balance Sheets. At December 31, 2013 and 2012, the unrealized gains were \$265,187 and \$206,954, respectively. Gains and losses on transactions denominated and settled in foreign currency were immaterial for the years ended December 31, 2013 and 2012, 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, 2013 and 2012 amounted to \$306,960 and \$297,855, respectively.

10. Income taxes:

The Company's provision for income taxes at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
State	\$ 12,779	\$ 8,020
City	371,376	232,902
Foreign	<u>35,813</u>	<u>23,882</u>
Total	<u>\$419,968</u>	<u>\$264,804</u>

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

NOTES TO FINANCIAL STATEMENTS

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 subsidiary's office which made it difficult for the Company to determine the impact, if any, that resulted from the 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 commenced on September 3, 2012 against the Brazil subsidiary by the Company's now ex-client seeking damages in the amount of approximately \$5,500,000

The litigation is ongoing and the Company 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 to the insurance coverage noted above as well as the collusion of the ex-employee of the Company 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 combined financial statements as of December 31, 2013 and 2012.

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.