R.V. KUHNS & ASSOCIATES, INC.

FINANCIAL STATEMENTS

December 31, 2008 and 2007

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KERN & THOMPSON, LLC
Certified Public Accountants

To the Board of Directors
R.V. Kuhns & Associates, Inc.
Portland, Oregon

We have audited the accompanying balance sheet of R.V. Kuhns & Associates, Inc. (an S corporation) as of December 31, 2008, and the related statements of income, shareholders' equity (deficit), and cash flows for the year 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 audit. The financial statements of R.V. Kuhns & Associates, Inc. as of December 31, 2007 were audited by other auditors whose opinion dated March 31, 2008 on those statements was qualified because of the departure from generally accepted accounting principles described in the third paragraph.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As more fully described in Note A to the financial statements, the Company's financial statements do not include the accounts of Smith Block Enterprises, LLC, an affiliated entity in which the Company holds a variable interest. In our opinion, the Company's financial statements should include the accounts of Smith Block Enterprises, LLC to conform with accounting principles generally accepted in the United States of America. The effects of this departure from generally accepted accounting principles on the financial position, results of operations, and cash flows of the Company are not reasonably determinable.

In our opinion, except for the effects of not including the accounts of Smith Block Enterprises, LLC in the accompanying financial statements as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of R.V. Kuhns & Associates, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kern & Thompson, LLC

Portland, Oregon
March 6, 2009

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R.V. KUHNS & ASSOCIATES, INC.

BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

	2008	2007
Current assets		
Cash and cash equivalents	$ 117,278	$ 27,240
Accounts receivable	1,551,491	1,533,961
Prepaid expenses and other	235,442	171,088
Total current assets	**1,904,211**	**1,732,289**
Furniture, equipment and improvements - net	613,461	438,775
	$ 2,517,672	**$ 2,171,064**

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

	2008	2007
Current liabilities		
Book overdraft	$ -	$ 25,883
Revolving credit agreement	400,000	-
Accounts payable and accrued expenses	279,096	361,298
Accrued payroll and related taxes	558,589	450,021
Current portion of long-term liabilities	289,649	147,611
Total current liabilities	**1,527,334**	**984,813**
Long-term liabilities		
Note payable to shareholder	1,023,363	1,199,143
Capital lease obligations	8,803	22,672
Total long-term liabilities	**1,032,166**	**1,221,815**
Total liabilities	**2,559,500**	**2,206,628**
Shareholders' equity		
Common stock	259	249
Additional paid-in capital	470,018	438,117
Accumulated deficit	(512,105)	(473,930)
Total shareholders' equity (deficit)	**(41,828)**	**(35,564)**
	$ 2,517,672	**$ 2,171,064**

See notes to financial statements.

R.V. KUHNS & ASSOCIATES, INC.

STATEMENTS OF INCOME

Years Ended December 31, 2008 and 2007

	2008	2007
Revenue		
Consulting fees	$ 15,810,718	$ 12,756,190
Operating expenses		
Communications	254,247	213,676
Depreciation and amortization	185,807	166,693
Dues and subscriptions	22,529	24,863
Employee compensation and benefits	10,767,833	8,315,665
Equipment lease and rental	14,804	29,477
Insurance	75,209	74,257
Licenses and taxes	113,453	115,946
Other operating expenses	344,130	348,409
Professional fees	983,748	588,671
Occupancy	743,222	531,613
Research	592,105	581,938
Training and seminars	5,321	6,362
Travel and entertainment	960,199	955,793
Total operating expenses	**15,062,607**	**11,953,363**
Income from operations	**748,111**	**802,827**
Other income (expense)		
Interest income	10,309	41,163
Interest expense	(141,163)	(53,465)
Income (loss) on disposal of furniture, equipment and improvements	(21,938)	(1,117)
Miscellaneous	27,181	31,609
Total other income (expense)	**(125,611)**	**18,190**
Net income	**$ 622,500**	**$ 821,017**

See notes to financial statements.

R.V. KUHNS & ASSOCIATES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2008 and 2007

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
Balances - December 31, 2006	**23,823**	**$ 238**	**$ 403,118**	**$ (812,601)**	**$ (409,245)**
Shareholder distributions	-	-	-	(482,346)	(482,346)
Common shares vested	1,087	11	34,999	-	35,010
Net income	-	-	-	821,017	821,017
Balances - December 31, 2007	**24,910**	**249**	**438,117**	**(473,930)**	**(35,564)**
Shareholder distributions	-	-	-	(660,675)	(660,675)
Common shares vested	939	10	31,901	-	31,911
Net income	-	-	-	622,500	622,500
Balances - December 31, 2008	**25,849**	**$ 259**	**$ 470,018**	**$ (512,105)**	**$ (41,828)**

See notes to financial statements.

R.V. KUHNS & ASSOCIATES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income	$ 622,500	$ 821,017
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	185,807	166,693
(Income) loss on disposal of furniture, equipment and improvements	21,867	1,117
Stock-based compensation	31,911	35,010
Changes in operating assets and liabilities:		
Accounts receivable	(17,530)	(385,905)
Prepaid expenses and other	(64,354)	(10,487)
Accounts payable and accrued expenses	(82,202)	110,552
Accrued payroll and related taxes	108,568	35,416
Accrued interest on subordinated borrowings	-	51,249
Net cash provided by operating activities	**806,567**	**824,662**
Cash flows from investing activities:		
Purchase of furniture, equipment and improvements	**(382,359)**	**(302,345)**
Cash flows from financing activities:		
Revolving credit agreement borrowings - net	374,117	(38,025)
Payments on long-term liabilities	(147,612)	(4,811)
Advances from shareholder	100,000	-
Distributions to shareholders	(660,675)	(482,346)
Net cash used in financing activities	**(334,170)**	**(525,182)**
Net change in cash and cash equivalents	**90,038**	**(2,865)**
Cash and cash equivalents, beginning of year	27,240	30,105
Cash and cash equivalents, end of year	**$ 117,278**	**$ 27,240**

See notes to financial statements.

	2008	2007
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 141,163	$ 53,465
Income taxes	$ 39,638	$ 36,164
Supplemental disclosure of non-cash investing and financing activities:		
Release of secured demand notes and issuance of note payable to satisfy subordinated debt and accrued interest	$ -	$ 1,726,044
Increase in capital from common shares vested	$ 31,911	$ 35,010
Equipment acquired by capital lease	$ -	$ 39,944

R.V. KUHNS & ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

R.V. Kuhns & Associates, Inc. (the Company) provides investment consulting services, including investment performance measurement and investment manager selection. Customers are primarily pension and retirement plan trusts located throughout the United States.

The Company has one class of common stock, $0.01 par value, with 100,000 shares authorized. There were 25,849 and 24,910 shares issued and outstanding as of December 31, 2008 and 2007, respectively. Additionally, there were 5,728 and 3,167 non-vested shares granted under stock based compensation agreements as of December 31, 2008 and 2007, respectively.

Basis of Preparation

The accounting policies of the Company are in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as discussed below.

The Company has elected not to adopt Financial Accounting Standards Board Interpretation No. 46(R), *Consolidation of Variable Interest Entities, an Interpretation of ARB 51* (FIN 46R). FIN 46R provides guidance on the identification of entities for which control is achieved through means other than through voting rights and determines when and which business enterprise should consolidate the variable interest entity (VIE). FIN 46R requires consolidation of VIEs by the primary beneficiary, which is defined as the entity that is expected to absorb the majority of the expected losses, receive the majority of the gains, or both.

The Company guarantees certain debts of Smith Block Enterprises, LLC, a related entity under common majority ownership (see Note F), which should be consolidated as a VIE as required by FIN 46R. The Company has elected not to present the consolidation of this VIE in its financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company grants credit to customers for services performed and is exposed to credit loss in the event of customer non-payment.

NOTE A – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers money market funds and all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded when invoices are issued. Accounts receivable are written off when the Company determines a balance is uncollectible and no longer actively pursues collection of the receivable. The Company considers historical losses, review of specific problem accounts, existing economic conditions within the industry, the financial stability of its customers, and adjusts the respective accounts receivable balances for all known uncollectible accounts. The Company has determined that no allowance for uncollectible accounts as of December 31, 2008 or 2007 is necessary. The Company had $127,780 and $51,617 in accounts receivable older than 90 days as of December 31, 2008 and 2007, respectively.

Furniture, Equipment and Improvements

Furniture, equipment and improvements are carried at cost. Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Income Tax Method

The Company has elected to be an S corporation under the Internal Revenue Code. Instead of paying corporate income taxes, the stockholders of an S corporation are taxed individually on the Company's income. Therefore, no provision or liability for corporate income taxes has been included in these financial statements. Income taxes paid on the statement of cash flows consists of annual income taxes assessed by certain states.

NOTE A – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Method (Continued)

Management has elected to defer the application of Financial Accounting Standards Board (FASB) Interpretation 48, *Accounting for Uncertain Tax Positions (FIN 48)* in accordance with FASB Staff Position 48-3. The Company will continue to follow FASB Statement 5, *Accounting for Contingencies,* until it adopts FIN 48.

Revenue Recognition

Consulting fees are recognized in the period in which the related services are rendered.

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 reported period. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

NOTE B – FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements consist of the following as of December 31:

Classification	Estimated Useful Lives	2008	2007
Furniture and equipment	3-7 years	$ 947,427	$ 963,652
Leasehold improvements	10 years	211,136	148,346
Leased equipment - capital lease	3 years	39,944	39,944
		1,198,507	1,151,942
Less accumulated depreciation and amortization		(585,046)	(713,167)
		$ 613,461	$ 438,775

NOTE C – EXEMPTION FROM RULE 15(c)3-3

The Company is exempt from Rule 15(c)3-3 of the Securities Exchange Act of 1934 under subparagraph (k)(2)(ii) as all customer transactions are cleared through a clearing agent on a fully disclosed basis.

NOTE D – REVOLVING CREDIT AGREEMENT

The Company has a $500,000 revolving line of credit with Sterling Savings Bank which expires on March 5, 2009. The line of credit is collateralized by accounts receivable, property and general intangibles. Interest on the line of credit is payable at the Wall Street Journal Prime Rate (3.25% as of December 31, 2008). Additionally, a portion of the line of credit is reserved for a standby letter of credit for approximately $40,000 in lieu of a security deposit for the Chicago office lease.

The Bank agreement requires certain financial covenants regarding minimum tangible net worth and debt service coverage. Although the Company was not in compliance with these covenants as of December 31, 2008, the Company repaid the entire outstanding balance in February 2009, effectively curing the condition.

NOTE E – LONG-TERM LIABILITIES

Long-term liabilities at December 31 consist of the following:

	2008	2007
Note payable to majority shareholder; due in monthly installments of $19,312, including interest at 5%; unsecured; matures December 2014.	$ 1,199,143	$ 1,334,293
Note payable to minority shareholder; due in monthly installments of $33,403 including interest at 1.25%; unsecured; maturing March 24, 2009 (the Note was repaid in full in February 2009).	100,000	-
Capital lease agreement for office equipment (see Note F).	22,672	35,133
	1,321,815	1,369,426
Less current portion	(289,649)	(147,611)
	$ 1,032,166	$ 1,221,815

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Maturities of long-term liabilities are as follows as of December 31, 2008:

Year Ending December 31,	
2009	$ 289,649
2010	193,576
2011	194,227
2012	204,165
2013	214,609
Thereafter	225,589
	$ 1,321,815

NOTE F – LEASE COMMITMENTS AND GUARANTEES

Operating Leases

The Company occupies office space and leases other equipment under non-cancelable operating leases. Total rent expense included in occupancy expense under these lease agreements was $711,072 and $361,313 for 2008 and 2007, respectively.

The future minimum lease payments required under the non-cancelable leases as of December 31, 2008 are as follows:

Year Ending December 31,	
2009	$ 1,068,534
2010	1,085,588
2011	1,106,612
2012	1,120,588
2013	975,683
Thereafter	3,556,827
	$ 8,913,832

NOTE F – LEASE COMMITMENTS AND GUARANTEES (CONTINUED)

Loan Guarantees and Related Party Lease

In 2005 and 2007, the Company agreed to guarantee certain loans for Smith Block Enterprises, LLC (Smith Block), an entity owned by the Company's majority shareholder. The principal balance of the first loan from Bank of America as of December 31, 2008 and 2007 was approximately $1,700,000 and $1,760,000, respectively, bearing interest at 6.0%. The principal balances of additional loans obtained by Smith Block and co-signed by the Company in 2007 from the Portland Development Commission (PDC) were $670,000 as of December 31, 2008. The PDC loans bear interest ranging from 1.00% to 2.0% and mature at future dates through April 2027. The guarantees arose under the original terms of the loan agreements for renovation of a historic office building, and payments by the Company under the guarantees would occur upon Smith Block's failure to make principal and interest payments as they become due. Additionally, the loans are collateralized by the related real property. The proceeds from liquidating the collateral are expected to exceed the related loan balances.

In September 2008, the Company began leasing its Portland office facilities from Smith Block under the terms of an operating lease expiring June 2018. Minimum required monthly rental payments are approximately $62,000 escalating to approximately $70,000 in the final year of the lease term. The terms of the lease agreement require the Company to pay for its proportionate share of maintenance, taxes, insurance and improvements. Total expense incurred under this lease for the year ended December 31, 2008 was $216,784.

Capital Lease

The Company acquired office equipment in 2007 under the terms of a capital lease expiring July 2010. The minimum monthly lease payments are $1,303 including interest implicit in the lease at 10.75%. Future remaining minimum lease payments as of December 31, 2008 are $15,636 in 2009 and $9,121 in 2010, aggregating $24,757 through the end of the lease term. The equipment was capitalized at a cost of $39,944, with related accumulated amortization of $18,863 and $5,548 as of December 31, 2008 and 2007, respectively. The present value of the remaining minimum lease payments as of December 31, 2008 was $22,672.

NOTE G – PROFIT SHARING PLAN

The Company sponsors a 401(k) profit sharing plan for all eligible employees. The Company makes safe-harbor matching contributions up to a maximum of 4% of eligible employees' compensation. Through December 31, 2007, the Company made non-elective safe-harbor contributions of 3% of all eligible compensation. Contributions totaling $209,815 and $160,040 were made to the plan for 2008 and 2007, respectively. Additionally, the Company may make profit sharing contributions to the plan at the discretion of the Board of Directors. No profit sharing contributions were made for either 2008 or 2007.

NOTE H – STOCK BASED COMPENSATION

The Company awards stock bonuses to key employees under deferred stock compensation agreements. The agreements do not contain term limits and generally vest over a five year service period.

During 2008 and 2007, the Company granted stock bonuses that will vest at prices equal to fair value of the Company's common stock at the date of grant, as determined by independent valuation. The Company recognizes compensation expense over the vesting period as the employees earn the rights to the stock. For the years ended December 31, 2008 and 2007, the Company recognized $31,911 and $35,010, respectively, in stock compensation expense. As of December 31, 2008, nonvested stock based compensation was $316,486 which is expected to be recognized over a weighted average period of approximately 3.8 years through December 31, 2013.

A summary of the status of the Company's nonvested granted shares as of and for the years ended December 31 follows:

	Shares	Calculated Grant Date Fair Value	Amount
Nonvested shares - December 31, 2006	4,254	$ 35.28	$ 150,062
Granted	561	37.31	20,931
Vested	(1,087)	32.21	(35,010)
Forfeited	(561)	37.31	(20,931)
Nonvested shares - December 31, 2007	3,167	36.33	115,052
Granted	3,500	37.31	233,345
Vested	(939)	33.98	(31,911)
Forfeited	-		-
Nonvested shares - December 31, 2008	5,728	$ 55.25	$ 316,486

If an employee terminates for any reason including death, the Company has an irrevocable, exclusive option to purchase all or any portion of the nonvested shares held by the employee at the date of termination.