

SHARIAH CAPITAL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010 AND 2009

SHARIAH CAPITAL, INC.

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Rothstein Kass

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Shariah Capital, Inc.

We have audited the accompanying balance sheets of Shariah Capital, Inc. (the "Company") as of December 31, 2010 and 2009, and the related statements of operations, change in stockholders' equity 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material aspects, the financial position of Shariah Capital, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company

June 27, 2011
New York, New York

SHARIAH CAPITAL, INC.

BALANCE SHEETS

December 31,	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,319,166	\$ 1,932,629
Certificates of deposit		2,725,722
Fees receivable, less allowance for doubtful accounts of approximately \$20,000 and \$0 for 2010 and 2009, respectively	202,757	434,732
Due from related parties	160,640	111,527
Prepaid expenses and other current assets	213,426	28,040
Investment in DSAM Joint Venture	17,973	
Total current assets	4,913,962	5,232,650
Property and equipment, net	6,812	6,463
	<u>\$ 4,920,774</u>	<u>\$ 5,239,113</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 129,120	\$ 103,533
Due to related party	8,425	
Investment in DSAM Joint Venture		2,341
Total current liabilities	137,545	105,874
Stockholders' equity		
Common stock, \$.01 par value, 70,000,000 shares authorized; 61,744,132 shares issued; 61,670,232 shares outstanding at 2010 and 2009	617,441	617,441
Additional paid-in capital	12,587,729	12,583,785
Accumulated deficit	(8,316,598)	(7,962,644)
Treasury stock at cost, 73,900 shares at 2010 and 2009	(105,343)	(105,343)
Total stockholders' equity	4,783,229	5,133,239
	<u>\$ 4,920,774</u>	<u>\$ 5,239,113</u>

See accompanying notes to financial statements.

SHARIAH CAPITAL, INC.

STATEMENTS OF OPERATIONS

Years Ended December 31,	2010	2009
Revenue		
Advisory fee income	\$ 1,028,167	\$ 1,394,963
Consulting fee income	252,499	113,166
Expense reimbursement		27,300
Total revenue	<u>1,280,666</u>	<u>1,535,429</u>
Expenses		
Payroll and employee benefits	980,082	1,169,329
AIM expenses	85,336	91,130
Bad debt expense	20,416	
Computer expenses	20,948	101,848
Depreciation	2,587	3,036
Insurance	57,904	57,912
Marketing	15,742	17,197
Office expense and supplies	11,462	14,708
Professional fees and other	347,760	389,728
Registrar fees	13,162	13,522
Rent	74,025	96,175
Other taxes	27,880	15,810
Stock-based compensation	3,944	836,047
Telephone	9,732	12,291
Travel and entertainment	22,598	52,561
Total expenses	<u>1,693,578</u>	<u>2,871,294</u>
Loss from operations	(412,912)	(1,335,865)
Other income		
Interest and dividend income	38,644	48,797
Income (loss) attributable to unconsolidated joint venture	<u>20,314</u>	<u>(350,751)</u>
Net loss	<u>\$ (353,954)</u>	<u>\$ (1,637,819)</u>
Loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding, basic and diluted	<u>60,344,132</u>	<u>60,250,707</u>

See accompanying notes to financial statements.

SHARIAH CAPITAL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2010 and 2009

	Common Stock		Additional	Accumulated	Treasury	Total
	Shares	Amount	Paid-in	Deficit	Stock	Stockholders'
			Capital			Equity
Balances, December 31, 2008	61,744,132	\$ 617,441	\$ 11,747,738	\$ (6,324,825)	\$ (84,900)	5,955,454
Stock-based compensation			836,047			836,047
Purchase of treasury stock					(20,443)	(20,443)
Net loss				(1,637,819)		(1,637,819)
Balances, December 31, 2009	61,744,132	\$ 617,441	\$ 12,583,785	\$ (7,962,644)	\$ (105,343)	5,133,239
Stock-based compensation			3,944			3,944
Net loss				(353,954)		(353,954)
Balances, December 31, 2010	61,744,132	\$ 617,441	\$ 12,587,729	\$ (8,316,598)	\$ (105,343)	4,783,229

See accompanying notes to financial statements.

SHARIAH CAPITAL, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,	2010	2009
Cash flows from operating activities		
Net loss	\$ (353,954)	\$ (1,637,819)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	3,944	836,047
(Income) loss attributable to unconsolidated joint venture	(20,314)	350,751
Unrealized depreciation (appreciation)	3,226	(3,221)
Depreciation	2,587	3,036
Bad debt expense	20,416	
Changes in operating assets and liabilities:		
Fees receivable	211,559	(152,359)
Due from related parties	(40,688)	69,153
Prepaid expenses and other current assets	(185,386)	43,621
Accounts payable and accrued expenses	25,587	(43,397)
Net cash used in operating activities	<u>(333,023)</u>	<u>(534,188)</u>
Cash flows from investing activities		
Purchase of certificates of deposit		(1,160,005)
Redemptions of certificates of deposit	2,722,496	220,594
Purchase of property and equipment	(2,936)	(1,057)
Investment in DSAM Joint Venture		(354,809)
Net cash provided by (used in) investing activities	<u>2,719,560</u>	<u>(1,295,277)</u>
Cash flows used in financing activities,		
Purchase of treasury stock		(20,443)
Net increase (decrease) in cash and cash equivalents	2,386,537	(1,849,908)
Cash and cash equivalents, beginning of year	<u>1,932,629</u>	<u>3,782,537</u>
Cash and cash equivalents, end of year	<u>\$ 4,319,166</u>	<u>\$ 1,932,629</u>
Supplemental disclosures of cash flow information:		
Cash paid for franchise taxes	<u>\$ 27,880</u>	<u>\$ 15,810</u>

See accompanying notes to financial statements.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations

Shariah Capital, Inc. (the "Company") was incorporated on September 6, 2006 as a Delaware Corporation. The Company creates and customizes Shariah-compliant financial products and platforms and provides Shariah consulting and advisory services primarily to financial institutions and investment management firms with product initiatives directed to Islamic investors in the Middle East and Far East and, specifically to, Islamic institutional and high net worth investors. The Company has built proprietary solutions endorsed by prominent Shariah scholars that enable hedge fund and other alternative investment managers to manage their portfolios consistent with their existing strategies and processes while complying with Shariah. The Company explores business opportunities with financial and investment management firms in Europe, Asia and the United States.

2. Summary of significant accounting policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on June 27, 2011. Subsequent events have been evaluated through this date.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents include cash held in banks and money market funds with original maturities of three months or less. The Company maintains cash balances in certain financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses on these accounts, and believes it is not subject to any significant credit risk.

Fees Receivable and Allowance for Doubtful Accounts

Fees receivable consist of advisory fees and consulting fees. Advisory fees are based on the percentage of the net assets of the fund for which the Company serves as the Shariah advisor. Consulting fees primarily consist of up-front non-refundable fees earned upon the commencement of the engagement, pursuant to the service agreements; a progress fee based upon completion of certain deliverables and a final payment based upon the completion of the consulting and advisory services. Advisory fees and consulting fees are recognized in the year they are earned. On a periodic basis, the Company evaluates its fees receivable and determines if an allowance for doubtful accounts is necessary, based on the history of collections and current credit conditions. The Company recorded an allowance for doubtful accounts of approximately \$20,000 at December 31, 2010. No allowance for doubtful accounts was deemed necessary at December 31, 2009.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Company provides for depreciation utilizing the straight-line method over the estimated useful lives of the related assets. Computer equipment is depreciated using an estimated useful life of five years. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-Lived Assets

The Company accounts for long-lived assets under GAAP which requires the Company to review for impairment of long-lived assets, whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. The Company did not have any impairment losses on long-lived assets for the years ended December 31, 2010 and 2009.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

GAAP requires an entity to measure the cost of employees services received in exchange for stock-based awards based on the grant date fair value of the awards. The grant date fair value of employee restricted stock-based awards will be estimated based on the market price of the Company's stock on the date of the grant. All stock-based awards granted to employees are recognized as compensation expense over the service period (generally the vesting period) in the financial statements based on their fair values established at the time the awards are granted. GAAP requires the Company to estimate the future forfeitures which has an impact on stock-based compensation expense. GAAP also requires the realization of tax benefits in excess of amounts recognized for financial reporting purposes to be recognized as a financing activity rather than an operating activity in the statements of cash flows.

If an award is modified after the grant date, incremental compensation expense, if any, will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before modification.

For non-employee stock-based awards, the Company recognizes an expense in accordance with GAAP and values the stock-based award on the fair value of the grant date of the award with subsequent adjustments based on the fair value of the award as it vests. The fair value of the restricted stock-based award is estimated based on the market price of the Company's stock.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Income Taxes

The Company is responsible for minimum taxes to the state of Connecticut. Due to losses incurred for the years ended December 31, 2010 and 2009, no income tax provision for federal taxes has been recorded in the accompanying financial statements.

The Company complies with the provisions of GAAP, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of uncertain tax positions being sustained upon examination by the applicable taxing authority. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

In accordance with GAAP, the Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company is subject to income tax examinations by major taxing authorities for all tax years since inception. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces stockholders' equity. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in income tax payable, if assessed. No interest expense or penalties have been recorded as of and for the year ended December 31, 2010. The Company may be subject to potential examinations by U.S. federal, U.S. state or foreign jurisdictions in the areas of income taxes. These potential examinations may include questioning the timing and amounts of deductions, the nexus of income among various jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Fair Value - Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., “the exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. A fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in active markets, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair Value - Valuation Techniques

The Company values investments in money market funds, which are included in cash and cash equivalents, based on the quoted market price of the net asset value of shares held at year end. Certificates of deposit are based on a market value pricing model.

Loss Per Share

Loss per share is based on the weighted average number of common shares outstanding. The Company complies with GAAP, which requires dual presentation of basic and diluted earnings per share on the face of the statement of operations. Basic loss per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the year.

The unvested weighted average of the restricted stock granted to employees of 1,400,000 and 1,493,425 for the years ended December 31, 2010 and 2009, respectively, are antidilutive and have been excluded from the computation of loss per share.

Treasury Stock

No treasury shares were acquired during 2010. In December 2009, the Company acquired 31,450 shares of common stock for approximately \$0.65 from an employee.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

3. Property and equipment

Property and equipment consists of the following at December 31, 2010 and 2009:

	2010	2009
Computer equipment	\$ 12,896	\$ 16,151
Less accumulated depreciation	<u>6,084</u>	<u>9,688</u>
	<u>\$ 6,812</u>	<u>\$ 6,463</u>

Depreciation expense amounted to approximately \$2,600 and \$3,000 for the years ended December 31, 2010 and 2009, respectively.

4. Fair value measurements

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy as described in the Company's significant accounting policies in Note 2.

The following table presents information about the Company's assets measured at fair value as of December 31, 2010 and 2009:

	2010 Quoted Prices in Active Markets for Identical Assets (Level 1)	2009 Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets (at fair value)		
Investment in money market funds	<u>\$ 3,259,318</u>	<u>\$ 498,605</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 2,725,722</u>

5. Stock-based compensation

The Company granted 2,700,000 shares of restricted stock on December 7, 2006 to several employees which vest over three years. The fair value of the shares on the grant date was \$2,700,000. In December 2007, the Company amended the terms of the granted restricted stock awards. The amendment increased the December 7, 2006 shares for certain employees by 5% or 47,500 shares, and extended the vesting period from December 7, 2007 to March 31, 2008, subject to earlier acceleration at the option of the Company. In December 2008, the Company amended the terms of the granted restricted stock awards for two of its employees. The amendment extended the vesting date for 600,000 shares of common stock from December 7, 2008 to December 7, 2009.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

5. Stock-based compensation (continued)

In December 2009, the Company amended the terms of the granted restricted stock awards for two of its employees. The amendment extended the vesting date for 1,400,000 shares of common stock from December 7, 2009 to December 7, 2010. During 2010, the Company further amended the terms of the granted restricted stock awards for the same two employees, extending the vesting date for 1,400,000 shares of common stock from December 7, 2010 to August 31, 2011.

The fair value of each restricted stock award was estimated on the date of grant or the date of modification, if there was an additional incremental compensation cost, based on the market price of the Company's stock at that date.

Stock-based compensation expense amounted to approximately \$4,000 and \$836,000 for the years ended December 31, 2010 and 2009, respectively.

6. Income taxes

The Company has an available net operating loss carry forward of approximately \$6,176,000 to offset future taxable income expiring at various dates through 2030.

The Company has a deferred tax asset of approximately \$2,600,000 and \$2,400,000 at December 31, 2010 and 2009, respectively. In recognition of the uncertainty regarding the ultimate amount of income tax benefit to be derived, the Company has recorded a valuation allowance at December 31, 2010 and 2009 for the full amount of the deferred tax asset.

7. Commitments and contingencies

Operating Leases

In February 2010, the Company entered into an operating lease for its corporate office in Connecticut, which expired in January 2011, with an optional one year extension. The Company is currently renting its corporate office on a month to month basis. Rent expense amounted to approximately \$74,000 and \$96,000 for the years ended December 31, 2010 and 2009, respectively.

Employment Agreements

The Company entered into employment agreements with its management employees. Agreements with two of three management employees terminate on August 31, 2011, with one such agreement providing for an extension at the option of the Company for an additional year. The employment agreement with the Chairman and Chief Executive Officer of the Company provides for termination upon 12 months notice and a \$650,000 termination fee.

Annual base salaries of approximately \$796,000 and \$1,050,000 were paid to management employees for the years ended December 31, 2010 and 2009, respectively. The Company paid cash bonuses to certain employees in the amount of approximately \$0 and \$1,000 for the years ended December 31, 2010 and 2009, respectively.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

7. Commitments and contingencies (continued)

Employment Agreements (continued)

During 2010, the Company entered into an employment agreement with one management employee to provide housing, transportation and moving allowances in the amount of approximately \$163,000, of which approximately \$92,000 was expensed for the year ended December 31, 2010.

Non-Executive Director Service Agreement

A non-executive director for the Company received compensation of approximately \$15,000 and \$16,000 for serving as a member on the Board of Directors of the Company for the years ended December 31, 2010 and 2009, respectively.

8. Related party transactions

During 2008, the Company, in collaboration with various professional organizations, formed the Al Safi Trust, a Cayman Islands trust with related sub-trusts ("Al Safi"). Al Safi is a Shariah-compliant alternative investment platform, and the first known platform to provide an infrastructure for long and short-term Shariah-compliant investments. The Company is the Shariah advisor and receives a Shariah advisory fee based on the net asset value of all Al Safi sub-trusts. In September 2008, three sub-trusts were formed on Al Safi, each of which was seeded with \$50,000,000 by the Dubai Multi Commodities Centre Authority ("DMCCA"). In November 2008, a fourth sub-trust was seeded by DMCCA in the amount of \$50,000,000, for an aggregate total of \$200,000,000 in invested capital. As of December 31, 2010, assets under management in Al Safi were approximately \$122,000,000. Advisory fee income from Al Safi amounted to approximately \$1,028,000 and \$1,395,000 for the years ended December 31, 2010 and 2009, respectively. The reduction in advisory fee income resulted from a redemption of seed capital by the DMCCA from Al Safi. Consulting fee income from Al Safi amounted to approximately \$20,000 and \$23,000 for the years ended December 31, 2010 and 2009, respectively.

In connection with forming Al Safi, the Company announced a joint venture with DMCCA. The joint venture entity, Dubai Shariah Asset Management Company, Ltd. ("DSAM") is owned 51 percent by Dubai Commodity Asset Management ("DCAM"), which is wholly owned by DMCCA, and 49 percent by the Company. The investment is accounted for under the equity method of accounting for long-term investments. In conjunction with the joint venture, DMCCA purchased a 4.99% equity share of the Company and an executive from DMCCA was elected to the Company's Board of Directors as a non-executive director.

DSAM develops and manages Shariah-compliant investment products focused on commodities. DSAM has the right to assess a fee based on a percentage of the net asset value of the four sub-trusts seeded by the DMCCA (exclusive of capital invested by the DMCCA).

Consulting fee income from DSAM amounted to approximately \$162,000 and \$0 for the years ended December 31, 2010 and 2009, respectively. In addition, the Company is the Shariah advisor to DMCCA for related Shariah-compliant investments. Consulting fee income from the DMCCA amounted to approximately \$70,000 and \$90,000 for the years ended December 31, 2010 and 2009, respectively.

SHARIAH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

8. Related party transactions (continued)

The Company's income (loss) attributable to DSAM amounted to approximately \$20,000 and (\$351,000) for the years ended December 31, 2010 and 2009, respectively and is included in the accompanying statements of operations.

The Company had a receivable from DSAM in the amount of approximately \$161,000 and \$112,000 at December 31, 2010 and 2009, respectively, representing reimbursement of expenses from DSAM and is reported as a component of due from related parties in the accompanying balance sheets.

The Company loaned an employee \$50,000 in January 2010, which is secured by the common stock of the Company held by the employee. The loan bears interest at a rate of 1.00% per annum plus prime (3.25% at December 31, 2010) and matures in August 2011 and is reported as a component of prepaid expenses and other current assets in the accompanying balance sheets.

9. Major customers

The Company had advisory fee income from one related party that accounted for 100% of the Company's total advisory fee income for the years ended December 31, 2010 and 2009.

The Company has two related parties that account for 100% of its fees receivable and consulting fee income as of and for the years ended December 31, 2010 and 2009.