MAYER AND MORRIS KAPLAN FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

Lipschultz, Levin & Gray
L.L.C. Certified Public Accountants

Member of JHI
An International Affiliation

September 18, 2009

To The Board of Trustees
Mayer and Morris Kaplan Foundation

We have reviewed the accompanying statements of financial position of the Mayer and Morris Kaplan Foundation (an Illinois Not-for-Profit Corporation), as of December 31, 2008 and 2007, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Mayer and Morris Kaplan Foundation.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Lipschultz Levin & Gray, LLC

Lipschultz, Levin & Gray
L.L.C. Certified Public Accountants

425 Huehl Road, Bldg. 7, Northbrook, Illinois 60062-2322
847.272.5300 FAX: 847.272.9351 www.TheThinkers.com

EXHIBIT A

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
INVESTMENTS:		
Cash Management Funds	$ 958,018	$ 76,541
Bond Mutual Funds		777,594
Common Stock Mutual Funds	7,187,121	14,542,813
Fixed Income Security	100,000	100,000
Limited Partnerships	7,338,086	10,163,957
Offshore Hedge Funds	6,069,318	8,714,200
TOTAL INVESTMENTS	21,652,543	34,375,105
FURNITURE AND EQUIPMENT:		
Office Equipment and Furnishings	105,425	105,425
Less: Accumulated Depreciation	(105,425)	(105,425)
FURNITURE AND EQUIPMENT, NET	0	0
OTHER ASSET -		
Distribution Receivable from a Limited Partnership		500,000
TOTAL ASSETS	$21,652,543	$34,875,105
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Current and Deferred Income and Excise Taxes Payable	$ 25,000	$ 82,500
Accrued Expense	446,306	750,000
TOTAL LIABILITIES	471,306	832,500
UNRESTRICTED NET ASSETS	21,181,237	34,042,605
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$21,652,543	$34,875,105

See Accountant's Review Report and Accompanying Notes to Financial Statements.

EXHIBIT B

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
REVENUES AND OTHER INCOME (LOSS):		
Contributions	$ 37,038	$ 300,019
Interest	214,421	226,996
Dividends	519,268	748,582
Realized Gains (Losses), Net	(177,586)	3,257,770
Other Income (Loss), Net	279,643	(666,455)
TOTAL NET REVENUES AND OTHER INCOME	872,784	3,866,912
GRANTS AND EXPENSES:		
Grants Made	3,236,850	3,611,498
Investment Expenses	293,585	279,698
Investment Interest Expense	65,931	126,619
Professional Fees	36,292	56,025
Investment Advisor Fees	113,614	202,548
Office Expenses	80,911	70,473
Travel	35,181	36,743
Meals and Entertainment	7,772	5,173
Salaries and Payroll Taxes	282,600	279,960
Rent Expense	2,716	3,890
TOTAL GRANTS AND EXPENSES	4,155,452	4,672,627
DECREASE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSSES ON INVESTMENTS, NET AND INCOME AND EXCISE TAXES	(3,282,668)	(805,715)
UNREALIZED LOSSES ON INVESTMENTS, NET	(9,537,718)	(1,526,369)
DECREASE IN UNRESTRICTED NET ASSETS BEFORE INCOME AND EXCISE TAXES	(12,820,386)	(2,332,084)
INCOME AND EXCISE TAXES	(40,982)	(129,809)
DECREASE IN UNRESTRICTED NET ASSETS	(12,861,368)	(2,461,893)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	34,042,605	36,504,498
UNRESTRICTED NET ASSETS - END OF YEAR	$21,181,237	$34,042,605

See Accountant's Review Report and Accompanying Notes to Financial Statements.

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Decrease in Unrestricted Net Assets	$ (12,861,368)	$ (2,461,893)
Adjustments to Reconcile Increase (Decrease) in Unrestricted Net Assets to Net Cash Flows Used by Operating Activities:		
Unrealized Losses on Investments, Net	9,537,718	1,526,369
Non-Cash Contribution Revenue	(37,038)	
Increase (Decrease) in:		
Accrued Expense	(303,694)	750,000
Income and Excise Taxes Payable	(57,500)	(19,642)
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(3,721,882)	(205,166)
CASH FLOW FROM INVESTING ACTIVITY -		
Sales of Investments and Partnership Distributions, Net of Additional Investments	3,721,882	205,166
NET CHANGE IN CASH	0	0
CASH - BEGINNING OF YEAR	0	0
CASH - END OF YEAR	$ 0	$ 0
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Income and Excise Taxes, Net	$ 97,643	$ 137,309
Investment Interest Expense	$ 65,931	$ 126,619

See Accountant's Review Report and Accompanying Notes to Financial Statements.

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

ORGANIZATION AND NATURE OF ACTIVITIES

The Mayer and Morris Kaplan Foundation (the "Foundation") was established on August 11, 1959, as a private foundation for the purpose of supporting recognized charitable organizations within the United States of America.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Foundation are prepared on the accrual basis of accounting.

Investments:

Investments of cash management funds, mutual funds, common stocks, fixed income securities and offshore hedge funds, are carried at fair value based on quoted market prices and net asset values. Unrealized gains and losses are included in the Statement of Activities.

The Foundation accounts for its investment in limited partnerships using the equity method of accounting due to its lack of significant control over major operating decisions. Under the equity method, the investments are recorded at cost, and increased or decreased by the Foundation's share of the operating limited partnerships' income or losses, and decreased by the amount of any distributions received or receivable.

Furniture and Equipment:

Purchases of furniture and equipment are carried at cost. Depreciation was provided using an accelerated method over the estimated useful lives of the assets.

Distribution Receivable:

The distribution receivable at December 31, 2007 represents distributions paid by a limited partnership investment prior to the end of the year but not received by the Foundation until the subsequent year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Contributions:

Contributions are recognized when received and are generally available for unrestricted use.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets. Any noncash distributions received are recorded at the fair market value of the asset at the time of the donation.

Federal Income and Excise Taxes:

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except for unrelated business income taxes. In 2008 and 2007, the Foundation incurred taxes on unrelated business income passed through from partnership investments.

According to the applicable provisions of the Code, the Foundation is subject to a 1% excise tax on net investment income, including realized gains, as defined in the Code.

In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula. At December 31, 2008 and 2007, the Foundation had distributed more than the required minimum.

Deferred Income Taxes:

Deferred income taxes are determined utilizing the liability approach. This method gives consideration to the future tax consequences associated with differences between financial and tax accounting. Such differences relate to the Foundation's unrealized gains or losses on its investments. This method gives immediate effect to changes in income tax laws upon enactment. The income effect is derived from changes in the deferred income tax account on the Statement of Financial Position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH MANAGEMENT FUNDS

The Foundation maintains its cash accounts in what it believes are high-quality financial institutions. Nevertheless, there is exposure where balances exceed federally insured limits.

The Foundation maintains accounts with brokerage firms. The accounts contain cash management funds and other securities. Balances are insured up to $500,000 for each brokerage firm by the Security Investor Protection Corporation against potential losses, excluding decreases in market value. The Foundation has not experienced any losses in its cash management funds. Management believes that the Foundation is not exposed to any significant credit risk on these accounts.

FAIR VALUE OF INVESTMENTS

The Company has determined the fair value of its investments through application of SFAS No. 157, Fair Value Measurements. Investments as of December 31, 2008 are summarized as follows:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 958,018	$ 958,018
Common Stock Mutual Funds	7,113,742	7,187,121
Fixed Income Security	100,000	100,000
Limited Partnerships	7,338,086	7,338,086
Offshore Hedge Funds	3,899,634	6,069,318
Total Investments	$ 19,409,480	$ 21,652,543

FAIR VALUE OF INVESTMENTS (Continued)

Investments as of December 31, 2007 are summarized as follows:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 76,541	$ 76,541
Bond Mutual Funds	2,226,838	777,594
Common Stock Mutual Funds	9,926,454	14,542,813
Fixed Income Security	100,000	100,000
Limited Partnerships	10,163,957	10,163,957
Offshore Hedge Funds	4,149,634	8,714,200
Total Investments	$ 26,643,424	$ 34,375,105

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2008 and 2007:

	2008	2007
Interest	$ 214,421	$ 226,996
Dividends	519,268	748,582
Realized Gains (Losses), Net	(177,586)	3,257,770
Unrealized Gains (Losses), Net	(9,537,718)	(1,526,369)
Other Income (Loss), Net	279,643	(666,455)
Investment Expenses	(293,585)	(279,698)
Investment Interest Expense	(65,931)	(126,619)
Investment Advisor Fees	(113,614)	(202,548)
Investment Income (Loss), Net	$ (9,175,102)	$ 1,431,659

FAIR VALUE OF INVESTMENTS (Continued)

The following table presents the Foundation's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2008:

		Fair Value Measurements at Reporting Date Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Funds	$ 958,018		$ 958,018	
Common Stock Mutual Funds	7,187,121	$ 6,783,323	403,798	
Fixed Income Security	100,000		100,000	
Limited Partnerships	7,338,086			$ 7,338,086
Offshore Hedge Funds	6,069,318	4,051,510	339,626	1,678,182
Total	$21,652,543	$ 10,834,833	$ 1,801,442	$ 9,016,268

FAIR VALUE OF INVESTMENTS (Continued)

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Investments using Level 3 inputs were primarily valued using management's estimates about the assumptions that market participants would utilize in pricing such investment. Valuation techniques utilized to determine fair value are consistently applied.

The following table provides a summary of changes in fair value of the Foundation's Level 3 investments in limited partnerships, as well as the portion of gains or losses included in income attributable to unrealized gains or losses that relate to those investments held at December 31, 2008:

	Limited Partnerships
Balance, January 1, 2008	$ 10,163,957
Unrealized Losses, Net	(2,403,283)
Purchases, Issuances and Settlements, net	(422,588)
Balance, December 31, 2008	$ 7,338,086
Portion of Unrealized Loss Relating to Those Assets Still Held	$ (2,403,283)

The above information for the Level 3 investments in Offshore Hedge Funds is not available since they represent a segment of total investments in a master fund with portions attributable to all levels.

RELATED PARTY TRANSACTIONS

During 2008 and 2007, the Foundation received investment advisor, personnel and other services from Kaplan Family Investments (KFI), an affiliate of the trustees, and paid KFI $442,010 and $471,827, respectively, for those services.

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

ACCRUED EXPENSE

During 2006, the trustees of a hedge fund that failed in 2005 began seeking the return of funds from investors, including the Foundation, who had previously withdrawn amounts from the hedge fund. In 2009, the Foundation settled with the trustees of the hedge fund in the amount of $572,306. This amount, net of an estimated $126,000 recoverable by the Foundation from a government fund, has been accrued at December 31, 2008. The reduction from the amount accrued at December 31, 2007 is included as a component of *Other Income (Loss), Net in* the accompanying 2008 Statement of Activities.

RISKS AND UNCERTAINTIES

The Foundation invests in various types of investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position

COMMITMENT

As of December 31, 2008 and 2007, the Foundation was committed to future capital calls on its investments amounting to approximately $1,400,000 and $2,200,000, respectively.