MAYER AND MORRIS KAPLAN FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Member of
An International Affiliation

October 12, 2010

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, 2009 and 2008, 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.

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EXHIBIT A

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
INVESTMENTS:		
Cash Management Funds	$ 1,097,741	$ 958,018
Common Stock Mutual Funds	5,922,370	7,187,121
Fixed Income Security	100,000	100,000
Limited Partnerships	9,462,267	7,338,086
Offshore Hedge Funds	7,120,361	6,069,318
TOTAL INVESTMENTS	23,702,739	21,652,543
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 ASSETS:		
Distribution Receivable from a Limited Partnership	750,000	
Current and Deferred Income and Excise Taxes Receivable, Net	47,249	
TOTAL OTHER ASSETS	797,249	0
TOTAL ASSETS	$24,499,988	$21,652,543
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Grants Payable	$ 1,208,000	
Accrued Expense		$ 446,306
Current and Deferred Income and Excise Taxes Payable		25,000
TOTAL LIABILITIES	1,208,000	471,306
UNRESTRICTED NET ASSETS	23,291,988	21,181,237
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$24,499,988	$21,652,543

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, 2009 AND 2008

	2009	2008
REVENUES AND OTHER INCOME (LOSS):		
Contributions		$ 37,038
Interest	$ 256,166	214,421
Dividends	197,294	519,268
Realized Losses	(449,094)	(177,586)
Other Income	632,104	279,643
TOTAL NET REVENUES AND OTHER INCOME	636,470	872,784
GRANTS AND EXPENSES:		
Grants Made	3,117,805	3,236,850
Investment Expenses	245,800	293,585
Investment Interest Expense	58,541	65,931
Professional Fees	13,439	36,292
Investment Advisor Fees	92,189	113,614
Office Expenses	85,887	80,911
Travel	14,809	35,181
Meals and Entertainment	4,996	7,772
Salaries and Payroll Taxes	325,202	282,600
Rent Expense	1,831	2,716
TOTAL GRANTS AND EXPENSES	3,960,499	4,155,452
DECREASE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAINS (LOSSES) ON INVESTMENTS, NET AND INCOME AND EXCISE TAXES BENEFIT (EXPENSE)	(3,324,029)	(3,282,668)
UNREALIZED GAINS (LOSSES) ON INVESTMENTS, NET	5,374,708	(9,537,718)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE INCOME AND EXCISE TAXES BENEFIT (EXPENSE)	2,050,679	(12,820,386)
INCOME AND EXCISE TAXES BENEFIT (EXPENSE)	60,072	(40,982)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	2,110,751	(12,861,368)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	21,181,237	34,042,605
UNRESTRICTED NET ASSETS - END OF YEAR	$23,291,988	$21,181,237

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

EXHIBIT C

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Increase (Decrease) in Unrestricted Net Assets	$ 2,110,751	$ (12,861,368)
Adjustments to Reconcile Increase (Decrease) in Unrestricted Net Assets to Net Cash Flows Used by Operating Activities:		
Unrealized Gains (Losses) on Investments, Net	(5,374,708)	9,537,718
Non-Cash Contribution Revenue		(37,038)
Increase (Decrease) in:		
Distribution Receivable	(750,000)	
Accrued Expense	(446,306)	(303,694)
Current and Deferred Income and Excise Taxes, Net	(72,249)	(57,500)
Grants Payable	1,208,000	
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(3,324,512)	(3,721,882)
CASH FLOW FROM INVESTING ACTIVITY -		
Sales of Investments and Partnership Distributions, Net of Additional Investments	3,324,512	3,721,882
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	$ 5,000	$ 97,643
Investment Interest Expense	$ 58,541	$ 65,931

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

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 by the Foundation's share of the limited partnerships' operating income and additional capital contributions, and decreased by the amount of any distributions received or receivable and operating losses of the limited partnership.

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, 2009 represents a distribution 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 2009 and 2008, 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, 2009 and 2008, the Foundation had distributed more than the required minimum.

During 2009, the Foundation adopted the provisions of ASC-740 ("ASC") which provides for recognition and measurement criteria relating to tax positions taken or expected to be taken on its tax returns. Management has evaluated the ASC and believes that its tax positions have been taken in accordance with the rules and regulations of the respective taxing authorities in which it files and that they have filed in jurisdictions where required.

The Foundation's income tax returns have not been examined by the tax authorities for the last three years, which remain as the years that are generally still subject to examination. Management realizes that there may be differences of opinion relating to interpretations taken by taxing authorities and that certain tax jurisdictions may require filings which have not been

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income and Excise Taxes (Continued):

made. However, through October 12, 2010, there have not been any material claims made by any taxing authorities that have not been appropriately defended or provided for in the financial statements, nor is management aware of any specific uncertain tax positions as defined in the ASC that currently exist.

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. Substantially all of the tax provision is comprised of deferred taxes.

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 assumptions and 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.

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

FAIR VALUE OF INVESTMENTS

The Foundation's investments are summarized below as of December 31, 2009:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 1,097,741	$ 1,097,741
Common Stock Mutual Funds	3,775,873	5,922,370
Fixed Income Security	100,000	100,000
Limited Partnerships	9,462,267	9,462,267
Offshore Hedge Funds	3,213,454	7,120,361
Total Investments	$ 17,649,335	$ 23,702,739

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

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2009 and 2008:

	2009	2008
Interest	$ 256,166	$ 214,421
Dividends	197,294	519,268
Realized Losses, Net	(449,094)	(177,586)
Unrealized Gains (Losses), Net	5,374,708	(9,537,718)
Other Income, Net	632,104	279,643
Investment Expenses	(245,800)	(293,585)
Investment Interest Expense	(58,541)	(65,931)
Investment Advisor Fees	(92,189)	(113,614)
Investment Income (Loss), Net	$ 5,614,648	$ (9,175,102)

FAIR VALUE OF INVESTMENTS (Continued)

Financial Accounting Standards ASC 820 ("ASC") establishes a framework for measuring fair value. That framework provides a 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See *Summary of Significant Accounting Policies* for description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

The valuation methods described in the *Summary of Significant Accounting Policies* may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FAIR VALUE OF INVESTMENTS (Continued)

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2009:

		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	$ 1,097,741		$ 1,097,741	
Common Stock Mutual Funds	5,922,370	$ 5,922,370		
Fixed Income Security	100,000		100,000	
Limited Partnerships	9,462,267			$ 9,462,267
Offshore Hedge Funds	7,120,361	3,199,549	1,698,672	2,222,140
Total	$ 23,702,739	$ 9,121,919	$ 2,896,413	$ 11,684,407

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)

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, 2009 and 2008:

	2009 Limited Partnerships	2008 Limited Partnerships
Balance, January 1	$ 7,338,086	$ 10,163,957
Unrealized Gains (Losses), Net	1,664,058	(2,403,283)
Purchases, Issuances and Settlements, Net	460,123	(422,588)
Balance, December 31	$ 9,462,267	$ 7,338,086
Portion of Unrealized Gains (Losses) Relating to Those Assets Still Held	$ 1,664,058	$ (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 2009 and 2008, the Foundation received investment advisor, personnel and other services from Kaplan Family Investments (KFI), an affiliate of the trustees, and paid KFI $466,450 and $442,010, respectively, for those services.

GRANTS PAYABLE

As of December 31, 2009 the Foundation had approved but unpaid grants for 2009 amounting to $1,208,000. These grants were paid in January 2010.

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

ACCRUED EXPENSE AND OTHER INCOME, NET

During the year ended December 31, 2009 the Foundation received $570,137 from a liquidated foundation. This amount is included as a component of *Other Income, Net* in the accompanying 2009 Statement of Activities.

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 $126,000 received in 2009 by the Foundation from a government fund, was accrued at December 31, 2008 and the reduction from the amount accrued at December 31, 2007 was included as a component of *Other Income, Net* in the accompanying 2008 Statement of Activities.

BANK LINE OF CREDIT

The Foundation has a revolving line of credit with a bank which expires on December 27, 2010 and bears interest at the greater of 2.5% or prime minus .75% or a LIBOR based rate. Advances are limited to $2,500,000. The note is collateralized by certain brokerage securities accounts. There were no borrowings against the line during 2009 or 2008.

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, 2009 and 2008, the Foundation was committed to future capital calls on its investments amounting to approximately $1,163,000 and $1,400,000, respectively.

SUBSEQUENT EVENTS

The Foundation management has evaluated subsequent events through October 12, 2010, the date which the financial statements were available for issue.