

Dhandho Holdings Unaudited 2014 Year-end Financials

Attached are the unaudited financial statements of Dhandho Holdings Corp for the year ending December 31, 2014. Audited statements for Dhandho Holdings Corp, Dhandho Holdings, L.P. and Dhandho Holdings Qualified Purchaser, L.P. will be ready on or before June 29, 2015.

These statements were prepared on a GAAP basis with our wholly-owned subsidiary, Stonetrust Insurance, and its affiliated entities, which we also acquired. Although the consolidated balance sheet includes that of Stonetrust, the statement of operations does not include Stonetrust's results because Dhandho acquired Stonetrust after close-of-business on December 31, 2014.

Because these statements provide Dhandho Holdings Corp's results only between its inception on October 31, 2014 and December 31, 2014, in this discussion we have also presented figures that reflect operations by all of Dhandho's entities for the entirety of 2014.

Background

To review, Dhandho raised capital into two separate closings. The first closing was on March 1, 2014, when we raised \$148,376,376, with units priced at \$10 per share. The second closing was on May 1, 2014, when we raised an additional \$4,000,000 at \$10.50 per share.

On December 31, 2014, Dhandho completed its first acquisition when it acquired Stonetrust, a Louisiana-based insurance company. We paid \$35 million for the business, which included Stonetrust Realty, a subsidiary that owns Stonetrust's headquarters in Baton Rouge, Louisiana, and Stonetrust Management, the entity responsible for day-to-day operations. The \$35 million purchase price was made up of 3 components: (1) \$24 million of cash consideration to Stonetrust's owners and policyholders¹, (2) \$8.8 million cash to its CEO Timothy Dietrich (Tim), and (3) \$2.2 million in Dhandho stock priced at \$10 per share to Tim. Tim's shares were issued as units in Dhandho Holdings shortly after the acquisition in January 2015 and priced at \$10 per share as agreed upon in early 2014 prior to Dhandho's second closing. In accordance with Dhandho's purchase agreement with Stonetrust, \$1.5 million of the \$2.2 million in Dietrich shares will be held by Dhandho and paid out equally to Dietrich on the first, second and third anniversaries of the acquisition's closing.

In addition, to the \$35 million purchase price, Dhandho contributed an additional \$30 million of capital to strengthen Stonetrust's balance sheet and thus its ability to write more insurance.

Operating Results

Dhandho Holdings Corp's ending book value (total stockholders' equity) was \$151,056,866. Based on the total combined units outstanding at Dhandho Holdings, L.P. and Dhandho Holdings Qualified Purchaser, L.P. (i.e., the two limited partnerships) of 15,218,640 units, Dhandho Holdings Corp's ending book value per share was \$9.926. This book value figure does not account for \$69,007 of cash that remained at the two limited partnerships for operating needs at December 31, 2014. If we include that cash balance, the book value is \$151,125,873 and the book value per share is \$9.930.

¹ Recall Stonetrust was a mutual company owned by its policyholders prior to its conversion to a stock company (i.e., its "demutualization") and subsequent acquisition by Dhandho.

To preserve maximum flexibility, Dhandho was restricted from making any investment in marketable securities prior to the closing of its first majority acquisition (Stonetrust). Because the Stonetrust acquisition did not close until the very last day of December 31, 2014, for the entire year Dhandho consisted of an un-invested pool of capital with its assets sitting in cash (money market funds), which yielded very little interest and dividend income.

As a result, all of Dhandho's entities earned a cumulative \$33,738 in interest and dividend income for the year, and experienced a loss of \$1,248,195. Of that \$33,738 in income, \$9,905 was earned at Dhandho Holdings Corp between October 31, 2014 and December 31, 2014. After an income tax benefit, a \$222,124 loss was recorded at Dhandho Holdings Corp between October 31, 2014 and December 31, 2014.

Dhandho incurred a total of \$1,281,934 in expenses at all of its entities in 2014. Of that total expense figure, \$969,526 were legal, audit and consulting fees, the majority of which (approximately 65%) related directly to the Stonetrust acquisition. Dhandho's total salary expense was the second largest expense category and amounted to \$176,808 in 2014; this number will be meaningfully higher in 2015.

Below is a summary of Dhandho's inception through 12/31/14 expenses at all entities by major category:

Category	Total Expenses
Legal, Audit and Consulting	\$ 969,526
Salaries & Related	176,808
Potential Acquisition Related	28,819
Travel	16,630
Software Subscription	11,736
Postage & Shipping	11,232
Stationary	10,431
SEC Form D State Filing	9,175
Recruiting	9,143
Office Space Rental	8,219
All Other	30,216
Totals	\$ 1,281,934

Dhandho Holdings Corp.

Consolidated Statement of Changes in Stockholders' Equity - Unaudited Since Inception (October 31, 2014) through December 31, 2014

	<u>Common Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balances, October 31, 2014	\$ -	\$ -	\$ -
Issuance of common stock	151,278,990	-	151,278,990
Net loss	<u>-</u>	<u>(222,124)</u>	<u>(222,124)</u>
Balances, December 31, 2014	<u>\$ 151,278,990</u>	<u>\$ (222,124)</u>	<u>\$ 151,056,866</u>

Dhandho Holdings Corp.

Consolidated Balance Sheet - Unaudited December 31, 2014

Assets

Investments in bonds	\$ 48,240,142
Investments in common stock	3,119,659
Receivable for securities	1,843
Cash and short-term investments	<u>147,944,065</u>
Total cash and invested assets	199,305,709
Investment income due and accrued	362,378
Accounts receivable	41,588
Rent receivable-deferred	5,421
Premiums receivable	22,393,184
Amounts recoverable from reinsurers on unpaid losses	3,041,461
Amounts receivable from reinsurer on paid losses	11,950
Deferred tax asset	1,911,598
Property and equipment - net	7,438,463
Prepaid expenses	351,011
Income taxes receivable	1,607,540
Debt issuance cost	117,681
Deferred policy acquisition cost	1,669,482
Deposits	22,188
Intangible assets	7,387,519
Other assets	<u>876,832</u>
Total assets	<u>\$ 246,544,005</u>

Dhandho Holdings Corp.

Consolidated Balance Sheet - Unaudited December 31, 2014

Liabilities and Stockholders' Equity

Liabilities:

Losses and loss adjustment expenses payable	\$ 53,500,227
Commissions payable	2,021,948
Other expenses, excluding taxes, licenses and fees	805,499
Taxes, licenses and fees, excluding federal income taxes	3,232,255
Unearned premiums	25,208,373
Advance premiums	735,296
Ceded reinsurance premium payable	63,951
Remittances and items not allocated	163,166
Security deposits	2,133,889
Surplus note	4,000,000
Derivative - interest rate swap	99,263
Amounts payable under loss portfolio	35,207
Accounts payable	292,266
Accrued payroll and payroll taxes	230,924
Due to related party	11,777
Accounts payable to former stockholder of Stonetrust companies	2,200,000
Advance rent	6,373
Other accrued liabilities	746,725
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Total liabilities	95,487,139

Stockholders' equity:

Common stock, no par value, 1,000 shares authorized, issued and outstanding	151,278,990
Accumulated deficit	(222,124)
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Total stockholders' equity	151,056,866
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Total liabilities and stockholders' equity	\$ 246,544,005

Dhandho Holdings Corp.

Consolidated Statement of Operations - Unaudited Since Inception (October 31, 2014) through December 31, 2014

Income:

Dividend income	\$	8,318
Interest income		1,119
Capital gain		468
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Total income		9,905
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Expenses:

Legal fees		190,324
Travel		8,742
Audit fees		7,585
Subscription expense		5,718
Supplies expense		5,643
Rent		3,692
Other fees		2,789
Relocation expense		2,780
Registration fees		2,746
Other taxes		2,636
Workers compensation		1,658
Sales tax		1,480
Repair and maintenance		1,200
Postage and shipping		1,187
Insurance		668
Depreciation and amortization		597
Recruiting expense		590
Phone and internet		266
Municipal tax		113
Other expenses		687
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Total expenses		241,101
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Loss before income tax benefit (231,196)

Income tax benefit 9,072

Net loss \$ (222,124)

Dhandho Holdings Corp.

Consolidated Statement of Cash Flows - Unaudited

Since Inception (October 31, 2014) through December 31, 2014

Cash flows from operating activities:	
Net loss	\$ (222,124)
Adjustments to reconcile net loss to net cash used in operating activities-	
Depreciation expense	597
Changes in assets and liabilities -	
Increase in prepaid expenses	(480)
Increase in deposits	(4,168)
Increase in deferred tax asset	(9,072)
Increase in accounts payable	12,090
Increase in due to related party	11,777
Increase in other taxes payable	113
Increase in other accrued liabilities	87,333
Total adjustments	98,190
Net cash used in operating activities	(123,934)
Cash flows used in investing activities:	
Payments for the acquisition of property and equipment	(20,526)
Payments for business acquisition, net of cash received of \$29,609,535	(3,190,465)
Net cash used in investing activities	(3,210,991)
Cash flows provided by financing activities --	
proceeds from issuance of common stock	151,278,990
Net increase in cash and short-term investments	147,944,065
Cash, beginning of year and short-term investments	-
Cash, end of year and short-term investments	\$ 147,944,065

Supplemental schedule of non-cash investing transactions:

On December 31, 2014, the Company acquired 100% of the outstanding common stocks of Stonetrust Management Services, LLC and Stonetrust Holding Company and its Subsidiaries (collectively "Stonetrust companies"). Stonetrust companies are engaged in providing statutory workers' compensation and employers' liability insurance coverage in five states. The acquisition was completed in December 31, 2014 for a total purchase price of \$35,000,000 of which \$2,200,000 remains unpaid at year-end. The following table summarizes the consideration paid for Stonetrust and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	<u>Stonetrust Holding</u>	<u>Stonetrust Management</u>	<u>Total</u>
Total assets acquired, at fair value	\$ 119,992,892	\$ 1,432,913	\$ 121,425,805
Total liabilities assumed, at fair value	(92,836,329)	(976,995)	(93,813,324)
Net assets acquired	\$ 27,156,563	\$ 455,918	27,612,481
Purchase price			35,000,000
Intangible assets resulting from the acquisition of Stonetrust companies			\$ 7,387,519