

*Consolidated Financial Statements
(with Independent Auditors' Report Thereon)*



HUNTER WISE COMMODITIES, LLC

As of and for the Years Ended December 31, 2011 and 2010



HUNTER WISE COMMODITIES, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members
Hunter Wise Commodities, LLC

We have audited the consolidated statements of assets, liabilities and members' equity of Hunter Wise Commodities, LLC (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, members' equity (deficit) and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hunter Wise Commodities, LLC as of December 31, 2011 and 2010 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.

HASKELL & WHITE LLP

March 12, 2012



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HUNTER WISE COMMODITIES, LLC

**Consolidated Statements of Assets, Liabilities and Members' Equity
As of December 31, 2011 and 2010**

	2011	2010
ASSETS		
Current assets:		
Cash	\$ 1,105,000	\$ 1,210,000
Finance transaction assets (Note 4)	16,435,000	22,448,000
Trading assets (Note 5)	4,396,000	820,000
Due from related parties (Note 6)	54,000	58,000
Other current assets	530,000	592,000
Total current assets	22,520,000	25,128,000
Property and equipment, net (Note 3)	262,000	227,000
Total assets	\$ 22,782,000	\$ 25,355,000
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Finance transaction liabilities (Note 4)	\$ 17,136,000	\$ 21,931,000
Trading liabilities (Note 5)	3,860,000	855,000
Dealer (customer) deposits	774,000	1,918,000
Accounts payable and accrued expenses	208,000	134,000
Due to related parties (Note 6)	-	93,000
Total current liabilities	21,978,000	24,931,000
Commitments and contingencies (Notes 7 and 8)		
Members' equity (Note 8):		
Hunter Wise Commodities, LLC	804,000	424,000
Noncontrolling interest in consolidated subsidiary	-	-
Total members' equity	804,000	424,000
Total liabilities and members' equity	\$ 22,782,000	\$ 25,355,000

See accompanying notes to consolidated financial statements.

HUNTER WISE COMMODITIES, LLC**Consolidated Statements of Operations
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Revenue, net:		
Trading spread revenue	\$ 7,087,000	\$ 3,492,000
Interest income	2,071,000	1,147,000
Service fees	1,845,000	1,046,000
Other	57,000	49,000
	<u>11,060,000</u>	<u>5,734,000</u>
Financing charges	<u>1,291,000</u>	<u>684,000</u>
	<u>9,769,000</u>	<u>5,050,000</u>
Gross profit		
Operating expenses:		
Salaries, benefits and consulting fees	3,578,000	2,409,000
General and administrative	1,313,000	1,075,000
Professional fees	633,000	256,000
	<u>5,524,000</u>	<u>3,740,000</u>
Income from operations and before noncontrolling interest	4,245,000	1,310,000
Net income attributable to noncontrolling interest (Note 8)	<u>-</u>	<u>-</u>
Net income	<u>\$ 4,245,000</u>	<u>\$ 1,310,000</u>

See accompanying notes to consolidated financial statements.

HUNTER WISE COMMODITIES, LLC**Consolidated Statements of Members' Equity (Deficit)
For the Years Ended December 31, 2011 and 2010**

	Members' Equity (Deficit)	Non- controlling Interest	Total
Balance, December 31, 2009	\$ (374,000)	\$ -	\$ (374,000)
Proceeds from the sale of member units	688,000	-	688,000
Member redemption	(25,000)	-	(25,000)
Distributions to members	(1,175,000)	-	(1,175,000)
Net income	1,310,000	-	1,310,000
Balance, December 31, 2010	424,000	-	424,000
Proceeds from the sale of member units	1,470,000	-	1,470,000
Subscription note receivable	(286,000)	-	(286,000)
Distributions to members	(5,049,000)	-	(5,049,000)
Net income	4,245,000	-	4,245,000
Balance, December 31, 2011	<u>\$ 804,000</u>	<u>\$ -</u>	<u>\$ 804,000</u>

See accompanying notes to consolidated financial statements.

HUNTER WISE COMMODITIES, LLC

**Consolidated Statements of Cash Flows
For the Year Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	\$ 4,245,000	\$ 1,310,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	104,000	83,000
Loss on disposition of property and equipment	-	1,000
Increase (decrease) in cash from changes in assets and liabilities:		
Finance transaction assets and liabilities, net	1,218,000	(1,062,000)
Trading assets and liabilities, net	(571,000)	35,000
Due from and to related parties, net	(89,000)	-
Dealer (customer) deposits	(1,144,000)	1,771,000
Other current assets	62,000	(498,000)
Accounts payable and accrued expenses	74,000	(96,000)
Net cash provided by operating activities	<u>3,899,000</u>	<u>1,544,000</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(139,000)</u>	<u>(106,000)</u>
Net cash used in investing activities	<u>(139,000)</u>	<u>(106,000)</u>
Cash flows from financing activities:		
Payments on related party notes payable	-	(283,000)
Collections of subscription notes receivable	54,000	-
Member contributions	1,130,000	688,000
Member distributions	<u>(5,049,000)</u>	<u>(1,140,000)</u>
Net cash used in financing activities	<u>(3,865,000)</u>	<u>(735,000)</u>
Net (decrease) increase in cash	(105,000)	703,000
Cash, beginning of year	<u>1,210,000</u>	<u>507,000</u>
Cash, end of year	<u>\$ 1,105,000</u>	<u>\$ 1,210,000</u>

See accompanying notes to consolidated financial statements.

HUNTER WISE COMMODITIES, LLC

**Consolidated Statements of Cash Flows (continued)
For the Year Ended December 31, 2011 and 2010**

	2011	2010
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid for interest (Note 2)	<u>\$ 1,328,000</u>	<u>\$ 677,000</u>
Cash paid for state income taxes	<u>\$ 13,000</u>	<u>\$ 19,000</u>
Non-cash financing activities (Notes 5 and 7):		
Member contributions	<u>\$ 340,000</u>	<u>\$ -</u>
Member redemption	<u>\$ -</u>	<u>\$ 25,000</u>
Distributions payable, net	<u>\$ -</u>	<u>\$ 35,000</u>

See accompanying notes to consolidated financial statements.

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements As of and For the Years Ended December 31, 2011 and 2010

1. Organization and Basis of Presentation

Hunter Wise Commodities, LLC and its subsidiaries (collectively the “Company”) provide physical commodity trading, financing and “back-office” services for a network of authorized national and international dealers who market and finance the purchases and sales of precious and industrial metals. Management believes the Company’s state of the art operations and human network, both domestically and abroad, creates a paradigm that is simple and comprehensive.

Hunter Wise Commodities, LLC was formed as a California limited liability company in July 2007 with a term through December 31, 2025. The Company was re-domesticated on January 4, 2010 in Nevada. Management’s purpose for this re-domestication was to allow the Company to operate in a more favorable regulatory environment. In connection with this re-domestication, the Company has moved its corporate headquarters from Irvine, California to Las Vegas, Nevada. Part of the Company’s administrative and sales functions remain in Irvine, California operating as Hunter Wise Services, LLC, a California limited liability company.

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

- Hunter Wise Credit, LLC (Nevada) (“HW Credit”) provides financing to dealers (customers) for the purchase of precious and industrial metals.
- Hunter Wise Trading, LLC (Nevada) (“HW Trading”) provides a two-way market to dealers (customers) for the purchase (approximate two business day delivery) and sale of commodities.
- Hunter Wise Services, LLC (California) (“HW Services”) provides “back office” services for dealers (customers).
- IRA Services, LLC (Nevada) provides brokerage services as the broker of record for dealer’s customers who wish to open and utilize individual retirement accounts to invest in commodities.
- Hunter Wise International Commodities, LLP (United Kingdom) (“HW International”) is the international extension of Hunter Wise Commodities, LLC.

The Company is the sole member of Hunter Wise Credit, LLC, Hunter Wise Trading, LLC, Hunter Wise Services, LLC and IRA Services, LLC (formed in 2010). The Company has a 99% member interest in Hunter Wise International Commodities, LLP (formed in 2010), which also includes the accounts of its two wholly-owned subsidiaries, Hunter Wise International Credit, Ltd. (“HWIC”) and Hunter Wise International Trading, Ltd. (“HWIT”). HWIC and HWIT provide the same services as HW Credit and HW Trading, respectively, as described above. See Note 8 regarding the noncontrolling interest of 1% in Hunter Wise International Commodities, LLP.

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

1. Organization and Basis of Presentation (continued)

All significant inter-company accounts and transactions were eliminated upon consolidation. Additionally, certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

The Company is treated as a partnership for Federal and State income tax purposes. The Company's income and expenses are included in the tax returns of the Company's members. Therefore, no provision or liability for Federal income taxes was included in these consolidated financial statements. The Company is subject to gross receipts taxes and franchise fees in the state of California, which were nominal for the years ended December 31, 2011 and 2010. The Company is currently not under income tax examination by any taxing agency, and is currently unaware of any pending examinations by such agencies. The tax years ending December 31, 2008 – 2011 remain open for examination by the Internal Revenue Service. In addition, HW Services files a single member LLC tax return in California. The statute of limitations for the state of California is four years; therefore, the statute for the year ended December 31, 2007 also remains open for examination.

Management believes the Company and its subsidiaries are not subject to any licensing requirements as a dealer or any other business activities in which it engages.

The Company's management evaluated subsequent events through March 12, 2012, the date the consolidated financial statements were available to be issued.

2. Summary of Significant Accounting Policies

Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates.

Revenue Recognition

The Company recognizes revenue from the following sources: (1) bid/ask spread (HW Trading, HWIT and IRA Services), (2) interest rate charges (HW Credit and HWIC), and (3) service charges (HW Services). The bid/ask spread revenue is derived from commodity

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

products that are purchased at ask prices and sold at bid prices. The spread between these prices varies with market volatility and typically ranges from 1% to 4%, depending on the product.

HW Trading, HWIT and IRA Services receive bid and ask orders from dealers (customers) and quotes the dealer (customer) a bid or ask price, based on the bid or ask price received from their dealers (suppliers). HW Trading and HWIT facilitate the delivery, and purchase or sale, of commodities through dealers (suppliers), who are utilized to facilitate the opposite side of the purchase or sale transactions that the companies transact with their dealers (customers). HW Trading, HWIT and IRA Services act in the capacity of a dealer, and thus record revenue on a net basis, which represents the bid or ask spread charged to dealers (customers) as a factor of the bid or ask quote it receives from dealers (suppliers).

The primary factors considered contributing to this position were as follows: (i) HW Trading, HWIT and IRA Services generally do not take inventory risk as they do not generally purchase or sell commodities prior to the placement of an order by a dealer (customer), (ii) the overall bid or ask price of a commodity is determined by the commodity's market price with HW Trading, HWIT and IRA Services only having latitude in price over its bid or ask spread, (iii) HW Trading, HWIT and IRA Services bear little or no credit risk as amounts financed to its dealers (customers) are in turn financed by its dealers (suppliers) or their related financing units, and (iv) the financed balances of dealers (customers) is secured by the physical commodities underlying the associated trade transactions.

HW Credit and HWIC charge interest to dealers (customers) on the unpaid balance of the financed commodity positions held in their individual accounts each month. The interest rate charged exceeds the borrowing rate charged by dealers (suppliers) to HW Credit and HWIC, which creates a profit spread. Service fee revenue earned by HW Services is derived from dealers (customers) to perform "back-office" services and storage fees, if any, which are derived from the rent and insurance fees charged on commodities physically held by the dealers (suppliers) on account for the dealers (customers).

Cash

The Company maintains its cash in major banks in the United States ("U.S.") and the United Kingdom. As of December 31, 2011 and 2010, and at various times during the years then ended, the Company's U.S. cash account balances exceeded the Federal Deposit

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Cash (continued)

Insurance Corporation insured limit of \$250,000 per qualified individual account. The Company has not experienced and does not anticipate any losses relating to these amounts or amounts held internationally.

Finance Transaction Assets

HW Credit and HWIC, in a short sale, loans its authorized network of dealers (customers) physical commodities and provides financing to purchase physical commodities. HW Credit and HWIC closely monitor the credit quality of its customers. Credit terms typically require a 25% initial payment with the remaining 75% financed by HW Credit or HWIC. The financed position is secured by the underlying physical commodities, which are held at a depository. Interest is charged monthly on the outstanding unpaid balance. HW Credit and HWIC require a minimum equity balance for each financing account expressed as a percentage of the market value of the commodity held in the financing accounts of dealers (customers), which may be changed by HW Credit and HWIC at any time.

Finance Transaction Liabilities

HW Trading, HWIT and IRA Services purchase physical commodities from its dealers (suppliers) at least equal to product sold to its dealers (customers). For each purchase financed by suppliers, an initial payment is required and the balance of the purchase price may be financed for up to two years. Typically, the initial payment approximates 25%. Interest is paid monthly on the outstanding unpaid balance. Interest expense, which is classified as financing charges, was approximately \$1,291,000 and \$684,000 for the years ended December 31, 2011 and 2010, respectively. Dealers (suppliers) may establish a minimum equity requirement for each financing account expressed as a percentage of the market value of the commodities held in the financing account. Dealers (suppliers) may change the required equity at any time. As of December 31, 2011 and 2010, the market value of commodities held by dealers (suppliers) for the HW Trading, HWIT and IRA Services were more than sufficient to cover their obligation to dealers (customers) as of the same dates.

Trading Assets and Liabilities

Trading asset and liabilities consist of short-term futures contracts to sell particular commodities. In order to protect against market fluctuations in the exchange price of commodities temporarily held for trading purposes, the Company enters into short-term

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Trading Assets and Liabilities (continued)

futures contracts to sell particular commodities at a predetermined price in the future. Such futures contracts act as an effective hedge against market price fluctuations in the underlying commodities. The Company's business model does not include speculation in commodity price fluctuations. By entering into such futures contracts, the Company willingly gives up the opportunity to benefit from favorable price changes in order to achieve protection against unfavorable price changes. The Company's short-term futures sell contracts were not designated as hedging instruments; therefore, in accordance with GAAP, related gains and losses due to changes in their fair value are recognized currently in earnings.

Dealer (Customer) Deposits

Dealer (customer) deposits are fully-paid for use in future trading activity (trades not yet placed). The fair value of dealer (customer) deposits approximates their carrying value due to their short-term nature.

Financial Instruments and Concentration of Business and Credit Risk

The Company's dealers (customers) are located throughout the U.S., Canada and the United Kingdom. All of the Company's transactions with dealers (customers) and dealers (suppliers) are denominated in U.S. dollars; therefore, the Company is not subject to any foreign currency transaction or translation risk. The Company controls credit risk through credit approvals, credit limits and monitoring procedures and margin requirements. Management has not recorded an allowance for doubtful accounts given their tight credit monitoring and historical experience of no credit losses. As of December 31, 2011, two customers accounted for approximately \$3,222,000 or 20% and \$1,794,000 or 11% of the Company's finance transaction assets. As of December 31, 2010, three customers accounted for approximately \$9,448,000 or 42%, \$2,492,000 or 11% and \$2,188,000 or 10% of the Company's finance transaction assets. For the year ended December 31, 2011, three customers accounted for approximately \$3,439,000 or 31%, \$1,119,000 or 10% and \$1,054,000 or 10% of total revenue. For the year ended December 31, 2010, one customer accounted for approximately \$3,013,000 or 53% of total revenue.

The Company's suppliers are located both domestically and abroad. As of December 31, 2011, two suppliers accounted for approximately \$8,043,000 or 47% and \$7,960,000 or 46% of the Company's finance transaction liabilities. As of December 31, 2010, three suppliers accounted for approximately \$11,949,000 or 54%, \$7,351,000 or 34% and \$2,621,000 or 12% of the Company's finance transaction liabilities.

HUNTER WISE COMMODITIES, LLC

**Notes to the Consolidated Financial Statements (continued)
As of and For the Years Ended December 31, 2011 and 2010**

2. Summary of Significant Accounting Policies (continued)

Financial Instruments and Concentration of Business and Credit Risk (continued)

For the year ended December 31, 2011, three suppliers accounted for approximately \$744,000 or 58%, \$273,000 or 21% and \$248,000 or 19% of financing charges. For the year ended December 31, 2010, two suppliers accounted for approximately \$356,000 or 52% and \$275,000 or 40% of interest expense within financing charges.

The Company's financial instruments include cash, finance transaction assets and liabilities, trading assets and liabilities (futures commodity contracts), dealer (customer) deposits and accounts payable and accrued expenses. The fair value of cash, finance transaction assets and liabilities, dealer (customer) deposits and accounts payable and accrued expenses approximates their carrying value due to their short-term nature. The fair value of futures contracts is based on quoted prices in active markets. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and finance transaction assets and liabilities.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives ranging from three to seven years, using the straight-line method. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Normal repairs and maintenance charges are expensed as incurred; whereas significant improvements which materially increase the values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Computers and software	\$ 168,000	\$ 98,000
Web-site and system development	202,000	149,000
Leasehold improvements	19,000	19,000
Furniture and fixtures	123,000	107,000
	<u>512,000</u>	<u>373,000</u>
Accumulated depreciation	<u>(250,000)</u>	<u>(146,000)</u>
	<u>\$ 262,000</u>	<u>\$ 227,000</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was approximately \$104,000 and \$83,000, respectively.

HUNTER WISE COMMODITIES, LLC

**Notes to the Consolidated Financial Statements (continued)
As of and For the Years Ended December 31, 2011 and 2010**

4. Finance Transaction Assets and Liabilities

Finance transactions assets consisted of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Collateralized loans receivable from dealers (customers)	\$ 12,056,000	\$ 21,739,000
Cash deposits as collateral for commodities borrowed from the Company - dealer (customer) short positions	931,000	335,000
Commodities loaned by the Company to dealers (customers)	3,448,000	374,000
	<u>\$ 16,435,000</u>	<u>\$ 22,448,000</u>

Finance transaction liabilities, consisting of collateralized loans payable to dealers (suppliers), were approximately \$17,136,000 and \$21,931,000 as of December 31, 2011 and 2010, respectively.

The fair value of margin transaction assets and liabilities approximates their carrying value due to their short-term nature.

5. Trading Assets and Liabilities

Trading assets and liabilities consisted of the following as of December 31, 2011 and 2010:

	<u>2011</u>	
	<u>Assets</u>	<u>Liabilities</u>
	<u>Contract Amount</u>	<u>Fair Value</u>
Futures commodity contracts	\$ 4,396,000	\$ 3,860,000

	<u>2010</u>	
	<u>Assets</u>	<u>Liabilities</u>
	<u>Contract Amount</u>	<u>Fair Value</u>
Futures commodity contracts	\$ 820,000	\$ 855,000

The fair value of futures contracts is based on quoted prices in active markets.

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

6. Related Party Transactions

The Company financed its initial operations through notes payable and sales of equity interests with related parties. Hunter Wise Financial Group, LLC is a founding member, which shares common members with the Company. South Peak Texas Investments, Inc. is a founding member controlled by Fred G. Jager, who is also the chief executive member of the Company. Certain other members are also affiliates of Hunter Wise Financial Group, LLC and Fred G. Jager. As of December 31, 2011 and 2010, significant member ownership interests included South Peak Texas Investments, Inc. of approximately 34% and 41% and Ed Martin (chief operating manager) of approximately 37% and 35%, respectively.

The Company offered equity interests through private placement memorandums ("PPMs") in which Hunter Wise Securities, LLC, a broker-dealer, acts as the placement agent for certain non-related party equity interests they sell on behalf of the Company. Hunter Wise Securities, LLC is entitled to a 10% selling commission for such equity interest sales. Hunter Wise Securities, LLC is an affiliated entity through common ownership. Total commissions paid to Hunter Wise Securities, LLC were approximately \$38,000 and \$58,000 for the years ended December 31, 2011 and 2010, respectively.

The amount due from related parties as of December 31, 2011 consisted of an advance to research and establish similar operations in other geographic regions. The amount advanced is expected to be repaid from anticipated capital contributed to the new venture.

Amounts due from and to related parties as of December 31, 2010 consisted of advanced distributions and distributions payable.

7. Commitments and Contingencies

Lease Commitments

The Company leases its office and other facilities under non-cancelable operating leases expiring at various dates through November 30, 2015. The Company also leases an apartment in Santa Ana, California for the use of its chief operating manager when visiting the Irvine, California office. These facility leases contain provisions for adjustment of the minimum payments based on schedules contained in the lease agreements. Total rent expense amounted to approximately \$388,000 and \$319,000 for the years ended December 31, 2011 and 2010, respectively.

HUNTER WISE COMMODITIES, LLC

**Notes to the Consolidated Financial Statements (continued)
As of and For the Years Ended December 31, 2011 and 2010**

7. Commitments and Contingencies (continued)

Lease Commitments (continued)

The approximate aggregate minimum rental commitment under all leases is as follows:

Year ending December 31:		
2012	\$	254,000
2013		223,000
2014		231,000
2015		173,000
		<hr/>
Total	\$	<u>881,000</u>

Claims and Litigation

The Company is periodically subject to claims and litigation that arise in the ordinary course of business. Management does not believe that the disposition of these matters will have a material effect on the Company's financial position or results of operation.

8. Members' Equity

Contributions and Member Units

The Company had a total of 100.00 and 88.24 member units outstanding of which 0.00 and 8.49 were preferred member units as of December 31, 2011 and 2010, respectively. Total member units as of December 31, 2011 and 2010 included 70 founders units, which were issued upon the formation of the Company.

Preferred member units were sold through PPMs dated June 1, 2008 and November 17, 2008 (as amended) both with an offering price of \$100,000 per unit and entitlement to a preference on distributions over founder and regular member units. Members with founder and/or regular units were not entitled to any distributions until the members with preferred member units received distributions equal to their original capital contributions for such units. Upon payment of such preferential distributions, preferred units convert to regular units.

The Company raised approximately \$688,000 from the sale of 5.50 regular member units and 0.25 of a preferred member unit was redeemed for its original purchase price of \$25,000 during the year ended December 31, 2010. The Company raised approximately \$1,470,000 from the sale of 11.76 regular member units during the year ended December 31, 2011.

HUNTER WISE COMMODITIES, LLC

Notes to the Consolidated Financial Statements (continued) As of and For the Years Ended December 31, 2011 and 2010

8. Members' Equity (continued)

Contributions and Member Units (continued)

On June 1, 2011, the sale of 2.72 regular member units to the Company's chief operating officer was financed by the Company through an unsecured promissory note in the original principal amount of \$340,000, which bears simple interest at 3% per annum and matures on June 1, 2014. The unsecured promissory note allows for the prepayment of all or any portion of the original principal amount without penalty or premium (other than accrued and unpaid interest). As of December 31, 2011, the outstanding principal balance was approximately \$286,000 and interest earned for the year then ended was approximately \$5,000. This note is classified as a subscription note receivable and included as a component of member's equity within the accompanying consolidated financial statements as of December 31, 2011.

The offering of member units sold during 2010 and 2011 were through an updated PPM dated January 4, 2010 (as amended) with a per unit offering price of \$125,000 and no preferential distribution rights.

Distributions

In May 2010, the Company distributed \$425,000 to members with 4.25 preferred units, which was equal to their original capital contributions. At this time, South Peak Texas Investments, Inc., Fred G. Jager and Hunter Wise Holdings, LLC were entitled to receive similar preference on distributions in the aggregate amount of approximately \$849,000 for 8.49 preferred units, which each of these members temporarily waived. As these distributions had not yet been declared as of December 31, 2010, a liability was not recorded by the Company as of the same date. During the year ended December 31, 2011, such temporarily waived preferential distributions were declared and paid.

During the years ended December 31, 2011 and 2010, the Company declared and paid regular distributions of approximately \$4,200,000 and \$750,000, respectively, to all members in accordance with their ownership percentages as respective distribution dates.

Allocation of Profits and Losses

Profits and losses are allocated on a pro-rata basis to each member in accordance with their ownership percentage. Other than the preference noted above, distributions are paid to all members, as declared by the managing members, on a pro-rata basis in accordance with their ownership percentages.

HUNTER WISE COMMODITIES, LLC

**Notes to the Consolidated Financial Statements (continued)
As of and For the Years Ended December 31, 2011 and 2010**

8. Members' Equity (continued)

Noncontrolling Interest

The Company accounts for the noncontrolling interest of 1% in Hunter Wise International Commodities, LLP and its wholly-owned subsidiaries (Note 1) as a component of equity within the accompanying consolidated statement of assets, liabilities and members' equity as of December 31, 2011 and 2010. Additionally, as required by GAAP, the accompanying consolidated statement of operations for the years ended December 31, 2011 and 2010 reports consolidated net income to include amounts attributable to both the Company (controlling interest) and the noncontrolling interest. For the years ended December 31, 2011 and 2010, Hunter Wise International Commodities, LLP and its wholly-owned subsidiaries had a consolidated net loss of approximately \$628,000 and \$396,000, respectively. As required by GAAP, the Company absorbs losses on behalf of the noncontrolling interest in excess of the noncontrolling interest's investment. Subsequent profits may not be allocated to the noncontrolling interest until the Company recoups previously absorbed losses on behalf of the noncontrolling interest. The noncontrolling interest's investment in Hunter Wise International Commodities, LLC was \$0 during the entire years ended December 31, 2011 and 2010; therefore, the Company absorbed all losses on behalf of the noncontrolling interest for the years then ended.