

Progressive Asset Management, Inc.

Financial Statements

and

Supplemental Information

Years ended June 30, 2008 and 2007

with

Reports of Independent Auditors

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WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT

Report of Independent Auditors

Board of Directors
Progressive Asset Management, Inc.

We have audited the accompanying statement of financial condition of Progressive Asset Management, Inc. as of June 30, 2008 and 2007, and the related statements of operations, stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the years then ended. These financial statements are the responsibility of the management of Progressive Asset Management, Inc. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Progressive Asset Management, Inc. as of June 30, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

We performed our audit primarily to form an opinion on the basic financial statements taken as a whole. The management of Progressive Asset Management, Inc. presents the accompanying supplemental information for additional analysis, as it is not a required part of the basic financial statements. Rule 17a-5 of the Securities Exchange Act of 1934 requires the supplemental information. We subjected the supplemental information to the same auditing procedures we applied during the audit of the basic financial statements and, in our opinion, the management of Progressive Asset Management, Inc. fairly stated the supplemental information in all material respects in relation to the basic financial statements, taken as a whole.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott
Larkspur, California
August 15, 2008

Progressive Asset Management, Inc.

Statement of Financial Condition

June 30, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
Assets		
Current assets		
Cash and cash equivalents	\$256,094	\$675,117
Investment securities, at fair market value	—	86,131
Commissions receivable	6,003	24,544
Other receivables	3,483	8,114
Prepaid expenses	10,525	15,454
Prepaid income taxes	<u>2,842</u>	<u>16,234</u>
Total current assets	278,947	825,594
Property and equipment, at cost	41,930	41,930
Accumulated depreciation	<u>(41,930)</u>	<u>(40,949)</u>
Property and equipment, net	—	981
Other assets		
Deposits	<u>17,678</u>	<u>4,216</u>
Total other assets	<u>17,678</u>	<u>4,216</u>
Total assets	<u><u>\$296,625</u></u>	<u><u>\$830,791</u></u>

See accompanying notes.

Progressive Asset Management, Inc.

Statement of Financial Condition

June 30, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 9,463	\$ 8,783
Accrued liabilities	<u>6,800</u>	<u>30,313</u>
Total current liabilities	16,263	39,096
Preferred stock, Series A, \$7 stated value; 200,000 shares authorized, zero shares issued and outstanding (2007 - 1,859)	-	1,301
Stockholders' equity		
Preferred stock, no par value; 1,000,000 shares authorized, zero issued and outstanding	-	-
Common stock, no par value; 5,000,000 shares authorized, 2,075,263 shares issued and outstanding (2007 - 2,075,263)	1,285,750	1,285,750
Retained earnings (accumulated deficit)	<u>(1,005,388)</u>	<u>(495,356)</u>
Total stockholders' equity	<u>280,362</u>	<u>790,394</u>
Total liabilities and stockholders' equity	<u>\$ 296,625</u>	<u>\$ 830,791</u>

See accompanying notes.

Progressive Asset Management, Inc.

Statement of Operations

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Commissions	\$369,366	\$526,810
Investment income	17,549	1,303
Other income	59,596	76,181
	<u>446,511</u>	<u>604,294</u>
Total revenues	446,511	604,294
Costs and expenses		
Employee compensation and benefits	118,551	166,530
Communications	7,427	6,065
Insurance	3,622	2,292
Occupancy	20,396	17,726
Office expenses	12,835	9,212
Professional fees	52,736	58,793
Business development and promotion	66,990	137,451
Regulatory	9,668	11,986
Social screening and shareholder advocacy	72,641	73,961
Taxes and licenses	2,268	2,454
Travel and entertainment	10,038	6,348
Depreciation and amortization	981	3,490
	<u>378,153</u>	<u>496,308</u>
Total costs and expenses	378,153	496,308
Income before income taxes	68,358	107,986
Taxes on income	6,357	6,214
Net income	<u>\$ 62,001</u>	<u>\$101,772</u>
Net income per share		
Basic	<u>\$0.03</u>	<u>\$0.05</u>
Fully diluted	<u>\$0.03</u>	<u>\$0.05</u>
Shares used to compute per share amounts		
Basic	<u>2,075,263</u>	<u>2,075,263</u>
Fully diluted	<u>2,079,219</u>	<u>2,118,303</u>

See accompanying notes.

Progressive Asset Management, Inc.
Statement of Stockholders' Equity
Years ended June 30, 2008 and 2007

	Common stock		Retained earnings (accumulated deficit)	Total stockholders' equity
	Shares	Amount		
Balances, June 30, 2006	2,075,263	\$1,285,750	(\$ 581,570)	\$704,180
Redemption of preferred stock, Series A, at stated value, net of issuance value	-	-	(15,558)	(15,558)
Net income	-	-	101,772	101,772
Balances, June 30, 2007	2,075,263	1,285,750	(495,356)	790,394
Redemption of preferred stock, Series A, at stated value, net of issuance value	-	-	(11,712)	(11,712)
Dividend, \$0.20, paid January 8, 2008	-	-	(415,053)	(415,053)
Dividend, \$0.07, paid April 8, 2008	-	-	(145,268)	(145,268)
Net income	-	-	62,001	62,001
Balances, June 30, 2008	<u>2,075,263</u>	<u>\$1,285,750</u>	<u>(\$1,005,388)</u>	<u>\$280,362</u>

See accompanying notes.

Progressive Asset Management, Inc.
Statement of Cash Flows
Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Net income	\$ 62,001	\$101,772
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	981	3,490
Changes in current assets and liabilities		
Investment securities	86,131	153,237
Commissions receivable	18,541	(7,508)
Other receivables	4,631	1,502
Prepaid expenses	4,929	2
Accounts payable	680	(13,301)
Accrued liabilities	(23,513)	11,778
Deferred revenue	-	(3,000)
Income taxes receivable and payable	13,392	(30,034)
	167,773	217,938
Cash flows from investing activities		
Change in deposits	(13,462)	(1,000)
	(13,462)	(1,000)
Cash flows from financing activities		
Redemption of preferred stock, Series A	(13,013)	(19,032)
Dividends paid	(560,321)	-
	(573,334)	(19,032)
Net change in cash and cash equivalents	(419,023)	197,906
Cash and cash equivalents, beginning of year	675,117	477,211
Cash and cash equivalents, end of year	\$256,094	\$675,117
Supplemental disclosures of cash flow information		
Cash paid (refunded) for (from) income taxes	(\$ 7,035)	\$ 36,092

See accompanying notes.

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies

Basis of presentation

Progressive Asset Management, Inc. (Company) incorporated in California on July 14, 1987, and registered as a broker-dealer under the Securities and Exchange Act of 1934. Through May 1999, the Company was a full-service investment firm specializing in socially responsible investing. As more fully discussed in Note 5, the Company transferred all customer accounts and relationships with client representatives to another broker-dealer. The Company remains registered as a broker-dealer, continues to provide research and referrals in consideration for commission-based fees and recruits brokers for FWG (Note 5). Transferred and recruited brokers committed to socially responsible investing form the Progressive Asset Management Network.

In its policies, practices and programs, the Company commits to provide its clients with the highest quality financial products and investment services and to operate as a strong, positive force for social justice and environmental protection. The headquarters of the Company is in Oakland, California.

The accompanying financial statements include the accounts of the Company. Not included are the accounts of a previously owned (45%) subsidiary, Growth Capital Services, Inc. (formerly Aquillian Investments, Inc. and Progressive Trade Securities, Inc. In December 2006, the Company received \$25,000 for its initial investment of \$100,001 and recorded an investment loss of \$75,001, included herein. The Company may receive certain contingent payments of up to \$100,000 in the future dependent on the revenues of Growth Capital Services, Inc.

The Company claims exemption from Securities Exchange Commission Rule 15c3-3 because it does not carry customer funds or handle customer securities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits held by commercial banks and money market funds held by registered investment companies. All cash and cash equivalents are available to the Company within 90 days of demand. The carrying amount of cash and cash equivalents approximates fair value due to their short-term nature.

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies (continued)

Investment securities

The Company classifies investments in marketable securities as investment securities and records them at their fair market value.

Property and equipment

Property and equipment consists of furniture and office and computer equipment. The Company capitalizes acquisitions when they exceed \$1,000. The Company computes depreciation of property and equipment using the straight-line method over the estimated useful lives of the respective property and equipment, ranging from three to seven years.

Security transactions and commissions

The Company records net commission revenue from FWG (Note 5) and on its limited security transactions on a settlement-date basis. Net commission revenue on unsettled transactions at year-end is not material.

Advertising costs

The Company expenses costs for producing and communicating advertising when incurred. During the years ended June 30, 2008 and 2007, the Company incurred advertising costs totaling \$9,134 and \$8,754, respectively.

Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that are included in financial statements and tax returns in different periods. Under this method, the Company determines deferred tax assets and liabilities based on the difference between financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years when the Company estimates the differences to reverse. As of June 30, 2008 and 2007, there were no significant deferred tax assets or liabilities except for a deferred tax asset as of June 30, 2008 and 2007 (net of a 100% valuation allowance) resulting from available federal low income housing income tax credits (Note 2).

Earnings per share

The Company calculates basic earnings per share based on the weighted average number of common shares outstanding during the year. The Company calculates fully diluted earnings per share based on the weighted average number of common

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies (continued)

shares and common stock equivalents, including options and convertible preferred stock, outstanding during the year.

Estimated fair value of financial instruments

Management estimates that the aggregate net fair value of financial instruments recognized on the statement of financial condition (including receivables, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature, bear interest at current market rates or are stated at their fair value.

Use of estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported herein. Although management of the Company bases the estimates on its knowledge of current events and actions it may undertake in the future, actual results may differ.

Reclassifications

The Company reclassified certain prior year amounts to conform to the current year presentation. Refer and compare to the prior year financial statements for details.

Note 2 – Income taxes

During the years ended June 30, 2008 and 2007, the Company used federal low income housing income tax credits available from prior years to reduce its federal income tax liability to zero. As of June 30, 2008, the Company had carry forwards of unused federal low-income housing income tax credits totaling approximately \$63,000.

The income tax provisions for the years ended June 30, 2008 and 2007, consist entirely of state income taxes.

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 3 – Series A preferred stock

Earth Trade, Inc. (Earth Trade) organized in 1992 to promote sustainable development by marketing both organic and conventional food products from farm cooperatives in the developing world. Principally due to continuing losses, the shareholders of Earth Trade voted in May 1997 to voluntarily dissolve and liquidate its net assets. The Company Board of Directors, with consideration of its mission and standards of social responsibility, its 30% ownership of Earth Trade and its role as placement agent for debt and equity securities issued by Earth Trade, voluntarily settled with the Earth Trade note holders. Under two agreements made in January 1998 and February 1999, in exchange for their residual Earth Trade debt and a general release of liability, the note holders received Company Series A preferred stock with a stated value of \$7.00 (fair market value on settlement date of \$0.70), Company common stock with a stated value of \$5.00 (fair market value on settlement date of \$0.50) and cash. The Company recorded the Series A preferred stock at its value when the Company issued it and excluded it from stockholders' equity.

The Company issued stock and paid cash (in installments through September 23, 2002) to close the settlement agreements, as follows:

	<u>Shares</u>	<u>Amount</u>
Preferred, Series A	94,879	\$ 66,416
Common	91,852	45,925
Cash	–	<u>407,022</u>
Total		<u>\$519,363</u>

Before the settlement agreements, the Company owed nothing to Earth Trade or its share- or note holders. Accordingly, the Company did not consider the settlement agreement a debt extinguishment. However, due to the mandatory redemption feature of the Series A preferred stock, management did not classify it with stockholders' equity.

The Series A preferred stock did not pay dividends, was non-voting, had a \$7.00 per share liquidation preference over the common stock and was convertible 1:1 into shares of common stock at the option of the holder or automatically upon the occurrence of certain events. The Series A preferred stock was subject to mandatory redemption annually each November 1 at \$7.00 per share.

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 3 – Series A preferred stock (continued)

The Company committed to redeem a portion of the Series A preferred stock based on 1% of its gross revenues, as adjusted, and limited by the ability of the Company to meet its net capital requirements (Note 9). In October 2006, the Company redeemed 1,038 shares of Series A preferred stock for \$7,266. In December 2006, the Company redeemed 3,922 shares for \$11,766. Finally, in October 2007, the Company redeemed the remaining 1,859 shares for \$13,013.

Note 4 – Common stock options

In December 1995, the Company adopted a stock option and incentive plan that allowed for the issuance of up to 200,000 shares of common stock through December 31, 2004. The plan provided for the award of stock options, employee stock purchases and restricted stock grants. Of the options awarded, all vested immediately and recipients must hold them for up to two years (up to seven years for options awarded before December 1995) before exercise.

The Company Board of Directors determined awards of additional stock options, vesting, exercise prices and other option terms. The exercise prices for all options awarded have not been less than the fair market value of the stock as determined by the Board of Directors at the date of grant. Certain options required a 10% premium on the option price under certain circumstances. Outstanding options as of June 30, 2008, expire from December 31, 2008 through 2010 and reconcile as follows:

<u>Granted during the calendar year</u>	<u>Price</u>	<u>Shares</u>	<u>Expiration</u>
2001	\$0.60	1,500	12-31-2007
2002	0.40	1,000	12-31-2008
2003	0.24	1,000	12-31-2009
2004	0.16	<u>1,000</u>	12-31-2010
Outstanding as of June 30, 2007		4,500	
Expired December 31, 2007	0.60	(<u>1,500</u>)	2007
Outstanding as of June 30, 2008		<u>3,000</u>	

Compensation expense related to outstanding stock options is not material to the financial position of the Company.

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 5 – Paradox Holding, Inc. and FWG agreement

In May 1999, the Company entered into agreement with Paradox Holdings, Inc., parent of Financial West Investment Group, Inc. (FWG), in which the Company transferred all of its customer accounts and relationships with client representatives to FWG. FWG retains 4.75% of all gross commissions generated by the transferred representatives (and any other representatives recruited by the Company in the future), pays commissions and reimburses certain expenses to the transferred representatives and remits the net commissions to the Company. FWG retained only 3.50% of all gross commissions until the difference, 1.25%, of all gross commissions paid to the Company totaled \$875,000.

The Company records payments from FWG in connection with the transfer as commission revenue. Of the total FWG commissions the Company recorded as revenue during the years ended June 30, 2008 and 2007, \$24,134 and \$83,351, respectively, represented payments against the \$875,000, with zero and \$24,134, respectively, due as of June 30, 2008 and 2007. Paradox Holdings, Inc. had guaranteed payments to the Company by FWG, Inc.

Note 6 – Employee benefit plans

The Company offers a defined contribution SIMPLE plan for the benefit of its employees. The plan allows for employee elective contributions. In addition, the Company must match employee elective contributions up to the lesser of each employee's actual elective contributions or 3% of each employee's salary. The Company incurred matching contribution expense during the years ended June 30, 2008 and 2007, totaling \$2,726 and \$4,046, respectively.

Note 7 – Credit risk and concentrations

As of and during the years ended June 30, 2008 and 2007, the Company maintained deposit balances at a commercial bank in excess of federal deposit insurance amounts. Federal deposit insurance does not cover money market amounts held by registered investment companies.

The Company earned all of the commission revenue reported herein from FWG (Note 5).

Progressive Asset Management, Inc.
Notes to Financial Statements
June 30, 2008

Note 8 – Commitments and contingencies

The company leased its office facility under an operating lease that expired July 31, 2008. During the years ended June 30, 2008 and 2007, rent expense, net of sub-lease payments, totaled \$20,396 and \$17,726, respectively.

The Company, in the ordinary course of its business, may be named in matters arising from its activities as a broker-dealer. In the opinion of management, based upon discussions with legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Company.

Note 9 – Net capital requirement

Pursuant to and as defined in the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain minimum net capital of \$100,000 and a ratio of aggregate indebtedness to net capital not to exceed 15 to 1. As of June 30, 2008, the Company had net capital of \$241,354, which is \$141,354, in excess of its required net capital. As of June 30, 2008, the ratio of aggregate indebtedness to net capital was 0.067 to 1.

Note 10 – Quarterly financial results (unaudited)

The unaudited revenue and income (loss) of the Company for the four quarters ending June 30, 2008 and 2007, total as follows:

	<u>Revenue</u>	<u>Income (loss)</u>
September 30, 2007	\$159,413	\$49,132
December 31, 2007	120,081	3,801
March 31, 2008	90,484	4,980
June 30, 2008	76,533	4,088
September 30, 2006	\$151,072	\$41,813
December 31, 2006	101,910	(42,603)
March 31, 2007	156,614	42,018
June 30, 2007	194,968	60,494