

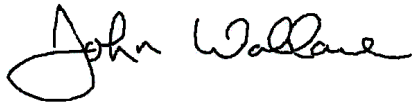
**THE CALDWELL PARTNERS INTERNATIONAL INC.**  
**Consolidated Financial Statements**

**Second Quarter**  
**Ended February 28, 2009 and February 29, 2008**  
**(unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

Section 4.3(3)(a) of National Instrument 51-102, *Continuous Disclosure Obligations*, provides that if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of The Caldwell Partners International Inc.



John N. Wallace  
President and Chief Executive Officer



Karen E. Richards, CA  
Chief Financial Officer

April 7, 2009

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED BALANCE SHEET

(unaudited)

	<i>As at</i> <i>February 28</i> <i>2009</i>	<i>As at</i> <i>February 29</i> <i>2008</i>	<i>As at</i> <i>August 31</i> <i>2008</i>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$4,636,924	\$7,131,338	\$8,007,963
Accounts receivable	2,417,293	3,150,922	3,029,381
Income taxes receivable	1,396,546	1,076,284	1,080,959
Prepaid expenses	292,733	202,604	181,222
	8,743,496	11,561,148	12,299,525
Marketable securities (note 3)	7,184,314	11,539,489	10,909,603
Loans receivable, net (note 4)	559,184	391,990	418,978
Property and equipment (note 5)	1,883,840	2,079,222	1,859,562
Future income taxes	340,000	199,808	340,000
	\$18,710,834	\$25,771,657	\$25,827,668
<b>Liabilities</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$2,228,650	\$2,700,433	\$4,637,343
Deferred revenue	190,047	439,098	256,409
Current portion of incentive accrual (note 6)	530,250	0	530,250
	2,948,947	3,139,531	5,424,002
Long-term incentive accrual	1,470,702	1,652,264	1,599,266
Future income taxes	339,928	351,416	339,928
Shareholders' equity			
Capital stock (note 7)	16,064,076	20,497,167	19,603,150
Contributed surplus (note 7)	4,057,933	204,803	488,693
(Deficit) retained earnings	(1,884,168)	722,451	(1,066,076)
Accumulated other comprehensive loss	(4,286,584)	(795,975)	(561,295)
	13,951,257	20,628,446	18,464,472
	\$18,710,834	\$25,771,657	\$25,827,668

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

(unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>February 28</i>	<i>February 29</i>	<i>February 28</i>	<i>February 29</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Operating revenue	\$3,311,794	\$3,493,290	\$7,447,996	\$8,045,973
Expenses				
Employee compensation, general and administration	\$3,697,136	4,059,645	8,704,935	8,341,703
Amortization	88,366	91,240	170,078	180,865
	3,785,502	4,150,885	8,875,013	8,522,568
(Loss) earnings before the following	(473,708)	(657,595)	(1,427,017)	(476,595)
Investment income, net	48,091	624,144	143,962	688,530
Net (loss) earnings before tax	(425,617)	(33,451)	(1,283,055)	211,935
Recovery of income taxes	(139,376)	(245,363)	(464,962)	(160,400)
Net (loss) earnings for the period	(\$286,241)	\$211,912	(\$818,093)	\$372,335
(Loss) earnings per share	(\$0.017)	\$0.012	(\$0.050)	\$0.022

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>February 28</i>	<i>February 29</i>	<i>February 28</i>	<i>February 29</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Net (loss) earnings for the period	(\$286,241)	\$211,912	(\$818,093)	\$372,335
Other comprehensive income:				
Unrealized loss on marketable securities	(339,264)	(889,387)	(3,725,289)	(1,137,839)
Comprehensive loss	(\$625,505)	(\$677,475)	(\$4,543,382)	(\$765,504)

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

(unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>February 28</i> <i>2009</i>	<i>February 29</i> <i>2008</i>	<i>February 28</i> <i>2009</i>	<i>February 29</i> <i>2008</i>
Shareholders' equity - beginning of period	\$14,556,251	\$21,732,842	\$18,464,472	\$22,174,743
Net (loss) earnings for the period	(286,241)	211,912	(818,093)	372,335
Issuance of stock options	20,511	0	37,604	0
Repurchase of Class A shares	0	(85,802)	(7,437)	(98,493)
Dividends on Class A and Class B shares	0	(341,119)	0	(682,300)
Other comprehensive loss	(339,264)	(889,387)	(3,725,289)	(1,137,839)
Shareholders' equity - end of period	\$13,951,257	\$20,628,446	\$13,951,257	\$20,628,446
Accumulated other comprehensive income - beginning of period	(\$3,947,320)	\$93,412	(\$561,295)	\$0
Adoption of new handbook standard (net of tax)	0	0	0	341,863
Change in unrealized gains and losses on available-for-sale marketable securities	(339,264)	(889,387)	(3,725,289)	(1,137,839)
Accumulated other comprehensive income - end of period	(\$4,286,584)	(\$795,975)	(\$4,286,584)	(\$795,975)

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>February 28</i>	<i>February 29</i>	<i>February 28</i>	<i>February 29</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
<b>Operating Activities</b>				
Net (loss) earnings for the period	(\$286,241)	\$211,912	(\$818,093)	\$372,335
Items not affecting cash				
Amortization	88,366	91,240	170,078	180,865
Loss on sale of marketable securities	0	67,330	0	136,275
Other realized losses on investments	0	(567,976)	0	(567,976)
Issuance of stock options	20,511	0	37,604	0
(Decrease) increase in non-cash incentive compensation	(367,190)	182,551	(128,564)	315,116
	(544,554)	(14,943)	(738,975)	436,615
Net (decrease) increase in working capital balances related to operations	(2,255,865)	142,844	(2,430,271)	49,760
	(2,800,419)	127,901	(3,169,246)	486,375
<b>Investment Activities</b>				
Proceeds on sale of marketable securities	0	414,480	0	1,655,578
Additions to property and equipment	(144,235)	(20,979)	(194,356)	(69,114)
	(144,235)	393,501	(194,356)	1,586,464
<b>Financing Activities</b>				
Dividends paid	0	(341,119)	0	(682,300)
Repurchase of Class A Shares	0	(85,802)	(7,437)	(98,493)
	0	(426,921)	(7,437)	(780,793)
Net (decrease) increase in cash and cash equivalents during the period	(2,944,654)	94,481	(3,371,039)	1,292,046
Cash and cash equivalents, beginning of period	7,581,578	7,036,857	8,007,963	5,839,292
Cash and cash equivalents, end of period	\$4,636,924	\$7,131,338	\$4,636,924	\$7,131,338

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## Notes to Consolidated Financial Statements For The Second Quarter Ended February 28, 2009 and 2008 (unaudited)

### 1. Basis of Presentation

The consolidated balance sheets and the consolidated statements of earnings, shareholders' equity, and cash flows for the second quarter ended February 28, 2009 and 2008 include the accounts of the Company and its subsidiaries. All material intercompany transactions have been eliminated.

### 2. Significant Accounting Policies

The accounting policies followed by the Company are the same as those disclosed in the Company's consolidated financial statements, and notes thereto, for the year ended August 31, 2008, except as follows:

#### Foreign Currency Translation

Transactions of the Company's Canadian operations denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Foreign exchange gains and losses are recorded as incurred in the statement of earnings.

The Company's US operations have been treated as a fully-integrated subsidiary and as a result the net assets have been translated using the temporal method, which translates monetary items at the rate of exchange in effect at the balance sheet date and non-monetary items at historical rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Foreign exchange gains and losses arising on translation of the US operations are included in the statement of earnings.

### 3. Marketable Securities

The Company has investments in marketable securities which are comprised of the following:

	February 28, 2009		February 29, 2008	
	market	cost	market	cost
Preferred shares	\$1,691,359	\$3,128,428	\$3,196,309	\$3,600,338
Managed funds	5,399,957	8,182,741	8,210,489	8,750,717
Common shares	92,998	159,728	132,691	159,728
	<u>\$7,184,314</u>	<u>\$11,470,897</u>	<u>\$11,539,489</u>	<u>\$12,510,783</u>

### 4. Loans Receivable, Net

Loans receivable include advances and amounts receivable from employees of the Company. The loans receivable balance is shown net of any amounts owing to employees, where the legal right of offset and net settlement option exists. The loan balances do not bear interest and have various repayment terms. The fair value approximates the carrying value of these loans.

## 5. Property and Equipment

	February 28, 2009			February 29, 2008		
	cost	accumulated amortization	net book value	cost	accumulated amortization	net book value
Furniture & equipment	\$1,816,794	\$1,471,623	\$345,171	\$1,862,813	\$1,480,757	\$382,056
Computer equipment	2,059,498	1,853,529	205,969	2,104,087	1,869,333	234,754
Computer software	1,761,290	1,346,945	414,345	1,717,395	1,239,256	478,139
Leasehold improvements	2,600,969	1,682,614	918,355	2,583,251	1,598,978	984,273
	<u>\$8,238,551</u>	<u>\$6,354,711</u>	<u>\$1,883,840</u>	<u>\$8,267,546</u>	<u>\$6,188,324</u>	<u>\$2,079,222</u>

## 6. Other Long-term Liabilities

Included in Other Long-term Liabilities is an accrual for long-term incentive compensation for the Company's consistently top revenue-producing employees. The current portion reflects payments that have vested and are expected to be paid in the next twelve months.

## 7. Capital Stock

The authorized share capital of the Company consists of an unlimited number of Class A Non-voting Shares of which 12,523,423 (2008 – 13,160,783) are issued and outstanding, an unlimited number of Class B Voting Shares of which 3,883,450 (2008 – 3,883,450) are issued and outstanding, and 240,000 Class C Special Shares of which nil (2008 – nil) are issued and outstanding. The holders of Class A Non-voting Shares are entitled to share equally, share for share, with the holders of Class B Shares in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On February 19, 2009, shareholders approved an amendment to the Articles of the Company that will cause the Company to have a single class of voting shares effective November 1, 2011. On that date, the Company's Class B shares automatically will be converted into Class A shares at a ratio of 1.149 Class A non-voting shares for each Class B share then outstanding and the Class A shares will acquire voting rights.

The shareholders also approved a reduction in the Stated Capital of the Class A and Class B shares by 18 percent, thereby reducing Capital Stock by \$3,526,261, with a corresponding increase in Contributed Surplus. The company intends to use some of the addition to its Contributed Surplus to repurchase Class A shares on the Toronto Stock Exchange, pursuant to a Normal Course Issuer Bid notice to be filed with the TSX.

### Class A Shares

During the year to date, under its Normal Course Issuer Bid, the Company acquired and canceled 8,200 (2008 – 8,000) of its Class A Non-voting Shares.

### Class B Shares

The Class B Voting Shares are convertible to Class A Non-voting Shares on a one-for-one basis, given certain conditions over a period of time. There was no activity in Class B Shares over the past two years.



## Stock Options

Stock options are granted periodically to directors, officers and employees of the Company. Cash received upon exercise of options for common shares is credited to capital stock. Total outstanding stock options are summarized as follows:

	February 28, 2009		February 29, 2008	
	number of options outstanding	weighted average exercise price	number of options outstanding	weighted average exercise price
Outstanding at beginning of year	-	-	2,500	\$0.96
Options expired or cancelled	-	-	(2,500)	\$0.96
Options granted	600,000	\$1.05	-	-
Outstanding at end of period	600,000	\$1.05	-	-

Options currently outstanding have a grant price of \$1.05, vest over three years and have a contractual life of five years. Options are exercisable at various times over this five-year period, commencing one year from the date of grant, based on the market price of the stock on the date of grant. An option expense of \$37,604 has been recorded in the six months ended February 28, 2009 (2008 – nil).

The current number of options authorized and available for grant is 1,241,600 (2008 – 1,841,400).

## **8. Lease Commitments**

The Company's future operating lease commitments for premises excluding operating costs, including those amounts paid to related parties as set out in note 9, are as follows:

Twelve months ending November 30, 2009	\$975,519
Twelve months ending November 30, 2010	650,492
Twelve months ending November 30, 2011	575,518
Twelve months ending November 30, 2012	462,788
December 1, 2012 and thereafter	423,204
	<u>\$3,087,521</u>

During the second quarter of 2009, the Company entered into new leases with third-party companies for premises in Los Angeles and San Francisco, California. These new commitments have been included in the schedule above.

## **9. Related Party Transactions**

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, Chairman) in the amount of \$145,705 for the six months ended February 28, 2009 (2008 - \$145,705), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.