

EXPERT REPORT  
OF  
NEAL, BRADSHER & TAYLOR, P.A.  
ON  
NATIONAL GAS DISTRIBUTORS, LLC

In the United States Bankruptcy Court  
Middle District of North Carolina  
Durham Division

Case No. 06-00166-8-ATS  
Chapter 11



**Neal, Bradsher & Taylor, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

James E. Neal, CPA, CVA, CFE  
Gary C. Hull, CPA  
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March 27, 2007

Richard M. Hutson, II  
Trustee for National Gas Distributors. L.L.C.  
Hutson Law Office, P.A.  
Attorneys-at-Law  
P. O. Box 2252-A  
Durham, North Carolina 27702

Re: Insolvency of National Gas Distributors, LLC

Dear Mr. Hutson:

As per our engagement letter dated September 22, 2006, Neal, Bradsher & Taylor, P.A. was retained to determine whether National Gas Distributors, LLC (the "Debtor" or the "Company") was financially insolvent at each month-end date during the "Avoidance Period", January 20, 2005 through January 20, 2006. This necessitated our analysis of all available financial transactions between the Debtor and other parties to cover the period December 31, 2004 through January 31, 2006. In addition, we were to also provide support to Northern Blue, LLP, Counsel for the Trustee, on any financial issues that might arise in any litigation involving the Trustee. The details of our analysis, our findings and our opinion concerning the insolvency of the Debtor during this period are included within this report.

#### BACKGROUND OF DEBTOR

The Debtor was formed as a limited liability company, under the laws of the State of North Carolina on February 28, 2001 as "Paul Lawing, Jr. LLC". Paul D. Lawing, Jr. was listed as the sole organizer and member of the entity. On August 16, 2002 the Company's name was changed to "National Gas Distributors, LLC". As a single member limited liability company, the Company was not required to file separate income tax returns annually but instead reported the results of its annual operations on Mr. Lawing's personal income tax returns.

The Debtor was in the business of purchasing and distributing natural gas, propane and other energy commodities for various industrial, governmental and other customers, in and among other places, North Carolina, South Carolina and Tennessee.

The Debtor voluntarily filed, on January 20, 2006, a petition in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. Richard M. Hutson, II (the Trustee) was appointed to serve as the Chapter 11 trustee on January 24, 2006.

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#### MEMBERS

American Institute of Certified  
Public Accountants  
North Carolina Association of  
Certified Public Accountants

## METHODOLOGY

When we began our work, we quickly discovered that practically no organized accounting books and records of the Debtor were currently in existence. There were no period financial statements audited or reviewed by any firm of certified public accountants and there were no accounting general ledger or supporting accounting journals of original entry that one would expect to find with any normal company. We did not determine whether this paucity of accounting records was caused by deliberate action on the part of one or more parties or merely just haphazard bookkeeping.

We did eventually locate an internal financial statement purporting to show the results of the Company's operations for the months of January - October, 2005. However, it quickly became apparent to us that very little information reported in this internal statement was correct. In fact, most of the reported figures seemed grossly incorrect with all of the monthly sales figures being highly inflated. Since we were not able to determine the purpose of this report, we were unable to determine if it was prepared in a manner designed to deceive or merely incorrectly prepared.

The only detailed accounting records of any type that we found were monthly computer generated spread sheets of purported sales and purchases of product. (These numbers did not seem to relate to the above mentioned financial reports.) Unfortunately, we ultimately determined that many of the figures contained within those reports were also not accurate when compared with other original documents and therefore the reports were considered by us to be unreliable. As an example, many of the sales numbers shown on these reports as being made by Mr. Lawing were accurate as to volumes of product sold but the sale prices were inflated to almost double that which was actually invoiced and the reported monthly purchases did not reconcile with the suppliers records.

Once we realized the full extent of missing reliable accounting records we decided the only way for us to properly proceed was to develop these needed records ourselves from existing data. We did possess copies of bank statements, cancelled checks, bank transfers and deposit tickets from which we were able to create cash receipts and disbursements journals for the period under review. We were also able to obtain access to the Debtor's original customer files from which we were able to create sales and accounts receivable journals and subsidiary ledgers for the same period. A complete list of the documents we relied upon in recreating these accounting records is contained in **Exhibit 8** of this report.

From these recreated accounting records we were able to prepare detailed balance sheets for the Debtor for each month beginning December 31, 2004 and continuing through January 31, 2006. These Balance Sheets, plus the Owner's Equity account, presented on an historical cost basis, are reported in detail in **Exhibit 5** and **Exhibit 6** of this report. These Balance Sheets, adjusted to report on a fair value basis, are reported in detail in **Exhibit 1** of this report. A supporting exhibit detailing the monthly transactions within the Owner's Equity account is reported in **Exhibit 2** of this report. In addition to reporting the effect of each month's profit or loss from operations, **Exhibit 2** also reports the total withdrawal of funds (equity) by the owner from the Company for each month of the period under review. These withdrawals have been classified into seven categories, based on the indicated recipient or beneficiary of the funds, which are recapped at the bottom of the exhibit. The transaction details of these categorized withdrawals are shown in **Schedule 1 - Schedule 7**, inclusive, of this report.

In addition, we prepared statements of cash flow for each included monthly period. These Statements of Cash Flow are reported in detail in **Exhibit 3** of this report. In addition, as a support to **Exhibit 3**, we prepared an exhibit entitled Net Cash Provided (Used) By Operations which provides additional detail for cash requirements of the Company. This detail is included in **Exhibit 4** of this report. The detailed procedures we used in creating these accounting records are contained in **Exhibit 7** of this report.

## FINDINGS AND OPINIONS

The United States Bankruptcy Code defines insolvency, with reference to an entity other than a partnership or a municipality, as a financial condition such that the sum of such entity's debts is greater than all of such entity's property, at a fair valuation. Fair Value is generally defined as a legally created standard referring to an equitable, just and reasoned value for property without reference to a simulated or real market transaction.

Once we had created balance sheets for the Debtor, we analyzed each individual month's balance sheet contained within the period December 31, 2004 through January 31, 2006, inclusive, in order to determine if the Company was insolvent at any period of time during that fourteen month period.

### Insolvency

There are three tests used to determine whether an entity is insolvent. However, insolvency can be determined by any one of these three tests on a stand-alone basis.

- Balance Sheet Test – Determines whether the sum of the entity's debts exceeds the value of its property (assets), at fair valuation.
- Cash Flow Test – Determines whether the Debtor incurred debts that were beyond its ability to pay as the debts matured.
- Adequate Capital Test – Determines whether the Debtor possess unreasonably small capitalization by its owner(s).

In the case at hand, we believed that it was necessary to perform all three of the tests in order that any reader of this report would have a full understanding of all of the financial data presented.

### Balance Sheet Tests – December 31, 2004 through January 31, 2006.

If the total of an entity's debts exceeds the total of an entity's assets, revalued from historical cost to current fair value, the entity is presumed to be insolvent. Because the balance sheets being analyzed were prepared by us and because the Debtor's normal accounting reporting policies were unknown, we presented the balance sheet accounts using what we consider to be normal accounting policies for such presentation.

The balance sheets presented within this report are defined as "classified" balance sheets. Classified balance sheets distinguish current assets and current liabilities from other assets and liabilities. Separate disclosures of this type are designed to make them more useful to the reader.

An asset is normally classified as "current" if it is expected to be converted into cash or consumed within a normal operating cycle, usually defined as being twelve months except in certain specialized industries. Liabilities are normally considered "current" if they are expected to be paid or liquidated within the same twelve month period. Frequently the payment or liquidation of these liabilities requires the use of current assets or the creation of other liabilities.

The cash assets as presented were unencumbered and available for normal operating use. Trade accounts receivable are presented in the early months in two categories Accounts Receivable – Trade and Accounts Receivable – Unbilled. "Accounts Receivable – Trade" represents unpaid balances on

customer accounts which have been invoiced by the Company during the current or prior months. "Accounts Receivable – Unbilled" represents normal revenue amounts earned within the current month but not actually invoiced by the Company until the following month. It appears that the Debtor's policy was to invoice all currently earned revenues by the 10th of the month subsequent to the actual sale.

Beginning in September, 2005 the Company began invoicing certain clients for future deliveries of product. We grouped activities of this type into an account we titled "Accounts Receivable – Pre-Billed". Although normally an account of this type is classified as a current liability, we presented it in the current asset section of the Company's balance sheet as a "contra asset" account to assist in the readers' understanding of the nature of this account. In this case, it represents borrowings from the Company's customer base. The involved customers and the total amount of advanced billings to each of them and the monthly balances of such billings are as follows:

Companies:	
Invista dba KOSA	\$ 8 400 000.00
Kimball Resources	1 707 247.50
Goodyear aka Kelly Springfield	711 278.87
DAK Americas	1 316 300.00
Saint-Gobain Containers	1 553 011.92
Smithfield Foods	<u>443 450.00</u>
<b>Total Amounts Prebilled</b>	<b><u>\$ 14 157 288.29</u></b>

Monthly Balances:	
September, 2005	\$ 4 475 700.00
October, 2005	\$ 6 353 296.37
November, 2005	\$ 5 115 913.02
December, 2005	\$ 6 250 984.00

An "Allowance for Doubtful Accounts" was created to offset the total account balances of two customers who had filed for protection under the Bankruptcy Act in 2004. The ultimate successful collection of these two accounts, which totaled \$53,111.28, was considered unlikely.

Our prepared balance sheets do not report any property, plant or equipment of the Debtor as such assets were unknown to us. We did suspect that the Company had some quantity of office equipment and computer equipment but that the fair value of such assets, if located, would have been negligible. The previously mentioned internal financial statements reported an original cost basis of this type of asset as \$80,840.00 with \$57,050.00 in accumulated depreciation as of October 31, 2005 but since we considered the statements to be unreliable, these amounts were not included by us.

The only non-current assets initially recorded at cost on the Company's balance sheets were "Deferred Financing Costs". These costs represented various fees paid by the Company to secure financing with one of the Company's lenders, Chatham Capital Management II, LLC. Normally these costs are initially capitalized when incurred and amortized over the life of the loan or the estimate of the period of time that the loan will be outstanding. In the case at hand, these costs have no fair value and have

been eliminated from the balance sheets and charged to operations as expense items in the months incurred. The detail of these charges and the effect of these eliminations on the results of operations for the Company are as follows:

Companies:

Chatham Capital Group – Loan Fees	\$ 1 975 000 .00
Inuitus Group – Broker’s Fees	630 000 .00
CIT Business Credit Corp – Loan Application Fees	<u>125 000 .00</u>

Total \$ 2 730 000 .00

Effect on Results of Operations:

September, 2005	\$ ( 105 000 .00 )
October, 2005	( 2 285 000 .00 )
November, 2005	( 75 000 .00 )
December, 2005	<u>( 265 000 .00 )</u>

Total Negative Adjustment to Operations \$ (2 730 000 .00 )

In view of the fact that the Company’s debts greatly exceeded its assets and considering the very large operating losses of the Company during the period under our review, we believe that the Company possessed no goodwill values of any type. There were no other deferred charges or intangible assets discovered during the course of our work.

Normal trade accounts payable were recorded on the Company’s balance sheet in the same manner as normal trade receivables. “Accounts Payable – Trade” represents the balance due on unpaid creditor invoices received in the current or prior months. “Accounts Payable – Trade (Not Invoiced)” represents product supplier costs incurred in the current month but not invoiced until a subsequent month. This account represents the cost of the revenues earned as recorded currently in the asset account “Accounts Receivable – Unbilled”. The account “Accounts Payable – Advanced Payments” represents prepayments to certain suppliers based on their requirements. Normally an account balance of this type would be reported as an asset but we have reported it as a contra-liability account to make the financial statement more reader friendly.

Exhibit 2 of this report provides the details of monthly transactions involving the owner’s equity account as reported in total on the balance sheets. The extremely large monthly losses suffered by the Company combined with the very large withdrawals by the owner, clearly demonstrates why in our opinion, using this method, the Company was insolvent as of December 31, 2004 and continued to be insolvent through January 31, 2006.

Cash Flow Test

As demonstrated in Exhibit 3 and Exhibit 4, the very large operating losses suffered by the Company after December 31, 2004 caused the Company to produce a net \$15,909,865.29 deficit in cash and cash equivalents through January 31, 2006. This staggering deficit was not produced gradually over the thirteen month period under review but created a deficit of \$10,127,838.20 in the first quarter of 2005 alone. The Company managed this lack of cash flow from operations only by managing to borrow a net (gross borrowings less period principal payments) \$10,907,621.15 from financial institutions during this three month period. In this quarter, the owner withdrew funds for his personal use of \$1,403,775.

In the second quarter of operations, the Company managed to produce positive cash flow from operations even though the Company was losing over \$13,000,000.00 from operations in the same period. This was only accomplished by allowing trade payables to creditors to increase approximately \$11,000,000.00 and by reducing prepaid amounts on deposit with suppliers by approximately \$4,500,000.00. These activities constituted borrowings from non-standard, but typical, sources often used by a company in serious financial trouble. The Company only increased its bank debt by little more than \$120,000.00 during this period of time. In this quarter the owner withdrew funds for his personal use of \$1,855,100.00.

In the third quarter, the Company lost \$8,285,163.92 from its operations. This produced a deficit in cash flows from operations totaling \$2,100,783.84. To cover this loss in cash flow and at the same time cover the amounts due to suppliers and vendors delayed in the previous quarter, the Company managed to increase its net borrowings from financial institutions by additional borrowings in the amount of \$6,551,412.77. In this quarter the owner withdrew funds for his personal use of \$1,983,700.00.

In the fourth quarter of 2005 and for January 2006, the Company suffered additional losses of \$11,320,139.41 from operations. This loss produced a cash flow deficit from operations of \$5,940,148.32. The Company only managed to survive until January, 2006 by having additional net borrowings of \$6,257,413.54. This was only accomplished by being able to borrow \$17,000,000.00 from a non-bank source, Chatham Management Capital, and using the proceeds to pay down bank debt by approximately \$10,700,000.00.

In addition, it was common practice by this quarter that the Company was pre-billing certain customers for the delivery of future supplies of gas. At the same time the Company had been unable to pay its normal suppliers for the delivery of natural gas to its customers and the amount due to its trade creditors increased over \$11,000,000.00 in the same four month period. However, the owner still withdrew funds totaling \$1,317,765.27 during this four month period.

In our opinion, using this method, at all times during this thirteen month period, the Company was insolvent and this is well evidenced by the results of the Company's negative cash flows. The Company was insolvent at the end of 2004. It was only able to extend its existence into 2006 by adopting the old proverb of constantly "borrowing from Peter to pay Paul". Only its ability to borrow more and more funds from different lenders was the Company able to keep its doors open during this period.

### Adequate Capital Test

The balance sheet for December 31, 2004, as shown in Exhibit 1 of this report, indicates that the Company started 2005 with a negative balance in the owner's equity, or capital, account of \$1,124,476.43. Although we do not have the details of the Company's operations prior to December 31, 2004, the balance in the account, this deficit, is a combination of earnings and losses, contributions of capital and withdrawals of capital by the owner since the Company's inception up to this point in time. This deficit balance indicates that either the Company had suffered operating losses in the past, or the owner had made substantial withdrawals of fund from the Company for personal use, or some combination of both. Either way, this lack of owner's capital placed the Company in a perilous financial state at the beginning of the year.



Newer companies, generally companies in existence for less than five years, usually fail to survive as a result of a lack of financial staying power in their market place. In short, they do not possess the financial reserves that would allow them to survive during the tough times that all financial markets experience from time to time. It also inhibits the entity's ability to survive operational mistakes that are often made by new management. This lack of staying power is usually caused by insufficient amounts of capital infused into the entity by its owner(s) to get it started and by a failure to maintain required levels of working capital at all times. Often, a new owner can only afford to invest a small portion of their personal financial resources for a limited period of time and will gamble that their new company will quickly make a profit sufficient to allow them to withdraw their original investment based on their original time table.

Exhibit 2 reports in detail the continued decline of the owner's equity levels in the Company on a month by month basis. This report clearly indicates that despite the staggering levels of losses being suffered by the Company, the owner continued to withdraw extremely large amounts of funds from the Company. A total of \$6,560,340.27 is withdrawn by the owner in 2005.

The owner, Mr. Lawing, was charged by us for two basic types of withdrawals; funds which were directly transferred to his personal bank accounts for which we had records and secondly for funds which were paid for or transferred directly to other entities which Mr. Lawing owned outright or controlled.

It is readily apparent that because of the large losses being incurred, the Company was dependent on its owner to invest more and more cash funds to replace the capital being eroded away by the operations of the Company. However, the owner chose to continue to withdraw funds instead of replacing them.

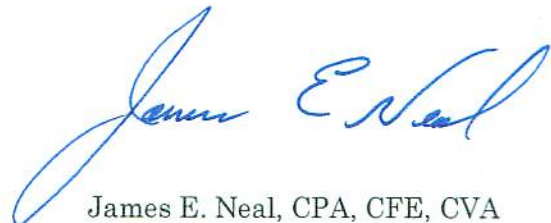
At no time, during the period under our review, did the Company have a level of owner's capital sufficient to allow the Company to sustain its operations and to pay its debts. In fact, at no time during this period did the Company maintain any positive capital balance. Therefore, in our opinion, using this method, the Company was insolvent at December 31, 2004 and remained financially insolvent throughout the period under our review.

### Opinion

In our opinion, based on the financial evidence developed by us and as exhibited in this report and based on our analysis of the financial data contained herein using the three separate tests for insolvency as earlier defined, the Debtor was insolvent at December 31, 2004, and remained financially insolvent through January 31, 2006.



CERTIFIED PUBLIC ACCOUNTANTS



James E. Neal, CPA, CFE, CVA



# EXHIBITS

**REPORT ON  
NATIONAL GAS DISTRIBUTORS, LLC**

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- EXHIBIT 2:** Owner's Equity (Capital) (Adjusted for Fair Value)
- EXHIBIT 3:** Statements of Monthly Cash Flows (Adjusted for Fair Value)
- EXHIBIT 4:** Statements of Net Cash Provided (Used) By Operations (Adjusted for Fair Value)
- EXHIBIT 5:** Monthly Balance Sheets (Historical Cost Basis)
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NATIONAL GAS DISTRIBUTORS, LLC.  
BALANCE SHEETS  
(Adjusted)

December 31, 2004 - January 31, 2006

EXHIBIT 1  
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	MONTH ENDED						
	12/31/2004	1/31/2005	2/28/2005	3/31/2005	4/30/2005	5/31/2005	6/30/2005
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash on Deposit - BB&T Bank	\$ (15,044.61)	\$ (27,316.68)	\$ 322,673.67	\$ (91,255.24)	\$ (57,007.77)	\$ 1,145.43	\$ (27,342.32)
Cash on Deposit - First Citizens Bank	23,459.00	81,772.35	215,902.36	11,482.99	25,649.17	75,175.04	8,583.68
Cash on Deposit - Wachovia Bank	-	-	-	(434,873.81)	489.01	24.04	604.33
Cash on Deposit - New Century Bank	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00
Cash on Deposit - REFCO	344,125.68	343,984.58	343,074.98	243,194.08	243,571.26	291,039.16	270,941.66
Cash on Deposit - Franklin Sireet Securities	-	-	-	-	-	-	-
Cash on Deposit - RBC Dain Rauscher	-	-	-	-	-	-	-
Accounts Receivable - Trade (Billed)	527,060.25	593,582.44	839,469.71	742,057.75	1,043,886.16	1,148,277.25	3,697,645.50
Accounts Receivable - Trade (Unbilled)	15,643,578.55	16,237,337.29	11,988,030.95	12,975,963.19	14,277,975.59	12,814,654.79	10,009,718.95
Accounts Receivable - Trade (Prebilled)	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)
Total Current Assets	16,570,057.59	17,276,238.70	13,756,030.39	13,493,447.68	15,581,442.14	14,377,194.43	14,007,030.52
<b>OTHER ASSETS:</b>							
Deferred Financing Costs	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 16,570,057.59</b>	<b>\$ 17,276,238.70</b>	<b>\$ 13,756,030.39</b>	<b>\$ 13,493,447.68</b>	<b>\$ 15,581,442.14</b>	<b>\$ 14,377,194.43</b>	<b>\$ 14,007,030.52</b>
<b>LIABILITIES:</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable - Trade (Invoiced)	\$ 3,570,919.80	\$ 1,037,977.86	\$ -	\$ 585,142.09	\$ -	\$ 5,955,128.49	\$ 11,028,799.49
Accounts Payable - Trade (Advanced Payments)	(5,628,564.45)	(7,939,242.45)	(13,708,576.37)	(11,870,889.73)	(8,475,200.19)	(12,997,756.35)	(7,346,039.33)
Accounts Payable - Trade (Not Invoiced)	10,234,172.86	15,548,184.39	16,277,734.92	13,505,269.91	13,401,809.86	21,056,812.50	14,111,597.68
Accounts Payable - Credit Cards (BB&T #0182)	(8,831.79)	6,616.98	1,534.87	18,807.35	9,616.69	5,412.25	22,275.17
Accounts Payable - Credit Cards (BB&T #4760)	497.49	9,499.50	93.85	5,883.12	93.85	261.75	212.50
Accounts Payable - Customer Prepayments	-	-	-	-	-	-	-
Accrued Interest and Loan Fees Payable	-	-	-	-	-	-	-
Accrued Payroll Taxes Payable	89,719.18	89,719.18	89,719.18	-	-	-	-
Line of Credit Payable - First Citizens Bank	6,192,922.45	6,420,990.69	6,108,503.96	6,150,054.41	6,252,920.96	6,348,715.54	6,134,042.28
Total Current Liabilities	14,450,835.54	15,173,746.15	8,769,010.41	8,394,267.15	11,189,241.17	20,368,574.18	23,950,887.79
<b>LONG-TERM DEBT:</b>							
Note Payable - BB&T - #00005	743,698.48	880,370.31	-	755,935.84	865,026.04	840,726.62	866,987.82
Note Payable - BB&T - #00007	2,500,000.00	2,500,000.00	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83
Note Payable - BB&T - #00009	-	-	-	500,000.00	-	-	-
Note Payable - First Citizens Bank #7626	-	-	500,000.00	500,000.00	-	-	-
Note Payable - First Citizens Bank #1554	-	-	-	-	-	-	-
Note Payable - First Citizens Bank #8393	-	-	-	-	-	-	-
Note Payable - Wachovia Bank #7089	-	-	9,061,982.28	10,450,006.00	10,942,400.41	9,647,400.41	10,975,400.41
Note Payable - Chatham Capital	-	-	-	-	-	-	-
Total Long-Term Debt	3,243,698.48	3,380,370.31	12,050,228.11	14,194,187.67	14,295,672.28	12,976,372.86	14,330,634.06
<b>TOTAL LIABILITIES</b>	<b>17,694,534.02</b>	<b>18,554,116.46</b>	<b>20,819,238.52</b>	<b>22,588,454.82</b>	<b>25,484,913.45</b>	<b>33,344,947.04</b>	<b>38,281,521.85</b>
<b>NET WORTH: (DEFICIT) (EXHIBIT 2)</b>	<b>(1,124,476.43)</b>	<b>(1,277,877.76)</b>	<b>(7,063,208.13)</b>	<b>(9,095,007.14)</b>	<b>(9,903,471.31)</b>	<b>(18,967,752.61)</b>	<b>(24,274,491.33)</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$ 16,570,057.59</b>	<b>\$ 17,276,238.70</b>	<b>\$ 13,756,030.39</b>	<b>\$ 13,493,447.68</b>	<b>\$ 15,581,442.14</b>	<b>\$ 14,377,194.43</b>	<b>\$ 14,007,030.52</b>

NATIONAL GAS DISTRIBUTORS, LLC.  
BALANCE SHEETS  
(Adjusted)  
December 31, 2004 - January 31, 2006

EXHIBIT 1  
PAGE 2 of 2

	MONTH ENDED						
	7/31/2005	8/31/2005	9/30/2005	10/31/2005	11/30/2005	12/31/2005	1/31/2006
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash on Deposit - BB&T Bank	\$ (23,159.29)	\$ (31,059.99)	\$ 2,677,226.64	\$ (8,438.50)	\$ (22,571.13)	\$ 1,616,282.22	\$ 1,516,697.45
Cash on Deposit - First Citizens Bank	87,049.83	11,150.27	(51,490.55)	157,171.53	82,872.21	21,436.62	15,544.33
Cash on Deposit - Wachovia Bank	527.00	215.43	743.70	45.49	(558.55)	(38.69)	(406.36)
Cash on Deposit - New Century Bank	99,990.00	9,975.00	9,975.00	9,975.00	9,975.00	9,975.00	9,975.00
Cash on Deposit - REFCO	277,427.97	183,113.37	183,251.49	-	-	-	-
Cash on Deposit - Franklin Street Securities	-	-	-	209,324.09	190,341.23	10,014.22	23.61
Cash on Deposit - RBC Dain Rauscher	-	-	-	2,115,524.33	2,963,845.37	277,372.20	277,372.20
Accounts Receivable - Trade (Billed)	1,911,365.67	655,210.06	3,308,091.14	2,115,524.33	2,963,845.37	7,176,876.02	5,298,102.29
Accounts Receivable - Trade (Unbilled)	9,914,912.62	17,190,521.37	6,722,088.56	15,395,963.78	11,759,791.04	4,725,549.61	-
Accounts Receivable - Prebilled	-	-	(4,475,700.00)	(6,353,296.37)	(5,115,913.02)	(6,250,984.00)	-
Less: Allowance for Doubtful Accounts	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)
Total Current Assets	12,215,002.52	17,966,014.23	8,321,074.70	11,473,158.07	9,814,670.87	7,533,351.92	7,064,197.24
<b>OTHER ASSETS:</b>							
Deferred Financing Costs	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 12,215,002.52</b>	<b>\$ 17,966,014.23</b>	<b>\$ 8,321,074.70</b>	<b>\$ 11,473,158.07</b>	<b>\$ 9,814,670.87</b>	<b>\$ 7,533,351.92</b>	<b>\$ 7,064,197.24</b>
<b>LIABILITIES:</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable - Trade (Invoiced)	\$ 16,134,848.54	\$ 13,771,086.34	\$ 6,360,353.58	\$ 7,310,740.09	\$ 9,382,578.50	\$ 15,730,234.21	\$ 17,602,926.36
Accounts Payable - Trade (Advanced Payments)	(5,355,794.19)	(4,555,420.58)	(4,318,482.89)	(9,190,491.71)	(1,731,724.70)	-	-
Accounts Payable - Trade (Not Invoiced)	12,025,036.46	13,989,912.50	13,800,022.70	20,789,034.05	12,532,047.24	2,872,692.15	-
Accounts Payable - Credit Cards (BB&T #0182)	23,533.16	15.99	6,353.60	1,780.80	4,648.39	994.05	994.05
Accounts Payable - Credit Cards (BB&T #4760)	93.85	206.84	93.85	93.85	193.80	113.85	137.75
Accounts Payable - Customer Prepayments	-	-	-	-	-	3,367,896.36	3,367,896.36
Accrued Interest and Loan Fees Payable	-	-	-	-	-	316,388.89	-
Accrued Payroll Taxes Payable	-	-	-	-	-	-	-
Line of Credit Payable - First Citizens Bank	6,323,859.41	6,394,068.96	6,338,483.47	6,437,768.01	6,381,629.48	6,308,409.01	6,337,157.33
Total Current Liabilities	29,151,577.23	29,589,870.05	22,186,824.31	25,348,925.09	26,569,372.71	28,596,728.52	27,309,111.85
<b>LONG-TERM DEBT:</b>							
Note Payable - BB&T - #00005	875,364.31	769,380.99	-	795,569.97	946,374.64	-	-
Note Payable - BB&T - #00007	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	-	-
Note Payable - BB&T - #00009	-	-	3,000,000.00	-	-	-	-
Note Payable - First Citizens Bank #7626 & 9356	-	-	3,936,345.32	3,936,345.32	3,936,345.32	3,936,345.32	1,000,000.00
Note Payable - First Citizens Bank #1554	-	-	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	3,936,345.32
Note Payable - First citizens Bank #8393	-	-	6,253,014.49	-	-	-	5,000,000.00
Note Payable - Wachovia Bank #7089	7,584,400.41	11,434,400.41	-	-	-	-	-
Note Payable - Chatham Capital	-	-	-	16,885,000.00	16,885,000.00	17,000,000.00	17,000,000.00
Total Long-Term Debt	10,928,010.55	14,692,027.23	20,677,605.64	29,105,161.12	29,255,965.79	25,936,345.32	26,936,345.32
<b>TOTAL LIABILITIES</b>	<b>40,079,587.78</b>	<b>44,281,897.28</b>	<b>42,864,429.95</b>	<b>54,454,086.21</b>	<b>55,825,338.50</b>	<b>54,533,073.84</b>	<b>54,245,457.17</b>
<b>NET WORTH (DEFICIT): (EXHIBIT 2)</b>	<b>(27,864,585.26)</b>	<b>(26,315,883.05)</b>	<b>(34,543,355.25)</b>	<b>(42,980,928.14)</b>	<b>(46,010,667.63)</b>	<b>(46,999,721.92)</b>	<b>(47,181,259.93)</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$ 12,215,002.52</b>	<b>\$ 17,966,014.23</b>	<b>\$ 8,321,074.70</b>	<b>\$ 11,473,158.07</b>	<b>\$ 9,814,670.87</b>	<b>\$ 7,533,351.92</b>	<b>\$ 7,064,197.24</b>

**NATIONAL GAS DISTRIBUTORS, LLC  
OWNER'S EQUITY ACCOUNT  
(ADJUSTED)  
December 31, 2004 - January 31, 2006**

EXHIBIT 2  
PAGE 1 of 1

DATE	REF	DESCRIPTION/COMMENT	RESULT OF MONTHLY OPERATIONS	OWNER'S WITHDRAWALS	ACCOUNT BALANCE (DEFICIT)
12/31/2004	BAL FWD				\$ (1,124,476.43)
1/31/2005	Var.	Month of January 2005 Profit (Loss)	\$ 179,598.67	\$ (333,000.00)	(1,277,877.76)
2/28/2005	"	Month of February 2005 Profit (Loss)	(5,224,555.37)	(560,775.00)	(7,063,208.13)
3/31/2005	"	Month of March 2005 Profit (Loss)	(1,521,799.01)	(510,000.00)	(9,095,007.14)
4/30/2005	"	Month of April 2005 Profit (Loss)	188,635.83	(997,100.00)	(9,903,471.31)
5/31/2005	"	Month of May 2005 Profit (Loss)	(8,766,281.30)	(298,000.00)	(18,967,752.61)
6/30/2005	"	Month of June 2005 Profit (Loss)	(4,746,738.72)	(560,000.00)	(24,274,491.33)
7/31/2005	"	Month of July 2005 Profit (Loss)	(2,957,493.93)	(632,600.00)	(27,864,585.26)
8/31/2005	"	Month of August 2005, Profit (Loss)	2,370,302.21	(821,600.00)	(26,315,883.05)
9/30/2005	"	Month of September 2005 Profit (Loss)	(7,697,972.20)	(529,500.00)	(34,543,355.25)
10/31/2005	"	Month of October 2005 Profit (Loss)	(8,227,307.53)	(210,265.36)	(42,980,928.14)
11/30/2005	"	Month of November 2005 Profit (Loss)	(2,906,654.02)	(123,085.47)	(46,010,667.63)
12/31/2005	"	Month of December 2005 Profit (Loss)	(4,639.85)	(984,414.44)	(46,999,721.92)
1/31/2006	"	Month of January 2006 Profit (Loss)	(181,538.01)	-	(47,181,259.93)
		Total Withdrawal of Funds by Lawing in 2005		<b>\$ (6,560,340.27)</b>	
		Total Profit (Loss)	<b>\$ (39,496,443.23)</b>		
1/31/2006	B/S				<b>\$ (47,181,259.93)</b>

**RECAP:**

Cash Transfers to Lawing's BB&T Account	\$ 4,329,281.69	(SCHEDULE 1)
Cash Paid for Lawing's Personal Items	372,800.00	(SCHEDULE 2)
Cash Transfers to Lawing's Smith Barney Account	175,000.00	(SCHEDULE 3)
Cash Transfers to 1019 Hay Street, LLC	905,000.00	(SCHEDULE 4)
Cash Transfers to Cue Investments, LLC	129,300.00	(SCHEDULE 5)
Cash Transfers to Super King Partners, LLC	149,607.75	(SCHEDULE 6)
Cash Transfers to Tar Heel Air, LLC	499,350.83	(SCHEDULE 7)
Total	<b>\$ 6,560,340.27</b>	



NATIONAL GAS DISTRIBUTORS, LLC  
STATEMENTS OF MONTHLY CASH FLOWS  
December 31, 2004 - January 31, 2006

EXHIBIT 3  
PAGE 1 of 2

12/31/2004	MONTH ENDED						6/30/2005
	1/31/2005	2/28/2005	3/31/2005	4/30/2005	5/31/2005	6/30/2005	
N/A	\$ 9,652,843.10 (9,228,525.46) (365,000.42)	\$ 11,891,136.59 (18,204,341.17) (920,789.32)	\$ 8,828,965.98 (10,795,025.18) (737,710.86)	\$ 7,972,380.25 (5,980,148.40) (623,003.48)	\$ 10,710,778.51 (8,674,946.93) (337,143.20)	\$ 8,132,009.18 (8,350,128.17) (366,654.12)	
"	(141.10)	(909.60)	(99,880.90)	377.18	47,467.90	(20,097.50)	
"	(45,016.01)	(78,481.81)	(24,962.04)	(92,703.06)	(69,969.44)	(89,313.65)	
"	-	-	-	-	-	-	
N/A	14,160.11	(7,313,385.31)	(2,828,613.00)	1,276,902.49	1,676,186.84	(694,184.26)	
N/A	228,068.24	-	41,550.45	102,866.55	95,794.58	-	
"	-	(312,486.73)	-	-	-	(214,673.26)	
"	136,671.83	9,561,982.28	2,143,959.56	601,484.61	-	1,354,261.20	
"	-	(892,124.48)	-	(500,000.00)	(1,319,299.42)	-	
"	(333,000.00)	(560,775.00)	(510,000.00)	(997,100.00)	(298,000.00)	(560,000.00)	
N/A	31,740.07	7,796,596.07	1,675,510.01	(792,748.84)	(1,521,504.84)	579,587.94	
N/A	45,900.18	483,210.76	(1,153,102.99)	484,153.65	154,682.00	(114,596.32)	
N/A	452,530.07	498,430.25	981,641.01	(171,461.98)	312,691.67	467,373.67	
\$ 452,530.07	\$ 498,430.25	\$ 981,641.01	\$ (171,461.98)	\$ 312,691.67	\$ 467,373.67	\$ 352,777.35	

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

CASH FLOWS FROM OPERATING ACTIVITIES:

- Cash Received from Customers
- Cash Paid to Suppliers
- Cash Paid to Vendors and Employees
- Cash Received From Interest Income
- Gain (Loss) on Securities
- Cash Paid for Interest Expense
- Cash Paid for Financing Costs

Net Cash Provided (Used) by Operations (Exhibit 4)

CASH FLOWS FROM INVESTING ACTIVITIES:

CASH FLOWS FROM FINANCING ACTIVITIES:

- Proceeds from Line of Credit
- Payments on Line of Credit
- Proceeds from Long-Term Debt - Banks
- Payments on Long-Term Debt - Banks
- Proceeds from Long-Term Debt - Others
- Distribution to Owner

Net Cash Provided (Used) by Financing Activities

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF MONTH

CASH AND CASH EQUIVALENTS AT END OF MONTH

**NATIONAL GAS DISTRIBUTORS, LLC**  
**STATEMENTS OF MONTHLY CASH FLOWS**  
December 31, 2004 - January 31, 2006

EXHIBIT 3  
PAGE 2 of 2

	MONTH ENDED						
	7/31/2005	8/31/2005	9/30/2005	10/31/2005	11/30/2005	12/31/2005	1/31/2006
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>							
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash Received from Customers	\$ 9,879,093.35	\$ 10,040,817.97	\$ 15,631,747.30	\$ 8,004,439.00	\$ 9,913,856.12	\$ 12,067,724.89	\$ 353,339.34
Cash Paid to Suppliers	(5,073,904.31)	(12,400,967.34)	(17,782,114.58)	(15,624,735.41)	(9,350,885.51)	(4,452,666.83)	(1,000,000.00)
Cash Paid to Vendors and Employees	(798,266.61)	(735,288.03)	(394,038.99)	(748,012.57)	(285,311.01)	(799,656.52)	(461,646.57)
Cash Received from Interest Income					662.78	87,030.97	
Gain (Loss) on Securities	6,486.31	(94,314.60)	138.12	26,072.60	(18,982.86)	(585,877.10)	
Cash Paid for Interest Expense	(78,944.20)	(81,315.66)	(114,912.57)	(140,966.95)	(263,276.26)	(265,000.00)	(36,256.43)
Cash Paid for Financing Costs			(105,000.00)	(2,285,000.00)	(75,000.00)		
<b>Net Cash Provided (Used) by Operations (Exhibit 4)</b>	3,934,464.54	(3,271,067.66)	(2,764,180.72)	(10,768,203.33)	(79,599.52)	6,052,218.19	(1,144,563.66)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Proceeds from Line of Credit	189,817.13	60,209.55		99,284.54			28,748.32
Payments on Line of Credit			(45,585.49)		(56,138.53)	(73,220.47)	
Proceeds from Long Term Debt - Banks	8,376.49	3,870,000.00	11,936,345.32	795,569.97	150,804.67	115,000.00	1,000,000.00
Payments on Long Term Debt - Banks	(3,411,000.00)	(105,983.32)	(5,950,766.91)	(9,253,014.49)		(3,434,620.47)	
Proceeds from Long Term Debt - Others				16,885,000.00			
Distribution to Owner	(632,600.00)	(821,600.00)	(529,500.00)	(210,265.36)	(123,085.47)	(984,414.44)	
<b>Net Cash Provided (Used) by Financing Activities</b>	(3,845,406.38)	3,002,626.23	5,410,492.92	8,316,574.66	(28,419.33)	(4,377,255.38)	1,028,748.32
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	89,058.16	(268,441.43)	2,646,312.20	(2,451,628.67)	(108,018.85)	1,674,962.81	(115,815.34)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF MONTH</b>	352,777.35	441,835.51	173,394.08	2,819,706.28	368,077.61	260,058.76	1,935,021.57
<b>CASH AND CASH EQUIVALENTS AT END OF MONTH</b>	\$ 441,835.51	\$ 173,394.08	\$ 2,819,706.28	\$ 368,077.61	\$ 260,058.76	\$ 1,935,021.57	\$ 1,819,206.23

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

- Cash Received from Customers
- Cash Paid to Suppliers
- Cash Paid to Vendors and Employees
- Cash Received from Interest Income
- Gain (Loss) on Securities
- Cash Paid for Interest Expense
- Cash Paid for Financing Costs

**Net Cash Provided (Used) by Operations (Exhibit 4)**

**CASH FLOWS FROM INVESTING ACTIVITIES:**

**CASH FLOWS FROM FINANCING ACTIVITIES:**

- Proceeds from Line of Credit
- Payments on Line of Credit
- Proceeds from Long Term Debt - Banks
- Payments on Long Term Debt - Banks
- Proceeds from Long Term Debt - Others
- Distribution to Owner

**Net Cash Provided (Used) by Financing Activities**

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS AT BEGINNING OF MONTH**

**CASH AND CASH EQUIVALENTS AT END OF MONTH**

NATIONAL GAS DISTRIBUTORS, LLC  
STATEMENTS OF MONTHLY CASH FLOWS  
NET CASH PROVIDED (USED) BY OPERATIONS  
December 31, 2004 - January 31, 2006

EXHIBIT 4  
PAGE 1 of 2

	MONTH ENDED					
	1/31/2005	2/28/2005	3/31/2005	4/30/2005	5/31/2005	6/30/2005
\$	179,598.67	\$(5,224,555.37)	\$(1,521,799.01)	\$ 188,635.83	\$(8,766,281.30)	\$(4,746,738.72)
	(66,522.19)	(245,887.27)	97,411.96	(301,828.41)	(104,391.09)	(2,549,368.25)
	(593,758.74)	4,249,306.34	(987,932.24)	(1,302,012.40)	1,463,320.80	2,804,935.84
	(2,532,941.94)	(1,037,977.86)	585,142.09	(585,142.09)	5,955,128.49	5,073,671.00
	(2,310,678.00)	(5,769,333.92)	1,837,686.64	3,395,689.54	(4,522,556.16)	5,651,717.02
	5,314,011.53	729,550.53	(2,772,465.01)	(103,460.05)	7,655,002.64	(6,945,214.82)
	24,450.78	(14,487.76)	23,061.75	(14,979.93)	(4,036.54)	16,813.67
	-	-	-	-	-	-
	-	-	(89,719.18)	-	-	-
	-	-	-	-	-	-
<b>\$</b>	<b>14,160.11</b>	<b>\$(7,313,385.31)</b>	<b>\$(2,828,613.00)</b>	<b>\$ 1,276,902.49</b>	<b>\$ 1,676,186.84</b>	<b>\$ (694,184.26)</b>

**RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

**NET INCOME (LOSS) BEFORE ADJUSTMENTS**

**ADJUSTMENTS TO RECONCILE NET INCOME (LOSS):**

Financing Costs

(Increase) Decrease in Current Assets:

Accounts Receivable - Trade (Billed)  
Accounts Receivable - Trade (Unbilled)

Increase (Decrease) in Current Liabilities:

Accounts Payable - Trade  
Accounts Payable - Advanced Payments  
Accounts Payable - Trade (Not Invoiced)  
Accounts Payable - Credit Cards  
Accounts Payable - Customer Pre-payments  
Accrued Interest and Loan Fees Payable  
Accrued Payroll Taxes

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

**NATIONAL GAS DISTRIBUTORS, LLC**  
**STATEMENTS OF MONTHLY CASH FLOWS**  
**NET CASH PROVIDED (USED) BY OPERATIONS**  
 December 31, 2004 - January 31, 2006

EXHIBIT 4  
 PAGE 2 of 2

	MONTH ENDED						
	7/31/2005	8/31/2005	9/30/2005	10/31/2005	11/30/2005	12/31/2006	1/31/2006
	(2,957,493.93)	2,370,302.21	(7,592,972.20)	(5,942,307.53)	(2,831,654.02)	260,360.15	(181,538.01)
			(105,000.00)	(2,285,000.00)	(75,000.00)	(265,000.00)	-
	1,786,279.83	1,256,155.61	(2,652,881.08)	1,192,566.81	(848,321.04)	(4,213,030.65)	1,878,773.73
	94,806.33	(7,275,608.75)	10,468,432.81	(8,673,875.22)	3,636,172.74	7,034,241.43	4,725,549.61
	-	-	4,475,700.00	1,877,596.37	(1,237,383.35)	1,135,070.98	(6,250,984.00)
	5,106,049.05	(2,363,762.20)	(7,410,732.76)	950,386.51	2,071,838.41	6,347,655.71	1,872,692.15
	1,990,245.14	800,373.61	236,937.69	(4,872,008.82)	7,458,767.01	1,731,724.70	-
	(2,086,561.22)	1,964,876.04	(189,889.80)	6,989,011.35	(8,256,986.81)	(9,659,355.09)	(2,872,692.15)
	1,139.34	(23,404.18)	6,224.62	(4,572.80)	2,967.54	(3,734.29)	23.90
	-	-	-	-	-	3,367,896.36	-
	-	-	-	-	-	316,388.89	(316,388.89)
	<b>\$ 3,934,464.54</b>	<b>\$(3,271,067.66)</b>	<b>\$(2,764,180.72)</b>	<b>\$(10,768,203.33)</b>	<b>\$(79,599.52)</b>	<b>\$ 6,052,218.19</b>	<b>\$(1,144,563.66)</b>

**RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

**NET INCOME (LOSS) BEFORE ADJUSTMENTS**

**ADJUSTMENTS TO RECONCILE NET INCOME (LOSS):**

Financing Costs

(Increase) Decrease in Current Assets:

- Accounts Receivable - Trade (Billed)
- Accounts Receivable - Trade (Unbilled)
- Accounts Receivable - Trade (Prebilled)

Increase (Decrease) in Current Liabilities:

- Accounts Payable - Trade
- Accounts Payable - Advanced Payments
- Accounts Payable - Trade (Not Invoiced)
- Accounts Payable - Credit Cards
- Accounts Payable - Customer Pre-payments
- Accrued Interest and Loan Fees Payable

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

NATIONAL GAS DISTRIBUTORS, LLC.  
BALANCE SHEETS  
(Unadjusted Historical Cost Basis)  
December 31, 2004 - January 31, 2006

EXHIBIT 5  
PAGE 1 of 2

	MONTH ENDED						
	12/31/2004	1/31/2005	2/28/2005	3/31/2005	4/30/2005	5/31/2005	6/30/2005
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash on Deposit - BB&T Bank	\$ (15,044.61)	\$ (27,316.68)	\$ 322,673.67	\$ (91,255.24)	\$ (57,007.77)	\$ 1,145.43	\$ (27,342.32)
Cash on Deposit - First Citizens Bank	23,459.00	81,772.35	215,902.36	11,482.99	25,649.17	75,175.04	8,583.68
Cash on Deposit - Wachovia Bank	-	-	-	(434,873.81)	489.01	24.04	604.33
Cash on Deposit - New Century Bank	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00	99,990.00
Cash on Deposit - REFCO	344,125.68	343,984.58	343,074.98	243,194.08	243,571.26	291,039.16	270,941.66
Cash on Deposit - Franklin Sireet Securities	-	-	-	-	-	-	-
Cash on Deposit - RBC Dain Rauscher	-	-	-	-	-	-	-
Accounts Receivable - Trade (Billed)	527,060.25	593,582.44	839,469.71	742,057.75	1,043,886.16	1,148,277.25	3,697,645.50
Accounts Receivable - Trade (Unbilled)	15,643,578.55	16,237,337.29	11,988,030.95	12,975,963.19	14,277,975.59	12,814,654.79	10,009,718.96
Accounts Receivable - Trade (Prebilled)	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)
Total Current Assets	16,570,057.59	17,276,238.70	13,756,030.39	13,493,447.68	15,581,442.14	14,377,194.43	14,007,030.52
<b>OTHER ASSETS:</b>							
Deferred Financing Costs	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 16,570,057.59</b>	<b>\$ 17,276,238.70</b>	<b>\$ 13,756,030.39</b>	<b>\$ 13,493,447.68</b>	<b>\$ 15,581,442.14</b>	<b>\$ 14,377,194.43</b>	<b>\$ 14,007,030.52</b>
<b>LIABILITIES:</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable - Trade (Invoiced)	\$ 3,570,919.80	\$ 1,037,977.86	\$ -	\$ 585,142.09	\$ -	\$ 5,955,128.49	\$ 11,028,799.49
Accounts Payable - Trade (Advanced Payments)	(5,628,564.45)	(7,939,242.45)	(13,708,576.37)	(11,870,889.73)	(8,475,200.19)	(12,997,756.35)	(7,346,039.33)
Accounts Payable - Trade (Not Invoiced)	10,234,172.86	15,548,184.39	16,277,734.92	13,505,269.91	13,401,809.86	21,056,812.50	14,111,597.68
Accounts Payable - Credit Cards (BB&T #0182)	(8,831.79)	6,616.98	1,534.87	18,807.35	9,616.69	5,412.50	22,275.17
Accounts Payable - Credit Cards (BB&T #4760)	497.49	9,499.50	93.85	5,883.12	93.85	261.75	212.50
Accounts Payable - Customer Prepayments	-	-	-	-	-	-	-
Accrued Interest and Loan Fees Payable	89,719.18	89,719.18	89,719.18	-	-	-	-
Accrued Payroll Taxes Payable	6,192,922.45	6,420,990.69	6,108,503.96	6,150,054.41	6,252,920.96	6,348,715.54	6,134,042.28
Line of Credit Payable - First Citizens Bank	14,450,835.54	15,173,746.15	8,769,010.41	8,394,267.15	11,189,241.17	20,368,574.18	23,950,887.79
Total Current Liabilities	743,698.48	880,370.31	-	755,935.84	865,026.04	840,726.62	866,987.82
<b>LONG-TERM DEBT:</b>							
Note Payable - BB&T - #00005	2,500,000.00	2,500,000.00	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83
Note Payable - BB&T - #00007	-	-	-	-	-	-	-
Note Payable - BB&T - #00009	-	-	500,000.00	500,000.00	-	-	-
Note Payable - First Citizens Bank #7626	-	-	-	-	-	-	-
Note Payable - First Citizens Bank #1554	-	-	-	-	-	-	-
Note Payable - First Citizens Bank #8393	-	-	-	-	-	-	-
Note Payable - Wachovia Bank #7089	-	-	9,061,982.28	10,450,006.00	10,942,400.41	9,647,400.41	10,975,400.41
Note Payable - Chatham Capital	-	-	-	-	-	-	-
Total Long-Term Debt	3,243,698.48	3,380,370.31	12,050,228.11	14,194,187.67	14,295,672.28	12,976,372.86	14,330,634.06
<b>TOTAL LIABILITIES</b>	<b>17,694,534.02</b>	<b>18,554,116.46</b>	<b>20,819,238.52</b>	<b>22,588,454.82</b>	<b>25,484,913.45</b>	<b>33,344,947.04</b>	<b>38,281,521.85</b>
<b>NET WORTH: (DEFICIT) (EXHIBIT 6)</b>	<b>(1,124,476.43)</b>	<b>(1,277,877.76)</b>	<b>(7,063,208.13)</b>	<b>(9,095,007.14)</b>	<b>(9,903,471.31)</b>	<b>(18,967,752.61)</b>	<b>(24,274,491.33)</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$ 16,570,057.59</b>	<b>\$ 17,276,238.70</b>	<b>\$ 13,756,030.39</b>	<b>\$ 13,493,447.68</b>	<b>\$ 15,581,442.14</b>	<b>\$ 14,377,194.43</b>	<b>\$ 14,007,030.52</b>

**ASSETS:**  
**CURRENT ASSETS:**  
Cash on Deposit - BB&T Bank  
Cash on Deposit - First Citizens Bank  
Cash on Deposit - Wachovia Bank  
Cash on Deposit - New Century Bank  
Cash on Deposit - REFCO  
Cash on Deposit - Franklin Sireet Securities  
Cash on Deposit - RBC Dain Rauscher  
Accounts Receivable - Trade (Billed)  
Accounts Receivable - Trade (Unbilled)  
Accounts Receivable - Trade (Prebilled)  
Less: Allowance for Doubtful Accounts  
Total Current Assets

**OTHER ASSETS:**  
Deferred Financing Costs

**TOTAL ASSETS**

**LIABILITIES:**  
**CURRENT LIABILITIES**  
Accounts Payable - Trade (Invoiced)  
Accounts Payable - Trade (Advanced Payments)  
Accounts Payable - Trade (Not Invoiced)  
Accounts Payable - Credit Cards (BB&T #0182)  
Accounts Payable - Credit Cards (BB&T #4760)  
Accounts Payable - Customer Prepayments  
Accrued Interest and Loan Fees Payable  
Accrued Payroll Taxes Payable  
Line of Credit Payable - First Citizens Bank  
Total Current Liabilities

**LONG-TERM DEBT:**  
Note Payable - BB&T - #00005  
Note Payable - BB&T - #00007  
Note Payable - BB&T - #00009  
Note Payable - First Citizens Bank #7626  
Note Payable - First Citizens Bank #1554  
Note Payable - First Citizens Bank #8393  
Note Payable - Wachovia Bank #7089  
Note Payable - Chatham Capital  
Total Long-Term Debt

**TOTAL LIABILITIES**  
**NET WORTH: (DEFICIT) (EXHIBIT 6)**

**TOTAL LIABILITIES & NET WORTH**



NATIONAL GAS DISTRIBUTORS, LLC.  
BALANCE SHEETS  
(Unadjusted Historical Cost Basis)  
December 31, 2004 - January 31, 2006

EXHIBIT 5  
PAGE 2 of 2

	MONTH ENDED						
	7/31/2005	8/31/2005	9/30/2005	10/31/2005	11/30/2005	12/31/2005	1/31/2006
<b>ASSETS:</b>							
<b>CURRENT ASSETS:</b>							
Cash on Deposit - BB&T Bank	\$ (23,159.29)	\$ (31,059.99)	\$ 2,677,226.64	\$ (8,438.50)	\$ (22,571.13)	\$ 1,616,262.22	\$ 1,516,697.45
Cash on Deposit - First Citizens Bank	87,049.83	11,150.27	(51,490.55)	157,171.53	82,872.21	21,436.62	15,544.33
Cash on Deposit - Wachovia Bank	527.00	215.43	743.70	45.49	(558.55)	(38.69)	(406.36)
Cash on Deposit - New Century Bank	99,990.00	9,975.00	9,975.00	9,975.00	9,975.00	9,975.00	9,975.00
Cash on Deposit - REFCO	277,427.97	183,113.37	183,251.49	-	-	-	-
Cash on Deposit - Franklin Street Securities	-	-	-	-	-	10,014.22	23.61
Cash on Deposit - RBC Dain Rauscher	-	-	-	209,324.09	190,341.23	277,372.20	277,372.20
Accounts Receivable - Trade	1,911,365.67	655,210.06	3,308,091.14	2,115,524.33	2,963,845.37	7,176,876.02	5,298,102.29
Accounts Receivable - Trade (Unbilled)	9,914,912.62	17,190,521.37	6,722,088.56	15,395,963.78	11,759,791.04	4,725,549.61	-
Accounts Receivable - Trade (Prebilled)	-	-	(4,475,700.00)	(6,353,296.37)	(5,115,913.02)	(6,250,984.00)	-
Less: Allowance for Doubtful Accounts	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)	(53,111.28)
Total Current Assets	12,215,002.52	17,966,014.23	8,321,074.70	11,473,158.07	9,814,670.87	7,533,351.92	7,064,197.24
<b>OTHER ASSETS:</b>							
Deferred Financing Costs	-	-	105,000.00	2,390,000.00	2,465,000.00	2,730,000.00	2,730,000.00
<b>TOTAL ASSETS</b>	<b>\$ 12,215,002.52</b>	<b>\$ 17,966,014.23</b>	<b>\$ 8,426,074.70</b>	<b>\$ 13,863,158.07</b>	<b>\$ 12,279,670.87</b>	<b>\$ 10,263,351.92</b>	<b>\$ 9,794,197.24</b>
<b>LIABILITIES:</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable - Trade (Invoiced)	\$ 16,134,848.54	\$ 13,771,086.34	\$ 6,360,353.58	\$ 7,310,740.09	\$ 9,382,578.50	\$ 15,730,234.21	\$ 17,602,926.36
Accounts Payable - Trade (Advanced Payments)	(5,355,794.19)	(4,555,420.58)	(4,318,482.89)	(9,190,491.71)	(1,731,724.70)	-	-
Accounts Payable - Trade (Not Invoiced)	12,025,036.46	13,989,912.50	13,800,022.70	20,789,034.05	12,532,047.24	2,872,692.15	-
Accounts Payable - Credit Cards (BB&T #0182)	23,533.16	15.99	6,353.60	1,780.80	4,648.39	994.05	994.05
Accounts Payable - Credit Cards (BB&T #4760)	93.85	206.84	93.85	93.85	193.80	113.85	137.75
Accounts Payable - Customer Prepayments	-	-	-	-	-	-	-
Accrued Interest and Loan Fees Payable	-	-	-	-	-	3,367,896.36	3,367,896.36
Accrued Payroll Taxes Payable	-	-	-	-	-	316,388.89	-
Line of Credit Payable - First Citizens Bank	6,323,859.41	6,384,068.96	6,338,483.47	6,437,768.01	6,381,629.48	6,308,409.01	6,337,157.33
Total Current Liabilities	29,151,577.23	29,589,870.05	22,186,824.31	25,348,925.09	26,569,372.71	28,596,728.52	27,309,111.85
<b>LONG-TERM DEBT:</b>							
Note Payable - BB&T - #00005	875,364.31	769,380.99	-	795,569.97	946,374.64	-	-
Note Payable - BB&T - #00007	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	2,488,245.83	-	-
Note Payable - BB&T - #00009	-	-	3,000,000.00	-	-	-	-
Note Payable - First Citizens Bank #7626 & 9356	-	-	3,936,345.32	3,936,345.32	3,936,345.32	3,936,345.32	1,000,000.00
Note Payable - First Citizens Bank #1554	-	-	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	3,936,345.32
Note Payable - First citizens Bank #8393	-	-	6,253,014.49	-	-	-	5,000,000.00
Note Payable - Wachovia Bank #7089	7,564,400.41	11,434,400.41	-	-	-	-	-
Note Payable - Chatham Capital	-	-	-	16,885,000.00	16,885,000.00	17,000,000.00	17,000,000.00
Total Long-Term Debt	10,928,010.55	14,692,027.23	20,677,605.64	29,105,161.12	29,255,965.79	25,936,345.32	26,936,345.32
<b>TOTAL LIABILITIES</b>	<b>40,079,587.78</b>	<b>44,281,897.28</b>	<b>42,864,429.95</b>	<b>54,454,086.21</b>	<b>55,825,338.50</b>	<b>54,533,073.84</b>	<b>54,245,457.17</b>
<b>NET WORTH (DEFICIT): (EXHIBIT 6)</b>	<b>(27,864,585.26)</b>	<b>(26,315,883.05)</b>	<b>(34,438,355.25)</b>	<b>(40,590,928.14)</b>	<b>(43,545,667.63)</b>	<b>(44,269,721.92)</b>	<b>(44,451,259.93)</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$ 12,215,002.52</b>	<b>\$ 17,966,014.23</b>	<b>\$ 8,426,074.70</b>	<b>\$ 13,863,158.07</b>	<b>\$ 12,279,670.87</b>	<b>\$ 10,263,351.92</b>	<b>\$ 9,794,197.24</b>

NATIONAL GAS DISTRIBUTORS, LLC  
OWNER'S EQUITY ACCOUNT  
(UNADJUSTED)  
December 31, 2004 - January 31, 2006

EXHIBIT 6  
PAGE 1 of 1

DATE	REF	DESCRIPTION/COMMENT	RESULT OF MONTHLY OPERATIONS	OWNER'S WITHDRAWALS	ACCOUNT BALANCE (DEFICIT)
12/31/2004	BAL FWD				\$ (1,124,476.43)
1/31/2005	Var.	Month of January 2005 Profit (Loss)	\$ 179,598.67	\$ (333,000.00)	(1,277,877.76)
2/28/2005	"	Month of February 2005 Profit (Loss)	(5,224,555.37)	(560,775.00)	(7,063,208.13)
3/31/2005	"	Month of March 2005 Profit (Loss)	(1,521,799.01)	(510,000.00)	(9,095,007.14)
4/30/2005	"	Month of April 2005 Profit (Loss)	188,635.83	(997,100.00)	(9,903,471.31)
5/31/2005	"	Month of May 2005 Profit (Loss)	(8,766,281.30)	(298,000.00)	(18,967,752.61)
6/30/2005	"	Month of June 2005 Profit (Loss)	(4,746,738.72)	(560,000.00)	(24,274,491.33)
7/31/2005	"	Month of July 2005 Profit (Loss)	(2,957,493.93)	(632,600.00)	(27,864,585.26)
8/31/2005	"	Month of August 2005, Profit (Loss)	2,370,302.21	(821,600.00)	(26,315,883.05)
9/30/2005	"	Month of September 2005 Profit (Loss)	(7,592,972.20)	(529,500.00)	(34,438,355.25)
10/31/2005	"	Month of October 2005 Profit (Loss)	(5,942,307.53)	(210,265.36)	(40,590,928.14)
11/30/2005	"	Month of November 2005 Profit (Loss)	(2,831,654.02)	(123,085.47)	(43,545,667.63)
12/31/2005	"	Month of December 2005 Profit (Loss)	260,360.15	(984,414.44)	(44,269,721.92)
1/31/2006	"	Month of January 2006 Profit (Loss)	(181,538.01)	-	(44,451,259.93)
		Total Withdrawal of Funds by Lawing in 2005		<b>\$ (6,560,340.27)</b>	
		Total Profit (Loss)	<b>\$ (36,766,443.23)</b>		
1/31/2006	B/S				<b>\$ (44,451,259.93)</b>

RECAP:

Cash Transfers to Lawing's BB&T Account	\$ 4,329,281.69	(SCHEDULE 1)
Cash Paid for Lawing's Personal Items	372,800.00	(SCHEDULE 2)
Cash Transfers to Lawing's Smith Barney Account	175,000.00	(SCHEDULE 3)
Cash Transfers to 1019 Hay Street, LLC	905,000.00	(SCHEDULE 4)
Cash Transfers to Cue Investments, LLC	129,300.00	(SCHEDULE 5)
Cash Transfers to Super King Partners, LLC	149,607.75	(SCHEDULE 6)
Cash Transfers to Tar Heel Air, LLC	499,350.83	(SCHEDULE 7)
Total	<b>\$ 6,560,340.27</b>	

## PROCEDURES USED TO CREATE DEBTOR'S ACCOUNTING RECORDS

Cash Receipts and Disbursements

We secured from Ms. Elizabeth Berry, Certified Public Accountant, expert for the Trustee, all of the Debtor's monthly bank statements from each banking facility used by the Company for the calendar year 2005 plus a few statements for the beginning of 2006. No bank statements prior to January 1, 2005 were located. Bank reconciliations for the month of December, 2004 were accomplished by using the balance forward figures from the January, 2005 statements and working backward with identified December, 2004 deposits and checks in transit.

An accounting General Ledger was set up on our Firm's computer system to ultimately provide the detailed reports that we would need to create for this engagement. We then began to record each cash receipt and disbursement item, as evidenced on each monthly bank statement, for the entire 2005 calendar year. This action created a detailed Cash Receipts Journal and a detailed Cash Disbursements Journal posted exactly as recorded, date wise, on each of the various bank statements.

The initial "audit trail" created by this activity was to debit the asset cash accounts, on the Balance Sheet for each deposit and to credit a single account entitled "Unidentified Deposits" in the income section of the General Ledger. For the disbursement activity, each check and bank draft was credited to the various asset cash accounts and charged or debited to an account entitled "Unidentified Disbursements" in the income statement section of the General Ledger. This created an easy to use population of unidentified cash transactions which would require our identification.

Once all of the months were balanced with each monthly bank statement's cash activity, we reordered all deposits and disbursements within the cash journals by properly re-dating each transaction in transit from the previous month to its original transaction date. We also identified and entered into the cash journals the name of each payer or payee involved in each transaction. This created an accounting General Ledger, a Cash Receipts Journal and a Cash Disbursements Journal for the Company which were posted correctly by month as is proper and common for accounting records of this type.

In posting the cash activities, our Firm did not have access to all original documents but only photocopies of same as furnished by the banks. In addition, some items under \$1,000 were not initially identifiable. However, subsequent work by Ms. Elizabeth Berry and our firm had ultimately allowed most of these items to be properly identified and classified within the accounting records.

### Sales Journals and Accounts Receivable Subsidiary Ledger

We secured from the firm of Northen Blue, PLLC, counsel for the Trustee, all of the Debtor's customer sales or billing files that were in their possession. This group of files was represented to us to be the complete original customer files of the Debtor and we found only minor exceptions. In our review of customer payments, we found less than a dozen payments for invoices not on record. Once we satisfied ourselves as to their correctness, we created invoices for those missing items and entered them into the system as additional sales. These "invoices" have been coded into the General Ledger and Sales Journal of the Company with the prefix "NBT" for identification purposes.

The normal contents of each file contained a copy of the Company's standard North American Energy Standards Board, (NAESB) base contract for the sale and purchase of natural gas with the customer, copies of each individual invoice rendered as well as correspondence related to sales and servicing activities. Some files contained duplicate invoices of differing amounts for the same monthly sales period. We were ultimately able to determine which invoices were "real" and those which were not real. We scanned each customer contract and each customer invoice into our computer system to create a complete in-house reference to such material.

Each customer sales invoice was entered into the Company's General Ledger and was used to create a complete Sales Journal, by customer, for the company as well as creating the beginning of the Company's Accounts Receivable Subsidiary Ledger. The "audit trail" for these entries was a charge or debit to the asset account "Accounts Receivable - Trade" and a credit to the "Sales" account in the income section of the general ledger.

Once the Accounts Receivable Subsidiary Ledger was complete with each sale to each customer, we applied all of the identified customer payments against each customer account to create an up-to-date subsidiary ledger which was reconciled to each monthly General Ledger total. As we applied each payment from the unknown deposits account, we charged or debited the "Unidentified Deposits" account in the income section of the General Ledger and credited the asset account "Accounts Receivable - Trade".

After all customer sales and collection activities were completed, the general ledger account "Unidentified Deposits" still had a residual of transactions unrelated to the Company's sales transactions. Most of these items, inter-company bank transfers, bank borrowings, refunds, etc. were ultimately identified and transferred within the General Ledger to their respectively effected asset accounts. Those transactions which were minor in number and amount were left to default to miscellaneous income in the month of their original entry to the General Ledger.

### Purchase Journals and Accounts Payable Subsidiary Ledger

Initially, we began by identifying all disbursements, by check or bank wire, to each supplier of natural gas to the Company. This allowed us to create a Purchase Journal for the Company with the intention of identifying every transaction, purchase and payment, with each of the five major suppliers. We were ultimately able to determine the monthly cost of natural gas sold to the Company's customers as well as to determine the payment and sometimes prepayment of account balances. We also created an Accounts Payable Subsidiary Ledger to track balances owed or prepaid to each supplier on a monthly basis.

In order to verify our balances with the suppliers' records, we requested copies of the suppliers' sales and accounts receivable journals. These suppliers' records should have mirrored our Purchase Journals and Accounts Payable Subsidiary Ledger balances.

Of the requests, we received fairly complete sales records of four of the suppliers. These four suppliers are Piedmont Natural Gas Company, Industrial Fuel Company, Inc., ConocoPhillips Company and Total Gas & Power North America, Inc. Only partially complete records were received from the other supplier, Coral Energy Resources, LP.

In reviewing the suppliers' records in our possession, we discovered that some sales and related purchases were handled at times directly between some of the Company's customers and the Company's suppliers. Since these were still activities clearly involving the Debtor, all such transactions were recorded in the accounting records of the Company as if the transactions had occurred in the normal manner.

### Current and Long-Term Debt

We requested, and received, copies of loan histories from every bank which had loan activity with the Company in order to reconcile these activities on a monthly basis with each bank. All cash receipts and disbursements involving borrowings, loan payments of principal and interest were reconciled to each bank's record. Receipts and disbursements involving principal, increased or decreased the liability accounts entitled "Notes Payable - Bank (Name)" while payments involving interest expense defaulted as an operating expense in that particular month.

We established the loan history of the borrowings from Chatham Capital Management II, LLC (Chatham) from company documents furnished to us. The documents were originally prepared by Chatham and sent to the Debtor to detail the cost of the borrowings, interest and fees, and to later support their claim in this matter. We also traced each of the net loan proceeds disbursed directly to the Debtor's bank accounts and to the pay-offs of certain existing bank debt. Fees related to the securing of this loan were initially set up in the asset account "Deferred Financing Costs".



### Withdrawals by Owner

When we had completed the majority of our review of company transactions, amounts still remaining in the "Unidentified Disbursements" account were then reviewed further to locate transactions directly involving Mr. Lawing or any of Mr. Lawing's related entities. Transactions involving direct transfers of funds from the Company to Mr. Lawing were traced by us directly to Mr. Lawing's personal bank account(s). Payments of funds directly to other entities identified by us as related and/or controlled by Mr. Lawing were also charged to Mr. Lawing as personal activities not involving the company. The detail of all transactions considered, in our judgment, to be personal in nature were segregated into normal "Drawing" accounts within the Company's General Ledger. The balances in these accounts directly reduce the owner's equity or capital within the Company. The sum of these activities is reported on a monthly basis in **Exhibit 2** of this report.

### Operating Expenses

The remaining amounts still in the "Unidentified Disbursements" account in the General Ledger were defaulted as operating expenses of the Company in the month the disbursement was made. It is possible that some of these payments represent costs for a month prior to the month of payment and therefore understate a prior period's expenses and liabilities. Any such misstatements, if existent, are considered to be immaterial. It is considered unlikely that such disbursements would have succeeded to a subsequent month as a prepaid item.

We did examine, however, large disbursements made to life insurance companies. After reviewing the life insurance policies we determined that they were "term" in nature and all were owned by the Company. The insured were Mr. Lawing and some of the Company's employees.

**NATIONAL GAS DISTRIBUTORS, LLC  
RESOURCES**

**EXHIBIT 8  
Page 1 of 4**

**DOCUMENTS RELIED UPON:**

**1. Documents from Branch Banking & Trust (BB&T):**

- Bank Statements - National Gas Distributors, LLC
  - A/C 5194397927 January 2005 - March 2006  
(includes copies of checks, wires, and deposits over \$1,000.00)
  - A/C 5198129153 January 2005 - January 2006 and March 2006
  - A/C 5292616394 December 2005 - January 2006
- Bank Statements - Paul D. Lawing, Jr. & Ann H. Lawing
  - A/C 5216935863 January 2005 - January 2006
- Bank Statements - Paul D. Lawing & Paul D. Lawing, Jr.
  - A/C 5216927720 January 2005 - December 2005
- Bank Statements - Cue Investments, LLC
  - A/C 5210086600 January 2005 - December 2005
- Investment A/C - Ann H. Lawing
  - A/C 1152002505 July 2005
- Credit Card Statements - National Gas Distributors, LLC
  - A/C 4251151000740182 (4251151000740190) January 2005 - December 2005
  - A/C 4251151900024760 January 2005 - November 2005, January 2006
- Credit Card Statement - Paul D. Lawing
  - A/C 4251-1680-9395-2995 September 2005 - October 2005
- Loan Histories - National Gas Distributors, LLC
  - 9510802532 # 00005 August 2004 - January 2006
  - 9510802532 # 00006 July 2003 - December 2004
  - 9510802532 # 00007 September 2004 - December 2005
  - 9510802532 # 00008 November 2004 - December 2005
  - 9510802532 # 00009 September 2005 (Initial) - October 2005 (Final)
  - 9510802532 # 00010 January 2006 (Initial) - June 2006
- U. S. Bankruptcy Court Proof of Claim (Form B10) Filed May 23, 2006

**2. Documents from First Citizens Bank & Trust Company (FCB):**

- Bank Statements - National Gas Distributors, LLC
  - A/C 000342185731 January 2005 - January 2006  
(includes copies of checks, wires, and deposits)
  - A/C 000342185889 January 2005 - January 2006  
(Government Pay Processing, LLC)
  - A/C 000342185918 January 2005 - January 2006  
(Fayetteville PWC, LLC)
- Bank Statements - 1019 Hay Street, LLC
  - A/C 000342197687 February 2004 - August 2005

**NATIONAL GAS DISTRIBUTORS, LLC  
RESOURCES**

**EXHIBIT 8  
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2. **Documents from First Citizens Bank & Trust Company (Continued)**
  - Bank Documents - Super King Partners, LLC
    - Check No. 1116, dated November 14, 2005
  - Bank Documents - Tar Heel Air, LLC
    - Check No. 1143, dated October 14, 2005
    - Check No. 1151, dated November 15, 2005
  - Loan Histories - National Gas Distributors, LLC
    - 0001641554 September 2005 (Initial) - October 2006
    - 0001648393 September 2005 (Initial) - December 2005, February 2006
    - 0001679356 January 2006 (Initial)
    - 0001577626 February 2005 (Initial) - April 2005 (Final)
  - U. S. Bankruptcy Court Proofs of Claim (Form B10) Various filings
  
3. **Documents from Wachovia Bank & Trust Company:**
  - Bank Statements - National Gas Distributors, LLC
    - A/C 2000020305819 September 2005 (Initial) - October 2005 (Final)
    - A/C 2000020305644 February 2005 (Initial) - January 2006
  - Bank Statements - Paul D. Lawing, Jr. & Ann H. Lawing
    - A/C 1029181773870 May 2005
  - Loan History - National Gas Distributors, LLC
    - 0001997089 February 2005 (Initial) - October 2005 (Final)
  - Loan Document - Cue Investments, LLC
    - 000-16-9149-2 Commercial Loan Invoice
  
4. **Documents from New Century Bank of Fayetteville:**
  - Bank Statements - National Gas Distributors, LLC
    - A/C 0031000839 January 2005 - October 2005, December 2005, January 2006
  
5. **Documents from Franklin Street Securities, Inc.:**
  - Account Statements - National Gas Distributors, LLC
    - A/C 816-00101 December 2005 - January 2006
  - Investment Advisory Agreement - Dated 12-13-2005
  - Miscellaneous Correspondence
  
6. **Documents from REFCO / Man Financial Inc.:**
  - Account Statements - Paul Lawing, Jr. LLC (National Gas Distributors, LLC)
    - A/C 1P30 N0499 January 2005 - October 2005 (Final)
  
7. **Documents from RBC Dain Rauscher / ADM Investor Services:**
  - Account Statements - National Gas Distributors, LLC
    - A/C X2154 October 2005 (Initial) - March 2006

NATIONAL GAS DISTRIBUTORS, LLC  
RESOURCES

EXHIBIT 8  
Page 3 of 4

8. Documents from Chatham Capital Management II, LLC:

- Term loan agreement
- Reconstructed income statement for National Gas Distributors, LLC
- Letter to National Gas Distributors, LLC from CIT Group
- Correspondence concerning balance due from National Gas Distributors, LLC
- U. S. Bankruptcy Court Proof Of Claim (Form B10) Filed May 19, 2006

9. Proofs of Claim:

Customers:

- Invista S.a.r.l., LLC

Suppliers:

- ConocoPhillips Company, Coral Energy resources, L.P., Industrial Fuel Company, Progress Ventures, Inc., Total Gas & Power North America, Inc.

10. Documents from National Gas Distributors Records:

Customer:

- Sales Invoices October 2004 - January 2006
- Contracts - NAESB 6.3.1 (North American Energy Standards Board, Inc. form)

Supplier:

- Invoices and monthly statements for companies
- Contracts - GISB 6.3.1 (Gas Industry Standards Board, Inc.)
- Contracts - NAESB 6.3.1
- Position reports (NGD, LLC produced)

Vendor:

- Invoices and monthly statements
- Life Insurance Policies

Financial Records:

- Operating Statements January 2005 - November 2005
- Quarterly Balance Sheets - prepared on Excel
- Operating Statements - prepared on Excel for a few periods

CD Files from Company's Computer system

- Paul D. Lawing's data files
- Paul D. Lawing's laptop files and miscellaneous floppy disks
- Thomas Michael Pitman's data files
- Ricky Herring data files

NATIONAL GAS DISTRIBUTORS, LLC  
RESOURCES

EXHIBIT 8  
Page 4 of 4

11. Reports, Correspondence and Meetings from/with Experts and Attorneys:

Elizabeth C. Berry, CPA:

Spreadsheets of receipts and disbursements from Company bank accounts

Report of September 15, 2006

Various meetings, telephone calls and e-mail correspondence

Northern Blue, LLP Attorneys-at-Law (Counsel for the Trustee)

John A. Northen

Litigation Summary Report

Bankruptcy Filings

Discount Case Filings

Preference Case Filings

Fraudulent Transfer Case Filings

Lien Avoidance Case Filing

Claire Gotham, President GSC Energy, Inc.

Training in the industry

Tippett, Patrick, Bryan, Merritt & Raynor, CPA's

Financial Statements and workpaper files

Telephone conference with Lindo Tippett, CPA

# SCHEDULES

**REPORT ON  
NATIONAL GAS DISTRIBUTORS, LLC**

**TABLE OF CONTENTS - SCHEDULES**

**SCHEDULE 1:** Cash Transfers to Lawing's Branch Banking & Trust (BB&T) Accounts

**SCHEDULE 2:** Cash Transfers for Lawing's Personal Items

**SCHEDULE 3:** Cash Transfers to Lawing's Smith Barney Account

**SCHEDULE 4:** Cash Transfers to 1019 Hay Street, LLC

**SCHEDULE 5:** Cash Transfers to Cue Investments, LLC

**SCHEDULE 6:** Cash Transfers to Super King Partners

**SCHEDULE 7:** Cash Transfers to Tar Heel Air, LLC

**SCHEDULE 8:** Neal, Bradsher & Taylor, P.A. Engagement Letter

**SCHEDULE 9:** Statements of Professional Qualifications

**SCHEDULE 10:** Motion to Retain James E. Neal and Neal, Bradsher & Taylor, P.A. as  
Financial Consultants and Expert Witness

**SCHEDULE 11:** Affidavit of James E. Neal

**NATIONAL GAS DISTRIBUTORS, LLC**  
**OWNERS WITHDRAWALS**  
**CASH TRANSFERS TO LAWING'S BRANCH BANKING TRUST ACCOUNTS**  
 January 1, 2005 - January 31, 2006

SCHEDULE 1  
Page 1 of 2

DATE	REF	A/C PAID TO	A/C PAID FROM	AMOUNT	TOTAL
01/05/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	\$ 25,000.00	\$ (25,000.00)
01/07/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(40,000.00)
01/12/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(55,000.00)
01/14/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	25,000.00	(80,000.00)
01/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	90,000.00	(170,000.00)
01/21/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(180,000.00)
01/24/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(190,000.00)
02/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(210,000.00)
02/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(220,000.00)
02/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10.00	(220,010.00)
02/03/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(240,010.00)
02/09/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(255,010.00)
02/10/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	55,000.00	(310,010.00)
02/15/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	60,000.00	(370,010.00)
02/17/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(470,010.00)
02/17/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	80,000.00	(550,010.00)
02/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(570,010.00)
02/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	8,000.00	(578,010.00)
02/23/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	40,000.00	(618,010.00)
02/25/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(633,010.00)
02/28/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	8,000.00	(641,010.00)
03/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	32,000.00	(673,010.00)
03/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	25,000.00	(698,010.00)
03/02/2005	Wire	BB&T - 5216935863	BB&T - 5194397927	19,000.00	(717,010.00)
03/08/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(737,010.00)
03/09/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	50,000.00	(787,010.00)
03/17/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	32,000.00	(819,010.00)
03/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	40,000.00	(859,010.00)
03/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(879,010.00)
03/21/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	75,000.00	(954,010.00)
03/23/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	75,000.00	(1,029,010.00)
04/01/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(1,049,010.00)
04/11/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(1,064,010.00)
04/13/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(1,079,010.00)
04/15/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	95,000.00	(1,174,010.00)
04/15/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	75,000.00	(1,249,010.00)
04/19/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(1,349,010.00)
04/19/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(1,449,010.00)
04/19/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(1,549,010.00)
04/19/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(1,649,010.00)
04/20/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	50,000.00	(1,699,010.00)
04/21/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	25,000.00	(1,724,010.00)
04/27/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	50,000.00	(1,774,010.00)
05/04/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	40,000.00	(1,814,010.00)
05/09/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	65,000.00	(1,879,010.00)
05/13/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	68,000.00	(1,947,010.00)
05/16/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(1,957,010.00)
05/23/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(1,977,010.00)



**NATIONAL GAS DISTRIBUTORS, LLC**  
**OWNERS WITHDRAWALS**  
**CASH TRANSFERS TO LAWING'S BRANCH BANKING TRUST ACCOUNTS**  
 January 1, 2005 - January 31, 2006

**SCHEDULE 1**  
**Page 2 of 2**

DATE	REF	A/C PAID TO	A/C PAID FROM	AMOUNT	TOTAL
05/26/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	85,000.00	(2,062,010.00)
06/06/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(2,082,010.00)
06/13/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	60,000.00	(2,142,010.00)
06/13/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(2,162,010.00)
06/14/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(2,182,010.00)
06/17/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	173,000.00	(2,355,010.00)
06/21/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	30,000.00	(2,385,010.00)
06/27/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(2,405,010.00)
06/30/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	97,000.00	(2,502,010.00)
07/05/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	30,000.00	(2,532,010.00)
07/11/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	25,000.00	(2,557,010.00)
07/21/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(2,567,010.00)
07/25/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(2,577,010.00)
07/26/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	100,000.00	(2,677,010.00)
07/28/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	12,000.00	(2,689,010.00)
08/01/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	20,000.00	(2,709,010.00)
08/03/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	275,000.00	(2,984,010.00)
08/08/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(2,994,010.00)
08/09/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,004,010.00)
08/11/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,014,010.00)
08/18/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(3,029,010.00)
08/22/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,039,010.00)
08/29/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	73,000.00	(3,112,010.00)
08/29/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(3,127,010.00)
08/31/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,137,010.00)
09/02/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,147,010.00)
09/06/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	10,000.00	(3,157,010.00)
09/07/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	8,000.00	(3,165,010.00)
09/09/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	15,000.00	(3,180,010.00)
09/13/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	8,000.00	(3,188,010.00)
09/26/2005	Wire	BB&T - 5216935863	BB&T - 5198129153	112,000.00	(3,300,010.00)
10/04/2005	Wire	BB&T - 5216935863	FCB - 000342185918	30,000.00	(3,330,010.00)
10/05/2005	Wire	BB&T - 5216935863	FCB - 000342185918	30,000.00	(3,360,010.00)
10/11/2005	Wire	BB&T - 5216935863	FCB - 000342185918	25,000.00	(3,385,010.00)
10/13/2005	Wire	BB&T - 5216935863	FCB - 000342185918	10,000.00	(3,395,010.00)
10/21/2005	Wire	BB&T - 5216935863	FCB - 000342185918	10,000.00	(3,405,010.00)
10/31/2005	Wire	BB&T - 5216935863	FCB - 000342185918	10,000.00	(3,415,010.00)
11/15/2005	Wire	BB&T - 5216935863	FCB - 000342185918	25,000.00	(3,440,010.00)
11/18/2005	Wire	BB&T - 5216935863	FCB - 000342185918	7,000.00	(3,447,010.00)
11/29/2005	Wire	BB&T - 5216935863	FCB - 000342185918	25,000.00	(3,472,010.00)
12/06/2005	Wire	BB&T - 5216935863	FCB - 000342185918	20,000.00	(3,492,010.00)
12/13/2005	Wire	BB&T - 5216935863	FCB - 000342185918	35,000.00	(3,527,010.00)
12/27/2005	Wire	BB&T - 5216935863	FCB - 000342185918	606,135.86	(4,133,145.86)
12/29/2005	Wire	BB&T - 5216935863	FCB - 000342185918	196,135.83	(4,329,281.69)
				<b>\$ 4,329,281.69</b>	<b>\$ (4,329,281.69)</b>
					<b>(TO EXHIBIT 2)</b>
					<b>(TO EXHIBIT 6)</b>

NATIONAL GAS DISTRIBUTORS, LLC  
 OWNERS WITHDRAWALS  
 CASH TRANSFERS FOR LAWING'S PERSONAL ITEMS  
 January 1, 2005- January 31, 2006

SCHEDULE 2

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
01/13/2005	CK1204	Heather Roy (HNR Devel. Co.)	FCB - 000342185731	\$ 20,000.00	\$ (20,000.00)
04/11/2005	Online Transfer	BB&T Credit Line 5616259344	BB&T - 5198129153	1,500.00	(21,500.00)
04/21/2005	CK1216	HNR Development Co	FCB - 000342185731	30,000.00	(51,500.00)
04/25/2005	wire	Mimi So International	BB&T - 5194397927	175,600.00	(227,100.00)
07/14/2005	CK3872	BB&T	BB&T - 5194397927	15,000.00	(242,100.00)
07/25/2005	Online Transfer	BB&T Credit Line 5616259344	BB&T - 5198129153	600.00	(242,700.00)
08/29/2005	Online Transfer	BB&T Credit Line 5616259344	BB&T - 5198129153	3,600.00	(246,300.00)
09/06/2005	CK3979	BB&T	BB&T - 5194397927	1,500.00	(247,800.00)
12/14/2005	CK4140	BB&T	BB&T - 5194397927	125,000.00	(372,800.00)
				\$ 372,800.00	\$ (372,800.00)
					(TO EXHIBIT 2) (TO EXHIBIT 6)

NATIONAL GAS DISTRIBUTORS, LLC  
 OWNERS WITHDRAWALS  
 CASH TRANSFERS TO LAWING'S SMITH BARNEY ACCOUNT  
 January 1, 2005 - January 31, 2006

SCHEDULE 3

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
01/14/2005	wire	Smith Barney 066198038	BB&T - 5194397927	\$ 25,000.00	\$ (25,000.00)
02/08/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(50,000.00)
03/02/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(75,000.00)
03/21/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(100,000.00)
06/21/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(125,000.00)
08/02/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(150,000.00)
09/08/2005	wire	Smith Barney 066198038	BB&T - 5194397927	25,000.00	(175,000.00)
				\$ 175,000.00	\$ (175,000.00)
					(TO EXHIBIT 2) (TO EXHIBIT 6)
		<b>OFFICIAL REFERENCE</b>			
		Smith Barney A/C 8070230712316			
		Paul Lawing			

NATIONAL GAS DISTRIBUTORS, LLC  
 OWNERS WITHDRAWALS  
 CASH TRANSFERS TO 1019 HAY STREET, LLC  
 January 1, 2005 - January 31, 2006

SCHEDULE 4

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
07/19/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	\$ 340,000.00	\$ (340,000.00)
08/24/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	250,000.00	(590,000.00)
08/25/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	10,000.00	(600,000.00)
09/07/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	10,000.00	(610,000.00)
09/14/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	10,000.00	(620,000.00)
09/16/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	20,000.00	(640,000.00)
09/27/2005	wire	1019 Hay St LLC - FCB 000342197687	BB&T - 5194397927	265,000.00	(905,000.00)
				\$ 905,000.00	\$ (905,000.00)
					(TO EXHIBIT 2) (TO EXHIBIT 6)
		<b>OFFICIAL BANK REFERENCE:</b>  First Citizens Bank & Trust Company A/C No. 000342197687  1019 Hay Street LLC P. O. Box 58051 Fayetteville, N. C. 28305-8051			

NATIONAL GAS DISTRIBUTORS, LLC  
OWNERS WITHDRAWALS  
CASH TRANSFERS TO CUE INVESTMENTS, LLC  
January 1, 2005 - January 31, 2006

SCHEDULE 5

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
01/14/2005	Online Transfer	Transfer to Checking BB&T 5210086600	BB&T - 5198129153	\$ 31,000.00	\$ (31,000.00)
01/24/2005	Online Transfer	Transfer to Checking BB&T 5210086600	BB&T - 5198129153	2,000.00	(33,000.00)
02/01/2005	Online Transfer	Transfer to Checking BB&T 5210086600	BB&T - 5198129153	2,000.00	(35,000.00)
02/03/2005	Online Transfer	Transfer to Checking BB&T 5210086600	BB&T - 5198129153	4,300.00	(39,300.00)
04/12/2005	wire	Cue Investments - Wachovia 2029110010422	BB&T - 5194397927	10,000.00	(49,300.00)
07/08/2005	wire	Cue Investments - Wachovia 2029110010422	BB&T - 5194397927	10,000.00	(59,300.00)
07/18/2005	Online Transfer	Transfer to Checking BB&T 5210086600	BB&T - 5198129153	30,000.00	(89,300.00)
08/05/2005	wire	Cue Investments - Wachovia 2029110010422	BB&T - 5194397927	10,000.00	(99,300.00)
10/27/2005	wire	Cue Investments - BB&T 5210086600	FCB - 000342185918	30,000.00	(129,300.00)
				\$ 129,300.00	\$ (129,300.00)
					(TO EXHIBIT 2) (TO EXHIBIT 6)
		<b>OFFICIAL BANK REFERENCE:</b>  Branch Bank & Trust Company A/C No. 5210086600  Cue Investments, LLC P. O. Box 58051 Fayetteville, N. C. 28305-8051			

NATIONAL GAS DISTRIBUTORS, LLC  
OWNERS WITHDRAWALS  
CASH TRANSFERS TO SUPER KING PARTNERS, LLC  
January 1, 2005 - January 31, 2006

SCHEDULE 6

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
02/08/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	\$ 37,465.00	\$ (37,465.00)
06/01/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	15,000.00	(52,465.00)
07/27/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	15,000.00	(67,465.00)
08/19/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	15,000.00	(82,465.00)
09/15/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	15,000.00	(97,465.00)
10/05/2005	dm	Super King Partners - FCB 342199578	FCB - 000342185918	50,000.00	(147,465.00)
12/27/2005	wire	Super King Partners - FCB 342199578	BB&T - 5194397927	2,142.75	(149,607.75)
				\$ 149,607.75	\$ (149,607.75)
					(TO EXHIBIT 2) (TO EXHIBIT 6)
		<b>OFFICIAL BANK REFERENCE:</b>			
		First Citizens Bank & Trust Company A/C No. 342199578			
		Super King Partners, LLC P. O. Box 58032 Fayetteville, N. C. 28305			

**NATIONAL GAS DISTRIBUTORS, LLC  
OWNERS WITHDRAWALS  
CASH TRANSFERS TO TAR HEEL AIR, LLC.  
January 1, 2005 - January 31, 2006**

**SCHEDULE 7**

DATE	REF.	PAID TO	A/C PAID FROM	AMOUNT	TOTAL
01/11/2005	3519	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	\$ 15,000.00	\$ (15,000.00)
01/20/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	50,000.00	(65,000.00)
02/02/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	10,000.00	(75,000.00)
02/02/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	6,000.00	(81,000.00)
02/08/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	10,000.00	(91,000.00)
02/24/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	15,000.00	(106,000.00)
03/02/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	25,000.00	(131,000.00)
03/09/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	10,000.00	(141,000.00)
03/29/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	37,000.00	(178,000.00)
04/26/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	35,000.00	(213,000.00)
05/19/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	10,000.00	(223,000.00)
06/06/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	10,000.00	(233,000.00)
06/15/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	70,000.00	(303,000.00)
07/19/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	20,000.00	(323,000.00)
07/27/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	15,000.00	(338,000.00)
08/05/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	15,000.00	(353,000.00)
08/11/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	25,000.00	(378,000.00)
08/19/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	20,000.00	(398,000.00)
09/26/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	20,000.00	(418,000.00)
10/20/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	15,265.36	(433,265.36)
11/28/2005	wire	Tar Heel Air LLC - FCB 342199594	BB&T - 5194397927	66,085.47	(499,350.83)
				<b>\$ 499,350.83</b>	<b>\$ (499,350.83)</b>
					(TO EXHIBIT 2) (TO EXHIBIT 6)
		<b>OFFICIAL BANK REFERENCE:</b>			
		First Citizens Bank & Trust Company A/C No. 342199594			
		Tar Heel Air LLC P. O. Box 58051 Fayetteville, N. C. 28305			



**Neal, Bradsher & Taylor, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

September 22, 2006

Mr. Richard M. Hutson, II  
Trustee for National Gas Distributors, LLC  
Hutson Hughes & Powell  
Attorneys-at-Law  
P. O. Box 2252-A  
Durham, North Carolina 27702

Dear Mr. Hutson:

This will confirm our understanding of the arrangements for our performance of certain agreed-upon procedures in connection with National Gas Distributors, LLC, a North Carolina limited liability corporation, for the year ending December 31, 2005. This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in our report.

**PURPOSE OF ENGAGEMENT:**

The purpose of our engagement is to establish the financial condition of National Gas Distributors, LLC for each and every month, or such other agreed upon reporting periods, for the calendar year 2005. Such determination will be made on the basis of Generally Accepted Accounting Procedures as set forth by the American Institute of Certified Public Accountants. The financial information developed by us will be used by the Trustee for National Gas Distributors, LLC, the debtor, in its legal proceedings before the United States Bankruptcy Court.

We are to prepare one or more financial reports, as required, setting forth our findings.

We will be prepared to furnish testimony regarding our findings in required depositions and court hearings.

**FINANCIAL RECORDS AND DOCUMENTS:**

We expect that the majority of documents and financial records of National Gas Distributors, LLC are already in possession of the Trustee and/or the Trustee's representative.

We understand that these documents may have come from a wide spectrum of sources, both traditional and perhaps some unconventional.

James E. Neal, CPA, CVA, CFE  
Gary C. Hull, CPA  
Christopher A. Tikvart, CPA, CVA  
Timothy E. Noser, CPA

**OFFICE LOCATIONS**

University Commons  
3721-D University Drive  
Durham, N.C. 27707

Tel (919) 489-3369  
Fax (919) 489-9539

Six Forks Office Center  
8374 Six Forks Road  
Suite 203  
Raleigh, N.C. 27615

Tel (919) 844-6488  
Fax (919) 844-6460

**MEMBERS**

American Institute of Certified  
Public Accountants  
North Carolina Association of  
Certified Public Accountants



Any valid documents which we determine to be missing from existing sources will be requested from other involved parties to the transaction. Depending on the materiality of the document, we may be forced to interpolate a particular transaction from other related documents using only our professional judgment.

In this particular case we wish to work only with original source documents. Copies of purported original source documents are acceptable only if we are able to verify their veracity. At all times, we will exercise caution to protect the integrity and custody of each document.

We will ask for a decision to be made identifying all ground rules covering access to the records and whether the records can be moved to certain other locations to facilitate our review process.

#### PERSONNEL INTERVIEWS:

We will be prepared to interview any employee of, or individual involved with, National Gas Distributors, LLC who we believe will be able to provide information relating to the financial procedures and operations of the Company, or who may be able to furnish detail to a particular financial transaction.

We will also be prepared to assist counsel in preparing for any required depositions of such individuals.

#### ISSUES INVOLVING POTENTIAL ACTS OF FRAUD:

We understand we will not be engaged to discover specific acts of fraud. However, any such acts that we do uncover will be reported separately to the Trustee or the Trustee's representative.

During the course of our work, we may come across transactions or documents which in our professional opinion appear to lack credibility. Should this occur, we will take custody of such documents and refer our finding to the Trustee at all times preserving the required chain of custody of such documents.

#### COMMUNICATION:

We will at all times, during our engagement, remain available to the Trustee or Trustee's representative.

We intend to report to the Trustee or Trustee's representative on a regular basis, even if such reports contain only routine information. The timing of such reports is to be determined.

Working papers that we prepare in connection with this engagement are the property of Neal, Bradsher & Taylor, P.A. The working papers are prepared for the purpose of providing the principal support for our independent accountant's report as requested by the Trustee, the Trustee's representative and/or the court.

If, however, we are not able to complete all of the specified procedures we consider necessary, we will so advise you. At that time, we will discuss with you the form of communication, if any, that you desire for our findings. We will ask you to confirm your request in writing. Our working papers will be retained in accordance with our firm's working paper retention policy.

As is our firm's policy, we will wish to restrict the distribution of our independent accountant's report to as few parties as possible. We request that we be consulted before such reports are distributed.

Our fees for these services, as is customary in the accounting profession, will be based on the actual time spent on the engagement, at our regular hourly rates for our staff members and their necessary supervision, plus all necessary expenses incurred to complete the work. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned. Travel time will be charged at 50% of standard rates. Our invoices for these fees will be rendered each quarter as work progresses and are payable on presentation. Personnel initially expected to be assigned to this engagement and their related hourly billing rates are as follows:

James E. Neal, CPA, CFE, CVA	\$ 225.00
Gary C. Hull, CPA	200.00
Christopher A. Tikvart, CPA, CVA	165.00
Rod Soberano	100.00
Lani Perdue, CPA	100.00

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



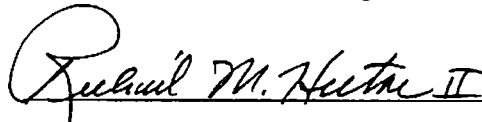
NEAL, BRADSHER & TAYLOR, P.A.

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RESPONSE:

This letter correctly sets forth the understanding of Hutson Hughes & Powell

Officer signature: \_\_\_\_\_



Title: \_\_\_\_\_

*Trustee*

Date: \_\_\_\_\_

*9-26-06*

REPORT ON  
NATIONAL GAS DISTRIBUTORS, LLC  
STATEMENTS OF PROFESSIONAL QUALIFICATIONS

A JAMES E. NEAL

B GARY C. HULL

C CHRISTOPHER A. TIKVART

D LEILANA M. PERDUE

E RODRIGO SOBERANO

STATEMENT OF QUALIFICATIONS

JAMES E. NEAL

ACADEMIC AND PROFESSIONAL CREDENTIALS:

Bachelor of Science, Accounting, University of North Carolina at Chapel Hill, 1963  
Certified Public Accountant, 1966  
Certified Fraud Examiner, 1993  
Certified Valuation Analyst, 1997  
American Institute of Certified Public Accountants Certificate of Educational Achievement - Business Valuations

POSITIONS AND EXPERIENCE:

President, Neal, Bradsher & Taylor, P.A., Certified Public Accountants, 1984 - date  
Managing Partner, Neighbors, Neal, Hamlin & Balbirer, Certified Public Accountants, 1968-1983  
A.M. Pullen & Company, Certified Public Accountants, 1965-1968  
Williams & Wall, Certified Public Accountants, 1963-1964

PROFESSIONAL MEMBERSHIPS:

American Institute of Certified Public Accountants  
North Carolina Association of Certified Public Accountants  
National Association of Certified Fraud Examiners  
National Association of Certified Valuation Analysts  
Institute of Business Appraisers  
Institute of Management Accountants  
American Arbitration Association, Panel of Arbitrators  
National Association of Security Dealers, Panel of Arbitrators

PROFESSIONAL SERVICE:

North Carolina Association of Certified Public Accountants  
Founder and Past Chairman of the "Litigation Services Committee"  
Current Member, "Legal Liability GAP Analysis Task Force"  
Past Member, "Litigation Services Committee"  
Past Member, "Management Advisory Services Committee"  
Past Member, "Management Practices Committee"

Institute of Management Accountants  
Past Local Director and Officer

PUBLICATIONS AND SEMINARS:

North Carolina Bar Association  
"Understanding Financial Statements" - Family Law Section Seminar  
"Use of Expert Witnesses in Alimony and Support Cases" - Family Law Section Seminar  
Surviving Internal Revenue Service Tax Audits - Institute of Management Accounting  
"To Be or Not to Be an Expert Witness", CPA Forum  
"Understanding Financial Statements in Valuation Engagements" - Raleigh Chapter of Duke Law Graduates.  
"Valuation Approaches to Proprietorships in Equitable Distribution Cases" - Durham Group of Family Law

STATEMENT OF QUALIFICATIONS

GARY C. HULL

ACADEMIC AND PROFESSIONAL CREDENTIALS:

Bachelor of Science in Business Administration with emphasis in accounting, University of North Carolina  
at Chapel Hill, 1981  
Certified Public Accountant, 1986

POSITIONS AND EXPERIENCE:

Principal, Neal, Bradsher & Taylor, P.A., Certified Public Accountants, 1988 - date  
Staff Accounting for national CPA firm for approximately one year  
Balance of training and experience with Neal, Bradsher & Taylor, P.A. in Durham, N.C.  
Partner in charge of various audit engagement including non-profit organizations

PROFESSIONAL MEMBERSHIPS:

American Institute of Certified Public Accountants  
North Carolina Association of Certified Public Accountants

STATEMENT OF QUALIFICATIONS

CHRISTOPHER A. TIKVART

ACADEMIC AND PROFESSIONAL CREDENTIALS:

Bachelor of Arts in Accounting, North Carolina State University, 1988  
Certified Public Accountant, 1992  
Certified Valuation Analyst, 1993

POSITIONS AND EXPERIENCE:

Principal, Neal, Bradsher & Taylor, P.A., Certified Public Accountants, 2000 - date  
Staff Accounting for Neal, Bradsher & Taylor, P.A., 1989 - 1999

PROFESSIONAL MEMBERSHIPS:

American Institute of Certified Public Accountants  
North Carolina Association of Certified Public Accountants  
National Association of Certified Valuation Analysts

STATEMENT OF QUALIFICATIONS

LEILANA M. PERDUE

ACADEMIC AND PROFESSIONAL CREDENTIALS:

Bachelor of Science in Accounting, Mars Hill College, North Carolina. May, 1997  
Master of Science in Accounting, University of North Carolina at Wilmington, 2003  
Certified Public Accountant, 2003  
Notary Public, commission expires July, 2007

POSITIONS AND EXPERIENCE:

Staff Accounting for Neal, Bradsher & Taylor, P.A., June 2006 - date  
Senior Staff Accountant, South Atlantic Services, Inc., June 2003-December 2004  
Assistant Controller, Consolidated Estate and Property Control Corporation, April 1999-April 2001  
Accounting Manager, Consolidated Estate and Property Control Corporation, April 2001 - June, 2003  
Staff Accountant, Skidmore Duncan & Co., P.A., February 1998 - January, 1999  
Bookkeeping, Larry B. Holder, M.D., June 1993 - August 1994; Summers 1995 - 1997

PROFESSIONAL MEMBERSHIPS:

American Institute of Certified Public Accountants  
North Carolina Association of Certified Public Accountants

STATEMENT OF QUALIFICATIONS

RODRIGO SOBERANO

ACADEMIC AND PROFESSIONAL CREDENTIALS:

Bachelor of Science in Business Administration, University of Florida in Gainesville, Florida in May, 1995  
Master in Accounting, University of North Carolina at Chapel Hill in May, 2006  
CPA candidate

POSITIONS AND EXPERIENCE:

Staff Accounting for Neal, Bradsher & Taylor, P.A., August 2006 - date  
Financial Advisor for Smith Barney - May 2000 - August, 2004  
Financial Advisor for Merrill Lynch - June 1995 - May, 2000

PROFESSIONAL MEMBERSHIPS:



UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION

<b>IN THE MATTER OF:</b>  National Gas Distributors, LLC,  Debtor	Case No. 06-00166-8-ATS Chapter 11
<b>Motion to Retain and Employ James E. Neal and the Firm of Neal, Bradsher &amp; Taylor, P.A. as Financial Consultant and Expert Witness</b>	

Now comes Richard M. Hutson, II, (the "Trustee"), chapter 11 trustee for National Gas Distributors, LLC (the "Debtor"), pursuant to § 327 of the Bankruptcy Code and Bankruptcy Rule 2014, and hereby moves the Court for entry of an Order authorizing the Trustee to retain and employ James E. Neal and the firm of Neal, Bradsher & Taylor, P.A. as Financial Consultant and Expert Witness, and in support thereof, respectfully represents as follows:

**Jurisdiction**

1 On January 20, 2006 (the "Petition Date") National Gas Distributors, LLC filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of North Carolina.

2 On January 24, 2006, this Court entered an Order appointing Richard M. Hutson, II as chapter 11 trustee for the Debtor.

3 The Court has jurisdiction over the subject matter hereof pursuant to 28 U.S.C. §§151, 157 and 1334, and this is a core proceeding within 28 U.S.C. §157(b)(2). Venue is proper pursuant to 28 U.S.C. §§1408 and 1409.

4 The Trustee has previously employed Elizabeth Berry and the firm of Elizabeth C. Berry, CPA, PLLC, Raleigh, North Carolina (the "Accountant") to assist the Trustee in the administration of this estate. The Accountant has provided and continues to provide substantial services to the Trustee, including but not limited to assistance in the preparation of monthly reports, the collection and verification of data regarding the Debtor's prepetition receipts, disbursements and transfers, the analysis necessary for tracing of funds relevant to the determination of the extent and validity of certain liens, and other matters.

5 Due to the size and complexity of the Debtor's business, prepetition operations, and the

litigation pending or proposed by the Trustee, additional support is necessary to fairly and efficiently allocate the tasks at hand and to obtain the necessary analysis and litigation support required by counsel for the Trustee. The Trustee believes that the litigation support needed for the pending tasks will require additional personnel and exceed the capacity of the Accountant to perform the tasks acting alone.

### **The Proposed Retention**

6 The Trustee wishes to employ James E. Neal and the firm of Neal, Bradsher & Taylor, P.A. (the "Consultant") to provide additional litigation support services. While the broad description of services which may be requested of the Consultant, as set forth below, overlaps with many of the services which have been or will be provided by the Accountant, the tasks can be allocated in such a manner as to avoid unnecessary duplication or expense. In many instances the Consultant and the Accountant can be expected to work together to take advantage of work performed by one or the other, but the Trustee will establish the party in charge of and primarily responsible for the completion of each task assigned.

7 The Consultant is experienced in providing expert reports and testimony with respect to issues involving solvency, fraudulent transfers, and other issues which will be of critical importance to the estate's litigation. The Trustee believes that the Consultant is competent to render such services and, to the best of his knowledge, is a disinterested person who does not hold or represent any interest adverse to the Debtor or to the estate and who is qualified for employment as Consultant for the Trustee under §327 and §1107 of the Bankruptcy Code. Attached hereto is Consultant's Affidavit to that effect.

8 The professional services the Consultant is to provide in connection with the pending or proposed litigation include the following:

- a. Review and analysis of financial books and records to determine the assets and liabilities of the Debtor.
- b. Review and analysis of claims filed by the Debtor's creditors.
- c. Review and analysis of transactions between the Debtor and other parties to determine whether such transactions constitute preferential transfers or fraudulent conveyances, preparation of expert reports regarding such analysis, and testimony as needed with respect to any adversary proceeding involving the estate.
- d. Review and analysis as to the insolvency or inadequacy of capitalization of the

Debtor at various times pre-petition, and such other activities and financial analysis as may be requested.

9 The Consultant has agreed to represent the Trustee for such compensation as may be subsequently allowed and approved by the Court in accordance with the provisions of the Bankruptcy Code. Attached hereto and incorporated by reference is the proposed engagement letter from the Consultant, setting forth the names, qualifications, and customary hourly rates of the members of the firm which are likely to be assigned tasks in connection with the retention.

10 The Trustee has selected the Consultant because he has substantial expertise and experience in forensic accounting and expert testimony, and will provide the Trustee with effective and competent assistance with respect to the matters for which he is to be employed.

WHEREFORE, the Trustee respectfully requests that the Court enter an order authorizing him to employ James E. Neal and the firm of Neal, Bradsher & Taylor, P.A. as Financial Consultant and Expert Witness for the Trustee in this case, and for such other relief as may be deemed just and proper.

RESPECTFULLY submitted on behalf of the Trustee, this the \_\_\_ day of September, 2006.

/s/ John A. Northen

NORTHEN BLUE, L.L.P.  
John A. Northen, NCSB #6789  
[jan@nbfirm.com](mailto:jan@nbfirm.com)  
Vicki L. Parrott, NCSB #25762  
[vlp@nbfirm.com](mailto:vlp@nbfirm.com)  
Stephanie Osborne-Rodgers, NCSB #29374  
[sor@nbfirm.com](mailto:sor@nbfirm.com)  
Post Office Box 2208  
1414 Raleigh Rd., Ste 435 (27517)  
Chapel Hill, NC 27515-2208  
Telephone: 919-968-4441

### AFFIDAVIT OF JAMES E. NEAL

The undersigned, being first duly sworn, does solemnly depose and declare as follows:

1. I am a shareholder in the firm of Neal, Bradsher & Taylor, P.A. (the "Firm") which the Trustee now seeks to employ as Financial Consultant and Expert Witness.
2. Neither the Firm nor I hold any interest adverse to the above-entitled estate and therefore both the Firm and I are "disinterested persons" as defined in 11 U.S.C. Section 101. To the best of my knowledge, except as set forth herein, the members and associates of the Firm (i) do not have any connection with the Debtor or its affiliates, creditors, or any other party-in-interest or their respective attorneys or accountants, except to the extent (if any) noted below, (ii) are "disinterested persons" as that term is defined in section 101(14) of the Bankruptcy Code, and (iii) do not hold or represent any interest adverse to the estate.
3. The Firm has performed a conflict check which consisted of comparing the list of all significant parties-in-interest (defendants in pending or proposed litigation, all secured creditors, the Debtor and its affiliates) to the Firm's client list. The results of this conflict check indicate that the Firm has not represented or previously performed services for any of such entities in matters unrelated to this Chapter 11 case.
4. The Firm is engaged by new clients periodically, and it is not possible to ascertain every possible connection that individuals associated with the Firm may have with creditors and other parties-in-interest. Moreover, attorneys for parties-in-interest may have or will provide services to the Firm or may engage the Firm in matters unrelated to this case. I do not believe that such relationships affect the Firm's disinterestedness in this case. The Firm will amend this affidavit should any potential conflict or new engagement arise that may bear on these Chapter 11 cases.
5. Neither the Firm nor to the best of my knowledge, any professional at the Firm holds or represents any interest adverse to the Debtor's bankruptcy estate.
6. Except as noted herein, if any, neither the Firm nor to the best of my knowledge, any professional at the Firm:
  - a. Is or was a creditor, an equity security holder or an insider of the Debtor.
  - b. Is or was an investment banker for any outstanding security of the Debtor.
  - c. Is or was within three years before the filing of the Debtor's Chapter 11 case (the "Petition Date"), an investment banker in connection with the offer, sale or issuance of a security of the Debtor.

- d. Is or was within two years before the Petition Date, a director, officer or employee of the Debtor or of an investment banker of the Debtor.
- e. Has an interest materially adverse to the interest of the Debtor's bankruptcy estate, or any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor or an investment banker specified in the foregoing paragraphs, or for any other reason.

7. Accordingly, I believe the Firm is a "disinterested person" as that term is defined in Section 101(14), as modified by Section 1107(b) of the Bankruptcy Code.

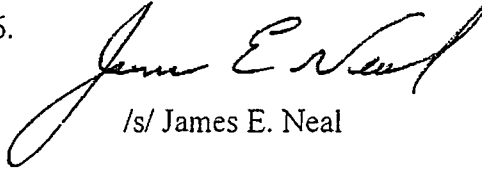
8. The Firm has not provided and will not provide any professional services to any of the creditors, other parties-in-interest or their attorneys and accountants with regard to any matter related to this Chapter 11 case.

9. The total compensation promised by the Trustee for the services rendered or to be rendered in connection with this case will be such amounts as may be approved by the Court after notice and hearing, and based upon the customary hourly rates charged by members of the Firm at the time such services are rendered and as set forth in the Trustee's Motion seeking authority to employ the Firm.

10. No pre-petition retainer has been provided for such post-petition fees and expenses as may be allowed by the Court. Also, except as set forth in the motion to employ the Firm regarding payment of fees by the Trustee as and when approved, there are no further undertakings by the Debtor or any other persons or entities to pay the post-petition fees or expenses incurred by or on behalf of the Debtor's estate. No understanding or agreement exists for a division of fees or compensation between the Firm and any other person or entity, except any agreement the Firm may have for the sharing of such compensation with members of the Firm.

I declare under penalty of perjury that the foregoing is true and correct.

This the 22 day of September, 2006.



/s/ James E. Neal

Sworn to and Subscribed before me,  
this the 22 day of September, 2006.

/s/ Carole S. Beaver  
Notary Public

[Notary Seal]