Santanna Natural Gas Corporation
(d/b/a Santanna Energy Services)

ARES Application

ATTACHMENT J

2010 and 2011 Reviewed Financial Statements of Santanna Natural Gas Corporation (d/b/a Santanna Energy Services)

CONFIDENTIAL TREATMENT OF THIS DOCUMENT HAS BEEN REQUESTED

- THE FOLLOWING IS A PUBLIC REDACTED VERSION OF THE DOCUMENT -

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SANTANNA NATURAL GAS CORPORATION dba SANTANNA ENERGY SERVICES AND AFFILIATE

Consolidated Financial Statements as of and for the Years Ended December 31, 2010 and 2009 and Independent Accountants' Review Report

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Santanna Natural Gas Corporation and Affiliate:

We have reviewed the accompanying consolidated balance sheets of Santanna Natural Gas Corporation dba Santanna Energy Services and Affiliate (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying consolidating schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

maxwell Locke + Ritter LLP
April 29, 2011

SANTANNA NATURAL GAS CORPORATION AND AFFILIATE
dba SANTANNA ENERGY SERVICES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	[redacted]	
Cash and cash equivalents, pledged	[redacted]	
Investments	[redacted]	
Investments, pledged	[redacted]	
Accounts receivable, net of allowance for doubtful accounts of [redacted] and [redacted] respectively	[redacted]	
Other current assets	[redacted]	-
Current assets of consolidated variable interest entity:		
Cash and equivalents	[redacted]	-
Other current assets	[redacted]	-
Total current assets	[redacted]	[redacted]
PROPERTY AND EQUIPMENT, net	[redacted]	[redacted]
PROPERTY AND EQUIPMENT, net, consolidated variable interest entity	[redacted]	-
TOTAL	$ [redacted]	$ [redacted]
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ [redacted]	$ [redacted]
Deferred revenue	[redacted]	[redacted]
Bankruptcy settlement liability	-	[redacted]
Current liabilties of consolidated variable interest entity:		
Accounts payable and accrued expenses	[redacted]	-
Current portion of mortgage payable	[redacted]	-
Total current liabilities	[redacted]	[redacted]
MORTGAGE PAYABLE, less current portion-consolidated variable interest entity	[redacted]	-
TOTAL LIABILITIES	[redacted]	[redacted]
EQUITY:		
Shareholders' equity	[redacted]	[redacted]
Noncontrolling interest in affiliate	[redacted]	-
Total equity	[redacted]	[redacted]
TOTAL	$ [redacted]	$ [redacted]

See notes to consolidated financial statements and independent accountants' review report.

SANTANNA NATURAL GAS CORPORATION AND AFFILIATE
dba SANTANNA ENERGY SERVICES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
SALES	$ [redacted]	$ [redacted]
COST OF SALES	[redacted]	[redacted]
GROSS PROFIT	[redacted]	[redacted]
OPERATING EXPENSES:		
Promotion and advertising	[redacted]	[redacted]
Salaries and bonuses	[redacted]	[redacted]
Bad debt	[redacted]	[redacted]
Insurance	[redacted]	[redacted]
Office expenses	[redacted]	[redacted]
Employee benefits	[redacted]	[redacted]
Professional fees	[redacted]	[redacted]
Utilities	[redacted]	[redacted]
Rent	[redacted]	[redacted]
Depreciation and amortization	[redacted]	[redacted]
Payroll and property taxes	[redacted]	[redacted]
Automobile, travel and leasing	[redacted]	[redacted]
Dues and subscriptions	[redacted]	[redacted]
Repairs and maintenance	[redacted]	-
Computer	[redacted]	[redacted]
Total operating expenses	[redacted]	[redacted]
INCOME FROM OPERATIONS	[redacted]	[redacted]
OTHER INCOME (EXPENSE):		
Other income, net	[redacted]	[redacted]
Gain (loss) on sale of investments	[redacted]	[redacted]
Interest expense	[redacted]	-
Interest income	[redacted]	[redacted]
Total other income (expense), net	[redacted]	[redacted]
NET INCOME	[redacted]	[redacted]
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST IN AFFILIATE	[redacted]	-
NET INCOME ATTRIBUTABLE TO SANTANNA NATURAL GAS CORPORATION	$ [redacted]	$ [redacted]

See notes to consolidated financial statements and independent accountants' review report.

SANTANNA NATURAL GAS CORPORATION AND AFFILIATE
dba SANTANNA ENERGY SERVICES

CONSOLIDATED STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total	Comprehensive Income
BALANCE, DECEMBER 31, 2008	[redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ -	$ [redacted]	$ [redacted]
Distribution to shareholders	-	-	-	-	[redacted]	-	[redacted]	-
Realized gain on investments	-		-	[redacted]	-	-	[redacted]	[redacted]
Unrealized gain on investments	-	-	-	[redacted]	-	-	[redacted]	[redacted]
Net income	-	-	-	-	[redacted]	-	[redacted]	[redacted]
Comprehensive income								$ [redacted]
BALANCE, DECEMBER 31, 2009	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-	[redacted]	$ [redacted]
Contributions by members of Affiliate	-	-	-		-	[redacted]	[redacted]	-
Distribution to shareholders	-	-	-	-	[redacted]		[redacted]	-
Realized gain on investments	-	-		[redacted]	-	-	[redacted]	[redacted]
Unrealized loss on investments	-	-	-	[redacted]	-	-	[redacted]	[redacted]
Net income	-		-	-	[redacted]	[redacted]	[redacted]	[redacted]
Comprehensive income								$ [redacted]
BALANCE, DECEMBER 31, 2010	[redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]	

At December 31, 2010 and 2009, accumulated other comprehensive income was comprised of unrealized gains/losses on marketable investments classified as available-for-sale.

The Company has authorized 1,000 shares of no par common stock.

See notes to consolidated financial statements and independent accountants' review report.

SANTANNA NATURAL GAS CORPORATION AND AFFILIATE
dba SANTANNA ENERGY SERVICES

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ [redacted]	
Cash paid to employees and suppliers	[redacted]	
Interest paid	[redacted]	-
Interest received	[redacted]	
Net cash provided by operating activities	[redacted]	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases (sales) of investments, net	[redacted]	
Purchase of property and equipment	[redacted]	
Net cash provided by (used in) investing activities	[redacted]	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions by members to affiliate	[redacted]	-
Borrowings under mortgage payable	[redacted]	-
Payments on mortgage payable	[redacted]	-
Distributions to shareholders	[redacted]	[redacted]
Net cash used in investing activities	[redacted]	[redacted]
NET CHANGE IN CASH AND CASH EQUIVALENTS	[redacted]	[redacted]
CASH AND CASH EQUIVALENTS, beginning of year	[redacted]	[redacted]
CASH AND CASH EQUIVALENTS, end of year	$ [redacted]	
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ [redacted]	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	[redacted]	
(Gain) loss on sale of investments	[redacted]	
Bad debt expense	[redacted]	
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	[redacted]	
Other assets	[redacted]	
Accounts payable and accrued expenses	[redacted]	[redacted]
Bankruptcy settlement liability	[redacted]	[redacted]
Deferred revenue	[redacted]	[redacted]
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ [redacted]	$ [redacted]

See notes to consolidated financial statements and independent accountants' review report.

1. ORGANIZATION

The consolidated financial statements include the accounts of Santanna Natural Gas Corporation ("Santanna") and CGR Ventures, LLC ("CGR"), an affiliated company with common ownership (collectively, the "Company"). Santanna is a full service energy marketing company with corporate offices located in Austin, Texas and a regional office located outside Chicago, Illinois. Santanna is a retail supplier focused on small sized commercial, industrial and residential customers with infrastructure built around natural gas. Residential gas sales were added in early 2002. Santanna is aggressively focusing on becoming an alternative retail electric supplier in the State of Illinois. Santanna's sales are primarily to customers in Michigan and Illinois. CGR owns the building that Santanna leases for its office space. In 2011, Santanna expanded its service area to include Ohio and Indiana.

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R)*. SFAS No. 167 was incorporated into the FASB Accounting Standards Codification ("ASC") through Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, in December 2009. The amendments to FASB ASC 810 are effective for annual reporting periods that begin after November 15, 2009. FASB ASC 810 requires Santanna to consolidate the accounts of CGR as of and for the year ended December 31, 2010. See further discussion of consolidation of a variable interest entity at Note 12.

All significant intercompany balances, transactions and profits have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the consolidated financial statements and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned and require payment within fourteen to forty-five days depending on the class of customer. Account balances with charges in excess of these days are considered delinquent and management begins collection efforts at this time. Delinquent invoices accrue interest at varying rates depending on the class of customer.

The Company continually monitors each customer's creditworthiness individually, and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible.

The Company sells its products to numerous residential and commercial customers in the States of Illinois and Michigan. The Company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business.

Property and Equipment - Property and equipment are carried at cost and depreciated over the estimated useful life of the assets which range from five to thrity-nine years, except for land, which is not depreciated. Depreciation is computed primarily using the straight line method. Leasehold improvements are amortized over the shorter of the lease term of the estimated useful life of the asset.

Federal Income Taxes - Santanna has elected to be treated as an S Corporation under the Internal Revenue Code of 1986. CGR is a limited liability company. No provision has been made for federal income taxes for Santanna or CGR since income is directly taxed to the shareholders.

Concentration of Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, temporary cash investments and accounts payable. The Company places its cash and temporary cash investments with high credit quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

The Company primarily purchases its natural gas for distribution from one vendor through a primary supplier contract with automatic annual renewal. This vendor accounted for 100% of cost of sales and 95% and 98% of accounts payable at December 31, 2010 and 2009, respectively. The Company's ability to serve its customers is dependent on its primary supplier, or an alternate.

Marketable Investments - The Company's marketable equity securities are classified as available-for-sale securities and are stated at fair market value with unrealized gains and losses reported in shareholders' equity as a component of accumulated other comprehensive income. Realized gains or losses on securities sold are based on the specific identification method. Marketable investment balances of [redacted] and [redacted] at December 31, 2010 and 2009, respectively, have been pledged as collateral for letters of credit to back certain financing instruments and supply contracts.

The Company held [redacted] in certificates of deposit classified as held-to-maturity at December 31, 2010 and 2009, respectively. The certificates of deposit mature in 2011.

Fair Value Measurement - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations

All of the Company's short-term investments (Note 3) are classified as Level 1 within the hierarchy at December 31, 2010 and 2009, respectively.

Comprehensive Income - Comprehensive income and its components are disclosed in the accompanying consolidated statements of equity.

Advertising Expense - The Company expenses advertising costs in the period in which they are incurred. Advertising expense for the years ended December 31, 2010 and 2009 was [redacted] respectively.

Subsequent Events - The Company has evaluated subsequent events through April 29, 2011 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated balance sheet date that would impact the consolidated financial statements.

Reclassification - Certain prior year amounts were reclassified to conform to current year presentation. These reclassifications did not affect net income.

3. MARKETABLE INVESTMENTS

Certain information related to marketable investments classified as available-for-sale at December 31, 2010 was as follows:

	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal Bonds	$ [redacted]	[redacted]	[redacted]
	$ [redacted]	[redacted]	[redacted]

Certain information related to marketable investments classified as available-for-sale at December 31, 2009 was as follows:

	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal Bonds	$ [redacted]	[redacted]	[redacted]
Mutual funds	-	[redacted]	[redacted]
	$ [redacted]	[redacted]	[redacted]

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2010	2009
Land	$ [redacted]	$ -
Building	[redacted]	
Furniture and equipment	[redacted]	[redacted]
Computer hardware and software	[redacted]	[redacted]
Leasehold improvements	[redacted]	[redacted]
Equipment under capital lease	[redacted]	[redacted]
Subtotal	[redacted]	[redacted]
Less accumulated depreciation and amortization	[redacted]	[redacted]
Total	$ [redacted]	$ [redacted]

At December 31, 2010 and 2009, the Company held fully amortized equipment under capital leases with a book value of [redacted]

5. BORROWING ARRANGEMENTS

Santanna has a [redacted] line of credit with no outstanding advances at December 31, 2010 and 2009. The line of credit accrues interest at the London Interbank Offer rate [redacted] at December 31, 2010) and matures on October 30, 2011.

Santanna utilizes letters of credit to serve as payment assurance for the local utility companies with which the Company participates in programs with. The letters of credit reflect the fair value of the underlying instruments as a condition of their underlying purpose and are subject to fees competitively determined in the market place. The carrying amounts and fair values of the Company's letters of credit at December 31, 2010 and 2009 were approximately [redacted] and [redacted] respectively. During the years ended December 31, 2010 and 2009, the Company did not draw on the letters of credit. The Company's investments and cash and cash equivalents of [redacted] and [redacted] at December 31, 2010 and 2009, respectively, have been pledged as collateral on the letters of credit. However, the Company has not experienced a call against any letter of credit in its history.

In February 2010, CGR borrowed [redacted] to fund the purchase of land and an office building. The note bears interest at an annual rate of prime rate plus [redacted] adjusted quarterly and is subject to a floor and ceiling of [redacted] plus/minus the initial rate of [redacted] at December 31, 2010). The note matures in August 2035. Payments of interest only were due for the first six months.

Future scheduled principal payments as of December 31, 2010 were as follows:

2011	$ [redacted]
2012	
2013	
2014	
2015	
Thereafter	
	$

6. COMMITMENTS

In February 2010, CGR purchased an office building and entered into a lease agreement with Santanna and various third parties. Future rental payments to be received under the lease agreements with the third parties were as follows as of December 31, 2010:

2011	$ [redacted]
2012	
2013	
2014	
Total	$

Santanna leases facilities under an operating lease agreement with a third party which expires in 2012. Total rental expense under the operating lease for the years ended December 31, 2010 and 2009 was approximately [redacted] and [redacted] respectively.

At December 31, 2010, future minimum lease payments were as follows:

2011	$ [redacted]
2012	
Total minimum lease payments	$

7. DEFINED CONTRIBUTION PLAN

Santanna has a 401(k) plan which covers substantially all full-time employees over the age of 21 with more than one year of service with a discretionary matching program. During the years ended December 31, 2010 and 2009, Santanna made matching contributions of approximately [redacted] respectively.

8. PRIMARY SUPPLIER AND FINANCING ARRANGEMENT

Santanna has a supply and financing agreement with its major supplier and is required to purchase 100% of its customers' gas requirements from the major supplier. As collateral for these gas purchases, Santanna has provided a first priority lien on certain cash balances and accounts receivable. At December 31, 2010 and 2009, [redacted] and [redacted], respectively, of cash balances and all accounts receivable balances were designated as collateral in accordance with this agreement.

9. BANKRUPTCY SETTLEMENT LIABILITY

A bankruptcy liability was settled in August 2006 for approximately $10 million. The settlement included cash payments of approximately $3.5 million and future sales of natural gas at a discount of approximately $6.5 million. Discounted natural gas sales of approximately $734,236 were realized during the year ended December 31, 2010. At December 31, 2010, no liability remained.

10. JOINT MARKETING AGREEMENT

In December 2008, the Company entered into a joint marketing agreement (the "Agreement") with a third-party. Under the terms of the Agreement, the Company will market services to current customers in exchange for up to [redacted] of gross revenue received as a result of the marketing efforts. The Agreement is effective through December 2010. Revenue of [redacted] and [redacted] and cost of sales of [redacted] and [redacted] were recognized during the years ended December 31, 2010 and 2009, respectively.

11. CONSOLIDATION OF VARIABLE INTEREST ENTITY

Santanna leases its Austin facility from CGR through 25-year operating lease agreement which expires in February 2036. CGR was created to give Santanna use of the leased property and members of Santanna have a majority ownership interest in CGR, thus CGR is considered a variable interest entity in which Santanna is the primary beneficiary. Therefore, Santanna consolidates the results of CGR's operations, consisting primarily of depreciation, property taxes and interest expense, and eliminates the related operating lease revenue. The consolidated balance sheet at December 31, 2010 includes approximately $2.1 million in property and equipment, net of accumulated depreciation, $25,000 in current assets, $11,000 in accounts payable and accrued expenses, and $1.9 million in debt, which is collateralized by the building leased to Santanna. Santanna has no ownership interest in CGR, but does guarantee the debt of CGR. No gain or loss was recognized as a result of consolidating the assets and liabilities of CGR.

SUPPLEMENTAL SCHEDULES

SANTANNA NATURAL GAS CORPORATION AND AFFILIATES
dba SANTANNA ENERGY SERVICES

SUPPLEMENTAL SCHEDULE - CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010

	Santanna Energy Services	CGR Ventures, LLC	Eliminating Entries	Consolidated Total
ASSETS	[redacted]			
CURRENT ASSETS:				
Cash and cash equivalents	$			
Cash and cash equivalents, pledged				
Investments				
Investments, pledged				
Accounts receivable, net				
Other current assets				
Total current assets				
PROPERTY AND EQUIPMENT, net				
TOTAL	$			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Accounts payable and acrued expenses	$			
Deferred revenue				
Bankruptcy settlement liability				
Current portion of mortgage payable				
Total current liabilities				
MORTGAGE PAYABLE, less current portion				
TOTAL LIABILITIES				
EQUITY:				
Noncontrolling interest in affiliate				
Shareholders' equity				
TOTAL	$			

SANTANNA NATURAL GAS CORPORATION AND AFFILIATES
dba SANTANNA ENERGY SERVICES

SUPPLEMENTAL SCHEDULE - CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2010

	Santanna Energy Services	CGR Ventures, LLC	Eliminating	Consolidated
SALES	[redacted]			
COST OF SALES				
GROSS PROFIT				
OPERATING EXPENSES:				
Promotion and advertising				
Salaries and bonuses				
Bad debt				
Insurance				
Office expenses				
Employee benefits				
Professional fees				
Utilities				
Rent				
Depreciation and amortization				
Payroll and property taxes				
Automobile, travel and leasing				
Dues and subscriptions				
Repairs and maintenance				
Computer				
INCOME FROM OPERATIONS				
OTHER INCOME (EXPENSE):				
Other income, net				
Gain on sale of investments				
Interest expense				
Interest income				
Total other income (expense), net				
NET INCOME (LOSS)				
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST IN AFFILIATE				
INCOME ATTRIBUTABLE TO SANTANNA NATURAL GAS CORPORATION				