From: Yuri Ackerman
Sent: Tue, 12 Jun 2007 17:49:44 GMT
To: White, Bob
Subject: ref financials
Importance: High

Good day Bob,

I received Petters 2006 financials and I have a few questions:

1. Note Receivable, Related Parties is 497MM in 2006 and 493MM in 2005, what is this or what type of entity does that pertain too?

2. Inventory was 0 in 2005 and 1.5 billion in 2006? Why did you have 0 in 2005. It seemed to be in a receivable in 2005, but how 0 inventory?

3. What is the "restricted Cash" why is it restricted for 38MM in 2006

4. Investments Net is 135MM in 2006 and 83MM in 2005, what are these investments?

Thanks,

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PETTERS COMPANY, INC. AND AFFILIATES
COMBINED BALANCE SHEET
DECEMBER 31, 2006 AND 2005

For Management Use Only

ASSETS

	2006	2005
Current assets:		
Cash and cash equivalents	$ 4,308,884	$ 11,788,145
Restricted cash	38,453,535	19,572,208
Accounts receivable - Net	1,188,222,693	2,351,073,400
Interest receivable	84,671,602	36,379,571
Other receivables	-	-
Inventory - Net	1,584,280,424	-
Deposits and escrow accounts	-	-
Deferred tax asset	-	-
Prepaid expenses	21,736	74,326
Note receivable	13,297,500	
Note receivable, related party	497,752,251	493,397,839
Other assets		-
Due from related parties	1,827,665	252,468
Total current assets	3,412,836,290	2,912,537,957
Property and equipment:		
Airplanes	-	-
Automobile		-
Computer equipment	-	
Land and Buildings	-	76,087
Capitalized software	-	-
Leasehold improvements	-	41,486
Equipment	112,831	446,681
	112,831	564,254
Less accumulated depreciation and amortization	86,999	535,838
	25,832	28,416
Other assets:		
Deferred finance charges/Taxes	-	-
Deposit	-	-
Intangibles - Net	45,383	124,623
Notes receivable - related parties	-	
Note receivable - long term	-	-
Investments - Net	135,852,311	83,282,287
Other	-	-
Interest receivable - related party	1,619,035	
	137,516,729	83,406,910
	$ 3,550,378,851	$ 2,995,973,283

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PETTERS COMPANY, INC. AND AFFILIATES
COMBINED BALANCE SHEET
DECEMBER 31, 2006 AND 2005

For Management Use Only

LIABILITIES AND MEMBER'S EQUITY

	2006	2005
Current liabilities:		
Checks issued in excess of deposits	$ -	$ -
Current maturities of long-term debt	0	
Notes payable, financing	2,620,387,233	2,129,686,624
Notes payable, financing, related party	10,410,720	-
Short-term debt	-	-
Deferred payable	107,582,732	141,426,892
Accounts payable	538,305	623,514
Royalties and related payables	-	-
Accrued:		
Salaries and commissions	1,123,176	12,284,500
Interest	64,476,955	61,075,386
Credit returns	-	-
Other	8,157,722	14,316,682
Due to related parties	276,532	113,765
Total current liabilities	2,812,953,375	2,359,527,363
Long-term debt, net of current portion	-	-
Deferred income taxes	-	-
Long-term accrued interest due to affiliates	-	-
Long-term debt due to affiliates	-	-
Reserve for investment losses in affiliates	80,808,157	80,808,157
Minority interest	-	6,002,322
Member's equity	656,617,319	549,635,441
	$ 3,550,378,851	$ 2,995,973,283

PETTERS COMPANY, INC. AND AFFILIATES
COMBINED STATEMENT OF OPERATIONS
TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

For Management Use Only

	2006		2005	
	Amount	Percent of Sales	Amount	Percent of Sales
Net Revenues	$ 860,070,858	100.0%	$ 728,416,611	100.0%
Cost of revenues	-	0.0	-	0.0
Gross profit	860,070,858	100.0	728,416,611	100.0
Rental income	2,280,823	0.3	4,547,892	0.6
Income before operating expenses	862,351,681	100.3	732,964,503	100.6
Operating expenses	431,495,559	50.3	298,607,467	41.1
Income from operations	430,856,122	50.0	434,357,036	59.5
Other income (expense):				
Interest income	74,120,627	8.7	39,684,295	5.5
Interest expense	(408,347,456)	(47.5)	(370,937,346)	(50.9)
Other income (expense), net	384,057	0.1	85,695	0.0
Gain (loss) on disposal of property and equipment	9,969,528	1.2	2,843,292	0.4
	(323,873,244)	(37.5)	(328,324,064)	(45.0)
Income before income taxes	106,982,878	12.5	106,032,972	14.5
(Provision) benefit for income taxes	(1,000)	0.0	(332,168)	0.0
Loss from investment in affiliates	0	1.2	(530,245)	
Extraordinary gain	0		-	
Minority interest in (profits) losses	0	0.0	(2,064,428)	(0.3)
Net income	$ 106,981,878	11.3%	$ 103,106,131	14.2%