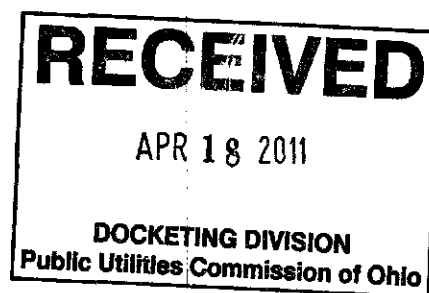


Confidential Release

Case Number: 02-1908-GA-CRS

Date of Confidential Document:

October 28, 2008



Today's Date: April 18, 2011

Description: Amended Renewal Application

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician SM Date Processed APR 19 2011

RECEIVED-DOCKETING DIV

2008 OCT 28 PM 2: 35

PUCO
October 27, 2008

Public Utilities Commission of Ohio
Docketing Division
13th Floor
180 East Broad Street
Columbus, OH 43215-3793

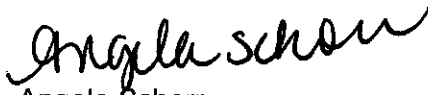
Re: CRNGS Case # 02-1908-GA-CRS

To Whom It May Concern:

Enclosed please find an amended, unredacted original license renewal application with a motion for a protective order, and 3 redacted copies with the confidential information removed.

If there are any questions, please contact me at the information provided below. Thank you for your consideration in this matter.

Sincerely,



Angela Schorr
Vice President of Regulatory Affairs and Quality Assurance
Gateway Energy Services Corporation
400 Rella Blvd., Suite 300
Montebello, NY 10901
Phone: (845) 503-5360
Fax: (845) 503-2288



The Public Utilities Commission of Ohio

RENEWAL CERTIFICATION FILING INSTRUCTIONS COMPETITIVE RETAIL NATURAL GAS SUPPLIERS

- I. ***Where to File:*** Applications should be sent to: Public Utilities Commission of Ohio (PUCO or Commission), Docketing Division, 13th Floor, 180 East Broad Street, Columbus Ohio 43215-3793.
- II. ***What to File:*** Applicant must submit one original notarized application signed by a principal officer and ten copies, including all exhibits, affidavits, and other attachments. All attachments, affidavits, and exhibits should be clearly identified. ***For example, Exhibit A-15 should be marked "Exhibit A-15 - Corporate Structure."*** All pages should be numbered and attached in a sequential order.

IMPORTANT REQUIREMENT: The renewal application must be docketed in the applicant's original GA-CRS case number. Therefore, applicant should enter that number on the renewal application form when filing a renewal application.
- III. ***When to File:*** Pursuant to Rule 4901:1-27-09 of the Ohio Administrative Code, renewal applications shall be filed between 30 and 120 days from the prior certificate's expiration date.
- IV. ***Renewal Application Form:*** The renewal application form is available on the PUCO Web site, www.puco.Ohio.gov or directly from the Commission located at: Public Utilities Commission of Ohio, Docketing Division, 13th Floor, 180 East Broad Street, Columbus, Ohio 43215-3793.
- V. ***Confidentiality:*** If any of an applicant's answers require the applicant to disclose what the applicant believes to be privileged or confidential information not otherwise available to the public, the applicant should designate at each point in the application that the answer requires the applicant to disclose privileged and confidential information. Applicant must still provide that privileged and confidential information (***separately filed and appropriately marked***). Applicant must fully support any request to maintain the confidentiality of the information it believes to be confidential or proprietary in a motion for protective order, filed pursuant to Rule 4901:1-1-24 of the Ohio Administrative Code.
- VI. ***Commission Process for Certification Renewal:*** An application for renewal shall be made on forms approved and supplied by the Commission. The applicant shall complete the appropriate renewal form in its entirety and supply all required attachments, affidavits, and evidence of capability specified by the form at the time an application is filed. The Commission renewal process begins when the Commission's Docketing Division receives and time/date stamps the application. An incomplete application may be suspended or rejected. An application that has been suspended as incomplete will cause delay in renewal.

The Commission may approve, suspend, or deny an application within 30 days. If the Commission does not act within 30 days, the renewal application is deemed automatically approved on the 31st day after the official filing date. If the Commission suspends the renewal application, the Commission shall notify the applicant of the reasons for such suspension and may direct the applicant to furnish additional information. The Commission shall act to approve or deny a suspended application within 90 days of the date that the renewal application was suspended. Upon Commission approval, the applicant shall receive notification of approval and a numbered, renewed certificate that specifies the service(s) for which the applicant is certified and the dates for which the certificate is valid. Unless otherwise warranted, the renewed certification designation will remain consistent with the previously granted certification. For example, a certified marketer will renew as a certified marketer.

Unless otherwise specified by the Commission, the competitive retail natural gas service (CRNGS) supplier's renewed certificate is valid for an additional period of two years, beginning and ending on the dates specified on the certificate. The applicant may renew its certificate in accordance with Rule 4901:1-27-09 of the Ohio Administrative Code.

CRNGS suppliers, which include marketers, shall inform the Commission of any material change to the information supplied in a renewal application within thirty (30) days of such material change in accordance with Rule 4901:1-27-10 of the Ohio Administrative Code.

VII. *Contractual Arrangements for Capability Standards:* If the applicant is relying upon contractual arrangements with a third-party, to meet any of the certification requirements, the applicant must provide with its application all of the following:

- The legal name of any contracted entity;
- A statement that a valid contract exists between the applicant and the third-party;
- A detailed summary of the contract(s), including all services provided thereunder; and
- The documentation and evidence to demonstrate the contracting entity's capability to meet the requirements as if the contracting entity was the applicant.

VIII. *Questions regarding filing procedures should be directed to:*

Edith Binford at (614) 466-4821 or Edith.Binford@puc.state.oh.us

IX. *Governing Law:* The certification/renewal of CRNGS suppliers is governed by Chapters 4901:1-27 and 4901:1-29 of the Ohio Administrative Code, and Section 4929.20 of the Ohio Revised Code.



PUCO USE ONLY - Version 1.0		
Date Received	Renewal Certification Number	ORIGINAL CRS Case Number
		02 - 1908 - GA-CRS

RENEWAL CERTIFICATION APPLICATION COMPETITIVE RETAIL NATURAL GAS SUPPLIERS

Please **type or print** all required information. Identify all attachments with an exhibit label and title (*Example: Exhibit A-16 - Company History*). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division, 13th Floor, 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may directly input information onto the form. You may also download the form by saving it to your local disk.

SECTION A - APPLICANT INFORMATION AND SERVICES

A-1 Applicant intends to renew its certificate as: (check all that apply)

☐ Retail Natural Gas Aggregator ☐ Retail Natural Gas Broker ☒ Retail Natural Gas Marketer

A-2 Applicant information:

Legal Name Gateway Energy Services Corporation
Address 400 Rella Blvd., Suite 300, Montebello, NY 10901

Telephone No. (845) 503-5100 Web site Address www.gesc.com
Current PUCO Certificate No. 02-040(3) Effective Dates 11/16/06 - 11/16/08

A-3 Applicant information under which applicant will do business in Ohio:

Name Gateway Energy Services Corporation
Address 400 Rella Blvd., Suite 300, Montebello, NY 10901

Web site Address www.gesc.com Telephone No. (845) 503-5100

A-4 List all names under which the applicant does business in North America:

Gateway Energy Services Corporation Gateway Energy Services, Ltd.
Gateway Power Services Mirabito Gas & Electric
Econnergy Energy Company

A-5 Contact person for regulatory or emergency matters:

Name Angela Schorr Title VP of Regulatory Affairs and Quality Assurance

Business Address 400 Rella Blvd., Suite 300, Montebello, NY 10901

Telephone No. (845) 503-5360 Fax No. (845) 503-2288 Email Address aschorr@gesc.com

A-6 Contact person for Commission Staff use in investigating customer complaints:

Name Alexa Torres Title Consumer Advocate
Business address 400 Rella Blvd., Suite 300, Montebello, NY 10901
Telephone No. (845) 503-5368 Fax No. (845) 503-2290 Email Address qualityassurance.gesc.com

A-7 Applicant's address and toll-free number for customer service and complaints

Customer service address 400 Rella Blvd., Suite 300, Montebello, NY 10901
Toll-Free Telephone No. (800) 805-8586 Fax No. (845) 503-2290 Email Address customerservice@gesc.com

A-8 Provide "Proof of an Ohio Office and Employee," in accordance with Section 4929.22 of the Ohio Revised Code, by listing name, Ohio office address, telephone number, and Web site address of the designated Ohio Employee

Name Tom Turner Title Sales Representative
Business address 3613 Shannon Road, Cleveland Heights, Ohio 44118
Telephone No. (216) 397-7770 Fax No. (216) 932-0610 Email Address

A-9 Applicant's federal employer identification number 13-394-8227

A-10 Applicant's form of ownership: (Check one)

- | | |
|--|--|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Limited Liability Partnership (LLP) | <input type="checkbox"/> Limited Liability Company (LLC) |
| <input checked="" type="checkbox"/> Corporation | <input type="checkbox"/> Other |

A-11 (Check all that apply) Identify each natural gas company service area in which the applicant is currently providing service or intends to provide service, including identification of each customer class that the applicant is currently serving or intends to serve, for example: *residential, small commercial, and/or large commercial/industrial (mercantile) customers*. (A mercantile customer, as defined in Section 4929.01(L)(1) of the Ohio Revised Code, means a customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within the state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside of this state. In accordance with Section 4929.01(L)(2) of the Ohio Revised Code, "Mercantile customer" excludes a not-for-profit customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within this state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside this state that has filed the necessary declaration with the Public Utilities Commission.)

<input checked="" type="checkbox"/> Columbia Gas of Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input checked="" type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Dominion East Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input checked="" type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Duke Energy Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input checked="" type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Vectren Energy Delivery of Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input checked="" type="checkbox"/> Large Commercial / Industrial

A-12 If applicant or an affiliated interest previously participated in any of Ohio's Natural Gas Choice Programs, for each service area and customer class, provide approximate start date(s) and/or end date(s) that the applicant began delivering and/or ended services.

☐ Columbia Gas of Ohio

<input type="checkbox"/> Residential	Beginning Date of Service	End Date
<input type="checkbox"/> Small Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Industrial	Beginning Date of Service	End Date

☐ Dominion East Ohio

<input type="checkbox"/> Residential	Beginning Date of Service	End Date
<input type="checkbox"/> Small Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Industrial	Beginning Date of Service	End Date

☒ Duke Energy Ohio

<input checked="" type="checkbox"/> Residential	Beginning Date of Service	End Date
<input checked="" type="checkbox"/> Small Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Industrial	Beginning Date of Service	End Date

☐ Vectren Energy Delivery of Ohio

<input type="checkbox"/> Residential	Beginning Date of Service	End Date
<input type="checkbox"/> Small Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service	End Date
<input type="checkbox"/> Industrial	Beginning Date of Service	End Date

A-13 If not currently participating in any of Ohio's four Natural Gas Choice Programs, provide the approximate start date that the applicant proposes to begin delivering services:

<input type="checkbox"/>	Columbia Gas of Ohio	Intended Start Date
<input type="checkbox"/>	Dominion East Ohio	Intended Start Date
<input type="checkbox"/>	Duke Energy Ohio	Intended Start Date
<input type="checkbox"/>	Vectren Energy Delivery of Ohio	Intended Start Date

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- A-14** Exhibit A-14 "Principal Officers, Directors & Partners," provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.
- A-15** Exhibit A-15 "Corporate Structure," provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale natural gas or electricity to customers in North America.
- A-16** Exhibit A-16 "Company History," provide a concise description of the applicant's company history and principal business interests.
- A-17** Exhibit A-17 "Articles of Incorporation and Bylaws," provide the articles of incorporation filed with the state or jurisdiction in which the applicant is incorporated and any amendments thereto, *only if the contents of the originally filed documents changed since the initial application.*
- A-18** Exhibit A-18 "Secretary of State," provide evidence that the applicant is still currently registered with the Ohio Secretary of the State.

SECTION B - APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED

- B-1** Exhibit B-1 "Jurisdictions of Operation," provide a current list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail natural gas service, or retail/wholesale electric services.
- B-2** Exhibit B-2 "Experience & Plans," provide a current description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4929.22 of the Revised Code and contained in Chapter 4901:1-29 of the Ohio Administrative Code.
- B-3** Exhibit B-3 "Summary of Experience," provide a concise and current summary of the applicant's experience in providing the service(s) for which it is seeking renewed certification (e.g., number and types of customers served, utility service areas, volume of gas supplied, etc.).
- B-4** Exhibit B-4 "Disclosure of Liabilities and Investigations," provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocations of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational

status or ability to provide the services for which it is seeking renewed certification since applicant last filed for certification.

- B-5 Exhibit B-5 "Disclosure of Consumer Protection Violations,"** disclose whether the applicant, affiliate, predecessor of the applicant, or any principal officer of the applicant has been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws since applicant last filed for certification.

☒ No ☐ Yes

If Yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Consumer Protection Violations,"** detailing such violation(s) and providing all relevant documents.

- B-6 Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation,"** disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail natural gas or retail/wholesale electric service denied, curtailed, suspended, or revoked, or whether the applicant or predecessor has been terminated from any of Ohio's Natural Gas Choice programs, or been in default for failure to deliver natural gas since applicant last filed for certification.

☒ No ☐ Yes

If Yes, provide a separate attachment, labeled as **Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation,"** detailing such action(s) and providing all relevant documents.

SECTION C - APPLICANT FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED

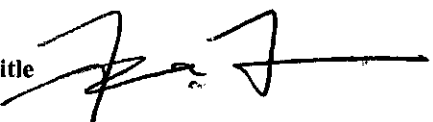
- C-1 Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information, labeled as Exhibit C-1, or indicate that Exhibit C-1 is not applicable and why.
- C-2 Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 whether the applicant is not required to file with the SEC and why.
- C-3 Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer-certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer-certified financial statements covering the life of the business.
- C-4 Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.)
- C-5 Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRNGS operation, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.

- C-6 **Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's current credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.
- C-7 **Exhibit C-7 "Credit Report,"** provide a copy of the applicant's current credit report from Experian, Dun and Bradstreet, or a similar organization.
- C-8 **Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors, or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or since applicant last filed for certification.
- C-9 **Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant since applicant last filed for certification.


SECTION D – APPLICANT TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- D-1 **Exhibit D-1 "Operations,"** provide a current written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the contracting of natural gas purchases for retail sales, the nomination and scheduling of retail natural gas for delivery, and the provision of retail ancillary services, as well as other services used to supply natural gas to the natural gas company city gate for retail customers.
- D-2 **Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's current experience and technical expertise in performing such operations.
- D-3 **Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, email addresses, telephone numbers, and background of key personnel involved in the operational aspects of the applicant's current business.

Applicant Signature and Title  Senior VP + General Counsel

Sworn and subscribed before me this 27th day of October Month 2008 Year


Signature of official administering oath

Print Name and Title

JOSEPH E. LEHMANN
Notary Public, State of New York My commission expires on
No 01LE6058798
Qualified in Rockland County
Commission Expires May 14, 2011



The Public Utilities Commission of Ohio

Competitive Retail Natural Gas Service
Affidavit Form
(Version 1.07)

In the Matter of the Application of)

Gateway Energy Services Corporation)

for a Certificate or Renewal Certificate to Provide)

Competitive Retail Natural Gas Service in Ohio.)

Case No. 02 - 1908 -GA-CRS

County of Rockland

State of NY

Frank Fuselier

[Affiant], being duly sworn/affirmed, hereby states that:

- (1) The information provided within the certification or certification renewal application and supporting information is complete, true, and accurate to the best knowledge of affiant.
- (2) The applicant will timely file an annual report of its intrastate gross receipts and sales of hundred cubic feet of natural gas pursuant to Sections 4905.10(A), 4911.18(A), and 4929.23(B), Ohio Revised Code.
- (3) The applicant will timely pay any assessment made pursuant to Section 4905.10 or Section 4911.18(A), Ohio Revised Code.
- (4) Applicant will comply with all applicable rules and orders adopted by the Public Utilities Commission of Ohio pursuant to Title 49, Ohio Revised Code.
- (5) Applicant will cooperate with the Public Utilities Commission of Ohio and its staff in the investigation of any consumer complaint regarding any service offered or provided by the applicant.
- (6) Applicant will comply with Section 4929.21, Ohio Revised Code, regarding consent to the jurisdiction of the Ohio courts and the service of process.
- (7) Applicant will inform the Public Utilities Commission of Ohio of any material change to the information supplied in the certification or certification renewal application within 30 days of such material change, including any change in contact person for regulatory or emergency purposes or contact person for Staff use in investigating customer complaints.
- (8) Affiant further sayeth naught.

Affiant Signature & Title

Frank Fuselier Senior VP General Counsel

Sworn and subscribed before me this

27th

day of

October

Month

2008

Year

Signature of Official Administering Oath

Print Name and Title

JOSEPH E. LEHMANN
Notary Public, State of New York
No 01LE6058798
Qualified in Rockland County
Commission Expires May 14, 2011

My commission expires on

(CRNGS Supplier Renewal)

Page 7 of 7

EXHIBIT A-14

PRINCIPAL OFFICERS, DIRECTORS & PARTNERS

Directors:

Gary Bondi
Chairman
400 Rella Boulevard, Suite 300, Montebello, New York 10901
845 503 5590

Ryan Sprott
400 Rella Boulevard, Suite 300 Montebello, New York 10901
845 503 5100

Steven J. Maslak
Director, President and Chief Executive Officer
400 Rella Boulevard, Suite 300 Montebello, New York 10901
845 503 5200

Officers:

Steven J. Maslak
Director, President and Chief Executive Officer
400 Rella Boulevard, Suite 300 Montebello, New York 10901
845 503 5200

Seth Zuckerman
Vice President and Chief Accounting Officer
400 Rella Boulevard, Suite 300 Montebello, New York 10901
845 503 5301

Frank Fuselier
Vice President and General Counsel
400 Rella Boulevard, Suite 300 Montebello, New York 10901
845 503 5350

EXHIBIT A-15

CORPORATE STRUCTURE

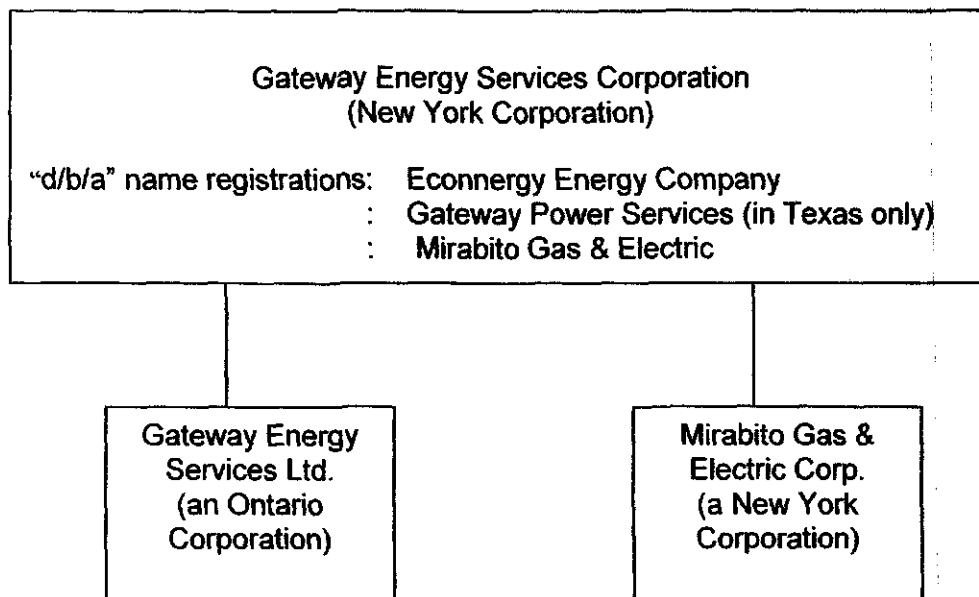


EXHIBIT A-16

Company History

Gateway Energy Services Corporation formerly known as Econnergy Energy Company, Inc. ("Econnergy") was incorporated in the State of New York on May 6, 1997 to coincide with the deregulation of retail natural gas in New York State. In 1999, Econnergy received a license to sell natural gas and electricity in the state of New Jersey. In 2001, our business expanded to Maryland where we were licensed to sell natural gas. We began serving customers in Ohio and Washington D.C. in 2002 and 2003 respectively. In 2004 we added Virginia and Texas to our portfolio.

In November of 2007, Econnergy relocated our corporate headquarters to Montebello, NY. Then on March 11, 2008, Econnergy launched a new corporate identity designed to reflect the expanded business operations of our Company. We changed our name to Gateway Energy Services Corporation. ("Gateway Energy"). Also in 2008 we received a license to sell natural gas in Ontario, Canada and will be beginning our marketing efforts there shortly.

Econnergy began with 50 customers in New York in 1997 and has served more than 300,000 residential and business customers in 26 markets across six states, the District of Columbia, and Ontario, Canada. Gateway Energy provides a variety of competitive energy products to consumers giving them more control over their energy costs.

The sale of natural gas and/or electricity is the sole business of Gateway Energy at this time, and we do not own any power generation.

BY-LAWS
OF
ECONNERGY ENERGY COMPANY, INC.

ARTICLE I – OFFICES

The office of the Corporation shall be located in the City and State designated in the Certificate of Incorporation. The Corporation may also maintain offices at such other places within or without the United States as the Board of Directors may, from time to time, determine.

ARTICLE II – MEETING OF SHAREHOLDERS

Section 1 – Annual Meetings:

The annual meeting of the shareholders of the Corporation shall be held within five months after the close of the fiscal year of the Corporation, for the purpose of electing directors, and transacting such other business as may properly come before the meeting.

Section 2 – Special Meetings:

Special meetings of the shareholders may be called at any time by the Board of Directors or by the President, and shall be called by the President or the Secretary at the written request of the holders of ten per cent (10%) of the shares then outstanding and entitled to vote thereat, or as otherwise required under the provisions of the Business Corporation Law.

Section 3 – Place of Meetings:

All meetings of shareholders shall be held at the principal office of the Corporation, or as such other places as shall be designated in the notices or waivers of notice of such meetings.

Section 4 – Notice of Meetings:

(a) Except as otherwise provided by Statute, written notice of each meeting of shareholders, whether annual or special, stating the time when and place where it is to be held, shall

be served wither personally or by mail, not less than ten or more than fifty days before the meeting, upon each shareholder of record entitled to vote at such meeting, and to any other shareholder to whom the giving of notice may be required by law. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the direction of, the person or persons calling the meeting. If, at any meeting, action is proposed to be taken that would, if taken, entitle shareholders to receive payment for their shares pursuant to Statute, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, such notice shall be directed to each such shareholder at his address, as it appears on the records of the shareholders of the Corporation, unless he shall have previously filed with the Secretary of the Corporation a written request that notices intended for him be mailed to some other address, in which case, it shall be mailed to the address designated in such request.

(b) Notice of any meeting need not be given to any person who may become a shareholder of record after the mailing of such notice and prior to the meeting, or to any shareholder who attends such meeting, in person or by proxy, or to any shareholder who, in person or by proxy, submits a signed waiver of notice either before or after such meeting. Notice of any adjourned meeting of shareholders need not be given, unless otherwise required by statute.

Section 5 – Quorum:

(a) Except as otherwise provided herein, or by statute, or in the Certificate of Incorporation (such Certificate and any amendments thereto being hereinafter collectively referred to as the "Certificate of Incorporation"), at all meetings of shareholders of the Corporation, the presence at the commencement of such meetings in person or by proxy of shareholders holding of record a majority of the total number of shares of the Corporation then issued and outstanding and entitled to vote, shall be necessary and sufficient to constitute a quorum for the transaction of any business. The withdrawal of any shareholder after the commencement of a meeting shall have no effect on the existence of a quorum, after a quorum has been established at such meeting.

(b) Despite the absence of a quorum at any annual or special meeting of shareholders, the shareholders, by a majority of the votes cast by the holders of shares entitled to vote thereon,

may adjourn the meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted at the meeting as originally called if a quorum had been present.

Section 6 – Voting:

(a) Except as otherwise provided by statute or by the Certificate of Incorporation, any corporate action, other than the election of directors, to be taken by vote of the shareholders, shall be authorized by a majority of votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

(b) Except as otherwise provided by statute or by the Certificate of Incorporation, at each meeting of shareholders, each holder of record of stock of the Corporation entitled to vote thereat, shall be entitled to one vote for each share of stock registered in his name on the books of the Corporation.

(c) Each shareholder entitled to vote or to express consent or dissent without a meeting may do so by proxy; provided, however, that the instrument authorizing such proxy to act shall have been executed in writing by the shareholder himself, or by his attorney-in-fact thereunto duly authorized in writing. No proxy shall be valid after the expiration of eleven months from the date of its execution, unless the person executing it shall have specified therein the length of time it is to continue in force. Such instrument shall be exhibited to the Secretary at the meeting and shall be filed with the records of the Corporation.

(d) As provided for in the Certificate of Incorporation of the Company, any resolution in writing, signed by not less than the requisite number of shareholders required to approve such action at a meeting at which all of the shareholders entitled to vote thereon are present, shall be and constitute action by such shareholders to the effect therein expressed, with the same force and effect as if the same had been duly passed by a vote at a duly called meeting of shareholders and such resolution so signed shall be inserted in the Minute Book of the Corporation under its proper date.

ARTICLE III – BOARD OF DIRECTORS

Section 1 – Number, Election and Term of Office:

- (a) The number of the directors of the Corporation shall be four.
- (b) Except as may otherwise be provided herein or in the Certificate of Incorporation, the members of the Board of Directors of the Corporation, who need not be shareholders, shall be elected by a majority of the votes cast at a meeting of shareholders, by the holders of shares, present in person or by proxy, entitled to vote in the election.
- (c) Each director shall hold office until the annual meeting of the shareholders next succeeding his election, and until his successor is elected and qualified, or until his prior death, resignation or removal.

Section 2 – Duties and Powers:

The Board of Directors shall be responsible for the control and management of the affairs, property and interests of the Corporation, and may exercise all powers of the Corporation, except as are in the Certificate of Incorporation or by statute expressly conferred upon or reserved to the shareholders.

Section 3 – Annual and Regular Meetings: Notice:

- (a) A regular annual meeting of the Board of Directors shall be held immediately following the annual meeting of the shareholders, at the place of such annual meeting of shareholders.
- (b) The Board of Directors, from time to time, may provide by resolution for the holding of other regular meetings of the Board of Directors, and may fix the time and place thereof.
- (c) Notice of any regular meeting of the Board of Directors shall not be required to be given and, if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting, notice of such action shall be given to each director who shall not have been present at the meeting at which such action was taken within the time limited, and in the manner set forth in paragraph (b) Section 4 of this

Article III, with respect to special meetings, unless such notice shall be waived in the manner set forth in paragraph (c) of such Section 4.

Section 4 – Special Meetings; Notice:

(a) Special meetings of the Board of Directors shall be held whenever called by the President or by one of the directors, at such time and place as may be specified in the respective notices or waivers of notice thereof.

(b) Except as otherwise required by statute, notice of special meetings shall be mailed directly to each director, addressed to him at his residence or usual place of business, at least two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by e-mail or fax, telegram, radio or cable, or shall be delivered to him personally or given to him orally, not later than the day before the day on which the meeting is to be held. A notice, or waiver of notice need not specify the purpose of the meeting.

(c) Notice of any special meeting shall not be required to be given to any director who shall attend such meeting without protesting prior thereto or at its commencement, the lack of notice to him, or who submits a signed waiver of notice, whether before or after the meeting. Notice of any adjournment of a meeting shall not be required to be given.

Section 5 – Chairman:

At all meetings of the Board of Directors, the Chairman of the Board, if any and if present, shall preside. If there shall be no Chairman, or he shall be absent, then the President shall preside, and in his absence, a Chairman chosen by the directors shall preside.

Section 6 – Quorum and Adjournments:

(a) At all meetings of the Board of Directors, the presence of a majority of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or by these By-Laws.

(b) A majority of the directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without notice, until a quorum shall be present.

Section 7 – Manner of Acting:

(a) At all meetings of the Board of Directors, each director present shall have one vote, irrespective of the number of shares of stock, if any, which he may hold.

(b) Except as otherwise provided by statute, by the Certificate of Incorporation, or by these By-Laws, the action of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Any action authorized, in writing, by all of the directors entitled to vote thereon shall be the act of the Board of Directors with the same force and effect as if the same had been passed by a vote at a duly called meeting of the Board.

(c) Any one or more members of the Board of Directors may participate in a meeting of the Board of Directors by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 8 – Vacancies:

Except as otherwise provided by the Certificate of Incorporation, any vacancy in the Board of Directors occurring by reason of an increase in the number of directors, or by reason of the death, resignation, disqualification, removal (unless a vacancy created by the removal of a director by the shareholders shall be filled by the shareholders at the meeting at which the removal was effected) or inability to act of any director, or otherwise, shall be filled for the unexpired portion of the term by a majority vote of the remaining directors, though less than a quorum, at any regular meeting or special meeting of the Board of Directors called for that purpose.

Section 9 – Resignation:

Any director may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or such officer, and the acceptance of such resignation shall not be necessary to make it effective.

Section 10 – Removal:

Unless otherwise provided in the Certificate of Incorporation, any director may be removed with or without cause at any time by the affirmative vote of shareholders holding of record in the aggregate at least a majority of the outstanding shares of the Corporation at a special meeting of the shareholders called for that purpose, and may be removed for cause by action of the Board.

Section 11 – Salary:

No stated salary shall be paid to directors, as such, for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board, provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 12 – Contracts:

(a) No contract or other transaction between this Corporation and any other Corporation shall be impaired, affected or invalidated, nor shall any director be liable in any way by reason of the fact that any one or more of the directors of this Corporation is or are interested in, or is a director or officer, or are directors or officers of such other Corporation, provided that such facts are disclosed or made known to the Board of Directors.

(b) Any director, personally and individually, may be a party to or may be interested in any contract or transaction of this Corporation, and no director shall be liable in any way by reason of such interest, provided that the Board of Directors shall authorize, approve or ratify such contract or transaction by the vote (not counting the vote of any such director) of a majority of a quorum, notwithstanding the presence of any such director at the meeting at which such action is taken. Such director or directors may be counted in determining the presence of a quorum at such meeting. This Section shall not be construed to impair or invalidate or in any way affect any contract or other transaction that would otherwise be valid under the law (common, statutory or otherwise) applicable thereto.

Section 13 – Committees:

The Board of Directors, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members an executive committee and such other committees, and alternate members thereof, as they may deem desirable, each consisting of two or more members, with such powers and authority (to the extent permitted by law) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board.

ARTICLE IV – OFFICERS

Section 1 – Number, Qualifications, Election and Term of Office:

(a) The executive officers of the Corporation shall consist of a President, a Secretary, a Treasurer, and such other officers, including a Chairman of the Board of Directors, and one or more Executive and/or Senior Vice Presidents, as the Board of Directors may from time to time deem advisable. Any executive officer other than the Chairman of the Board of Directors may be, but is not required to be, a director of the Corporation. The President shall be the chief executive officer of the Corporation.

(b) The junior officers of the Corporation shall consist of one or more Vice Presidents, Assistant Vice Presidents and such other junior officers as the President may from time to time deem advisable.

(c) The executive officers of the Corporation shall be elected by the Board of Directors. Unless otherwise provided in writing by the Board of Directors in an employment agreement, or otherwise, each executive officer shall hold office until the annual meeting of the Board of Directors next succeeding his election, and until his successor shall have been elected and qualified, or until his death, resignation or removal.

(d) The junior officers of the Corporation shall be appointed by the President of the Corporation. Each junior officer shall serve at the pleasure and discretion of the President of the Corporation.

Section 2 – Resignation:

Any executive officer may resign at any time by giving written notice of such resignation to the Board of Directors, or to the President of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or by such officer, and the acceptance of such resignation shall not be necessary to make it effective. Any junior officer may resign at any time by giving written notice to of such resignation to the President of the Corporation.

Section 3 – Removal:

Any executive officer may be removed, either with or without cause, and a successor may be elected by a majority vote of the Board of Directors at any time. Any junior officer may be removed, either with or without cause, and a successor may be appointed by the President of the Corporation.

Section 4 – Vacancies:

A vacancy in any office of an executive officer by reason of death, resignation, inability to act, disqualification, or any other cause, may at any time be filled for the unexpired portion of the term by a majority vote of the Board of Directors.

Section 5 – Duties of Officers:

Each executive officer of the Corporation shall have such powers and duties as generally pertain to their respective offices as well as such powers and duties as may be set forth in these By-Laws, in such executive officer's employment agreement or offer letter, or, where consistent with such executive officer's employment agreement or offer letter, as may from time to time be specifically conferred by the Board of Directors.

Each junior officer shall have such powers and duties as generally pertain to their respective offices as well as such powers and duties as may be set forth in these By-Laws, in such junior officer's employment agreement or offer letter, or, where consistent with such junior officer's

employment agreement or offer letter, if any, as may from time to time be specifically conferred by the President of the Corporation.

Section 6 – Sureties and Bonds:

In case the Board of Directors shall so require, any officer, employee or agent of the Corporation shall execute to the Corporation a bond in such sum, and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his duties to the Corporation, including responsibility for negligence and for the accounting for all property, funds or securities of the Corporation which may come into his hands.

Section 7 – Shares of Other Corporations:

Whenever the Corporation is the holder of shares of any other Corporation, any right or power of the Corporation as such shareholder (including the attendance, acting and voting at shareholders' meetings and execution of waivers, consents, proxies or other instruments) may be exercised on behalf of the Corporation by the President, another executive officer, or such other person as the Board of Directors may authorize.

ARTICLE V – SHARES OF STOCK

Section 1 – Certificate of Stock:

(a) The certificates representing shares of the Corporation shall be in such form as shall be adopted by the Board of Directors, and shall be numbered and registered in the order issued. They shall bear the holder's name and the number of shares, and shall be signed by (i) the Chairman of the Board or the President or a Vice President, and (ii) the Secretary or Treasurer, or any Assistant Secretary or Assistant Treasurer, and shall bear the corporate seal.

(b) No certificate representing shares shall be issued until the full amount of consideration therefor has been paid, except as otherwise provided by law.

(c) To the extent permitted by law, the Board of Directors may authorize the issuance of certificates for fractions of a share which shall entitle the holder to exercise voting rights, receive

dividends and participate in liquidating distribution, in proportion to the fractional holdings; or it may authorize the payment in cash of the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined; or it may authorize the issuance, subject to such conditions as may be permitted by law, of scrip in registered or bearer form over the signature of an officer or agent of the Corporation, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a shareholder, except as therein provided.

Section 2 – Lost or Destroyed Certificates:

The holder of any certificate representing shares of the Corporation shall immediately notify the Corporation of any loss or destruction of the certificate representing the same. The Corporation may issue a new certificate in the place of any certificate theretofore issued by it, alleged to have been lost or destroyed. On production of such evidence of loss or destruction as the Board of Directors in its discretion may require, the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate, or his legal representatives, to give the Corporation a bond in such sum as the Board may direct, and with such surety or sureties as may be satisfactory to the Board, to indemnify the Corporation against any claims, loss, liability or damage it may suffer on account of the issuance of the new certificate. A new certificate may be issued without requiring any such evidence or bond when, in the judgment of the Board of Directors, it is proper to do so.

Section 3 – Transfers of Shares:

(a) Transfers of shares of the Corporation shall be made only on the share records of the Corporation by the holder of record thereof, in person or by his duly authorized attorney, upon surrender for cancellation of the certificate or certificates representing such shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, with such proof of the authenticity of the signature and of authority to transfer and of payment of transfer taxes as the Corporation or its agents may require.

(b) The Corporation shall be entitled to treat the holder of record of any share or shares as the absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to, or interest in, such share or shares on the part of any

other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4 – Record Date:

In lieu of closing the share records of the Corporation, the Board of Directors may fix, in advance, a date not exceeding fifty days, nor less than ten days, as the record date for the determination of shareholders entitled to receive notice of, or to vote at, any meeting of shareholders, or to consent to any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividends, or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held; the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the directors relating thereto is adopted. When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided for herein, such determination shall apply to any adjournment thereof, unless the directors fix a new record date for the adjourned meeting.

ARTICLE VI – DIVIDENDS

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine.

ARTICLE VII – FISCAL YEAR

The fiscal-year of the Corporation shall be fixed by the Board of Directors from time to time, subject to applicable law.

ARTICLE VIII - CORPORATE SEAL

The corporate seal, if any, shall be in such form as shall be approved from time to time by the Board of Directors.

ARTICLE IX - AMENDMENTS

Section 1 - By Shareholders:

All by-laws of the Corporation shall be subject to alteration or repeal, and new by-laws may be made, by the affirmative vote of shareholders holding of record in the aggregate at least a majority of the outstanding shares entitled to vote in the election of directors at any annual or special meeting of shareholders, provided that the notice or waiver of notice of such meeting shall have summarized or set forth in full therein, the proposed amendment.

Section 2 - By Directors:

The Board of Directors shall have the power to make, adopt, alter, amend and repeal, from time to time, by-laws of the Corporation; provided, however, that the shareholders entitled to vote with respect thereto as in this Article IX above-provided may alter, amend or repeal by-laws made the Board of Directors, except that the Board of Directors shall have no power to change the quorum for meetings of shareholders or of the Board of Directors, or to change any provisions of the by-laws with respect to the removal of directors or the filling of vacancies in the Board resulting from the removal by the shareholders. If any by-law regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors, the by-law so adopted, amended or repealed, together with a concise statement of the changes made.

ARTICLE X - INDEMNIFICATION AND INSURANCE

Section 1 - Indemnification:

(a) The Corporation shall indemnify any person made, or threatened to be made, a party to an action or proceeding (including, without limitation, one by or in the right of the Corporation to procure a judgment in its favor), whether civil or criminal, including an action by or

in the right of any other Corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the Corporation served in any capacity at the request of the Corporation, by reason of the fact that he, his testator or intestate, was a director or officer of the Corporation, or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise at the request of the Corporation in any capacity, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, provided that no indemnification may be made to or on the behalf of such person if (i) his acts were committed in bad faith or were the result of his active and deliberate dishonesty and were material to such action or proceedings or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

(b) The termination of any such civil or criminal action or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that any such person did not act in good faith, for a purpose which he reasonably believed to be in, or, in the case of service for any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, not opposed to, the best interests of the Corporation or that he had reasonable cause to believe that his conduct was unlawful.

Section 2 - Other Indemnification:

The Corporation may, to the fullest extent permitted by law, indemnify or advance the expenses of any other person including agents and employees to whom the Corporation is permitted by law to provide indemnification or advancement of expenses.

Section 3 - Payment of Expenses in Advance:

To the fullest permitted by New York Business Corporation Law, the Corporation will advance to any person who may be entitled to indemnification under Sections 1 or 2 sums with which to pay expenses incurred by that person in defending against the claims, actions or proceedings for which such person may become entitled to indemnification, upon receipt of an undertaking by or on behalf of such person to repay the sums which are advanced if it is ultimately

determined that such person is not entitled to indemnification under Sections 1 or 2 or the extent the sums which are advanced exceed the indemnification to which such person is entitled.

Section 4 - Enforcement, Defenses:

The right to indemnification or advancement of expenses granted by this Article shall be enforceable by the person in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 60 days. Such person's expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advancement of expenses under Section 3 of this Article where the required undertaking has been received by the Corporation) that the claimant has conducted himself in a manner which would preclude the Corporation from indemnifying him pursuant to Sections 1 or 2 of this Article, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board of Directors, its independent legal counsel, and its shareholders) to have made a determination that the indemnification of the claimant is proper in the circumstances, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its shareholders) that indemnification of the claimant is not proper in the circumstances shall be a defense to the action or create a presumption that the claimant is not entitled to indemnification.

Section 5 - Survival; Savings Clause; Preservation of Other Rights:

(a) The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each person who serves in such capacity at any time while these provisions are in effect, and any repeal or modification of the New York Business Corporation Law shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts, except as provided by law. Such a contract right may not be modified retroactively without the consent of such person, except as provided by law.

(b) If this Article or any portion hereof shall be invalidated on any grounds by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person of the Corporation against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) incurred in connection with any actual or threatened action or proceeding, where civil or criminal, including any actual or threatened action by or in the right of the Corporation, or any appeal therein, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

(c) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any other by-law, agreement, vote of shareholders or directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. The Corporation is hereby authorized to provide further indemnification if it deems advisable by resolution of shareholders or directors, by amendment of these by-laws or by agreement.

Section 6 – New York Business Corporation Law:

All references to the New York Business Corporation Law in this Article IX shall mean such Law as it may from time to time be amended.

Section 7 – Insurance:

The Corporation may purchase and maintain insurance to indemnify officers, directors and others against costs or liabilities incurred by them in connection with the performance of their duties and any activities undertaken by them for, or at the request of, the Corporation, to the fullest extent permitted by New York Business Corporation Law.

CT-07

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**CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ECONNERGY ENERGY COMPANY, INC.**

Under Section 805 of the Business Corporation Law of the State of New York

FIRST: The name of the corporation is Econnergy Energy Company, Inc. (the "Corporation").

SECOND: The Corporation's Certificate of Incorporation was filed with the Department of State on May 6, 1997, its Restated Certificate of Incorporation was filed with the Department of State on April 22, 1999, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on April 22, 1999, a Certificate of Correction of the Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on April 13, 2000, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on June 19, 2000, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on June 19, 2000 and a Restated Certificate of Incorporation was filed with the Department of State on July 21, 2006 (the "Restated Certificate of Incorporation").

THIRD: The amendments affected by this Certificate of Amendment are as follows:

(a) To change the name of the Corporation. To effect the foregoing amendment, Article FIRST of the Restated Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

"FIRST: "The name of the corporation is Gateway Energy Services Corporation."

(b) To change the name of the Corporation in the definition of "Company" in subsection (E) of Article FOURTH. To effect the foregoing amendment, "Company" in section (E) of Article FOURTH is hereby amended and restated to read in its entirety as follows:

"Company" shall mean Gateway Energy Services Corporation, a New York corporation."

(c) To change the name of the Corporation in Article FIFTH. To effect the foregoing amendment, Article FIFTH is hereby amended and restated to read in its entirety as follows:


"FIFTH: The Secretary of State is designated as the agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Gateway Energy Services Corporation, 286 North Main Street, Spring Valley, New York 10977."

FOURTH: This Certificate of Amendment was authorized pursuant to a resolution adopted by the unanimous written consent of all of the members of the Board of Directors of the Corporation in lieu of a meeting pursuant to Section 708 of the Business Corporation Law of the State of New York declaring said amendments to be advisable and calling for the submission of said amendments to the shareholders of the Corporation for written consent without a meeting, pursuant to Section 615 of the Business Corporation Law of the State of New York.

FIFTH: Thereafter, pursuant to a resolution of the Board of Directors of the Corporation, said amendments were submitted to the shareholders of the Corporation, and such shareholders, by written consent pursuant to Section 615 of the Business Corporation Law of the State of New York, gave their written consent and agreed to the adoption of the foregoing Certificate of Amendment of the Restated Certificate of Incorporation of the Corporation.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to be executed this 15 day of ~~November~~ December, 2007.

ECONNERGY ENERGY COMPANY,
INC.

By: 

Name: Francis A. Fuselier

Title: Vice President & General Counsel

CT -07

071115000 555

CERTIFICATE OF AMENDMENT

OF

ECONNERGY ENERGY COMPANY, INC.

Under section 805 of the Business Corporation Law

2007 NOV 15 PM 1:52

Filed By:
Katten Muchin Rosenman LLP
575 Madison Avenue
New York NY 10022

Cst ref# 7079085my

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DEPARTMENT OF STATE

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STATE OF NEW YORK
DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of the
Department of State, at the City of Albany, on
November 15, 2007.

Paul LaPointe

Paul LaPointe
Special Deputy Secretary of State

CT-07

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**CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ECONNERGY ENERGY COMPANY, INC.**

Under Section 805 of the Business Corporation Law of the State of New York

FIRST: The name of the corporation is Econnergy Energy Company, Inc. (the "Corporation").

SECOND: The Corporation's Certificate of Incorporation was filed with the Department of State on May 6, 1997, its Restated Certificate of Incorporation was filed with the Department of State on April 22, 1999, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on April 22, 1999, a Certificate of Correction of the Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on April 13, 2000, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on June 19, 2000, a Certificate of Amendment to the Restated Certificate of Incorporation was filed with the Department of State on June 19, 2000 and a Restated Certificate of Incorporation was filed with the Department of State on July 21, 2006 (the "Restated Certificate of Incorporation").

THIRD: The amendments affected by this Certificate of Amendment are as follows:

(a) To change the name of the Corporation. To effect the foregoing amendment, Article FIRST of the Restated Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

"FIRST: "The name of the corporation is Gateway Energy Services Corporation."

(b) To change the name of the Corporation in the definition of "Company" in subsection (E) of Article FOURTH. To effect the foregoing amendment, "Company" in section (E) of Article FOURTH is hereby amended and restated to read in its entirety as follows:

""Company" shall mean Gateway Energy Services Corporation, a New York corporation."

(c) To change the name of the Corporation in Article FIFTH. To effect the foregoing amendment, Article FIFTH is hereby amended and restated to read in its entirety as follows:


"FIFTH: The Secretary of State is designated as the agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Gateway Energy Services Corporation, 286 North Main Street, Spring Valley, New York 10977."

FOURTH: This Certificate of Amendment was authorized pursuant to a resolution adopted by the unanimous written consent of all of the members of the Board of Directors of the Corporation in lieu of a meeting pursuant to Section 708 of the Business Corporation Law of the State of New York declaring said amendments to be advisable and calling for the submission of said amendments to the shareholders of the Corporation for written consent without a meeting, pursuant to Section 615 of the Business Corporation Law of the State of New York.

FIFTH: Thereafter, pursuant to a resolution of the Board of Directors of the Corporation, said amendments were submitted to the shareholders of the Corporation, and such shareholders, by written consent pursuant to Section 615 of the Business Corporation Law of the State of New York, gave their written consent and agreed to the adoption of the foregoing Certificate of Amendment of the Restated Certificate of Incorporation of the Corporation.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to be executed this 15 day of ~~November~~ 2007.

**ECONNERGY ENERGY COMPANY,
INC.**

By: 
Name: Francis A. Fuselier
Title: Vice President & General Counsel

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CERTIFICATE OF AMENDMENT

OF

ECONNERGY ENERGY COMPANY, INC.

Under section 805 of the Business Corporation Law

2007 NOV 15 PM 1:52

Filed By:
Katten Muchin Rosenman LLP
575 Madison Avenue
New York NY 10022

Cst ref# 7079085my

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DEPARTMENT OF STATE

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STATE OF NEW YORK
DEPARTMENT OF STATE

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.



WITNESS my hand and official seal of the
Department of State, at the City of Albany, on
November 15, 2007.

A handwritten signature in cursive script that reads "Paul LaPointe".

Paul LaPointe
Special Deputy Secretary of State

CT-07

20071115057

Certificate of Assumed Name

Pursuant to General Business Law, §130

NYS Department of State
 Division of Corporations, State Records and UCC
 41 State Street, Albany, NY 12231-0001
 www.dos.state.ny.us

1. NAME OF ENTITY

Gateway Energy Services Corporation

1a. FOREIGN ENTITIES ONLY. If applicable, the fictitious name the entity agreed to use in New York State is:

2. NEW YORK LAW FORMED OR AUTHORIZED UNDER (CHECK ONE):

- ☒ Business Corporation Law ☐ Limited Liability Company Law
☐ Education Law ☐ Not-for-Profit Corporation Law
☐ Insurance Law ☐ Revised Limited Partnership Act
☐ Other (specify law):

3. ASSUMED NAME

ECONergy Energy Company

4. PRINCIPAL PLACE OF BUSINESS IN NEW YORK STATE (MUST BE NUMBER AND STREET. IF NONE, INSERT OUT-OF-STATE ADDRESS)

286 North Main Street, Spring Valley, NY 10977

5. COUNTIES IN WHICH BUSINESS WILL BE CONDUCTED UNDER ASSUMED NAME

☒ ALL COUNTIES (If not, circle county(ies) below)

Albany	Clinton	Greene	Montgomery	Oswego	Schenectady	Ulster
Allegany	Columbia	Hamilton	Nassau	Otsego	Schoharie	Warren
Bronx	Cortland	Herkimer	New York	Putnam	Schuyler	Washington
Broome	Delaware	Jefferson	Niagara	Queens	Seneca	Wayne
Cattaraugus	Dutchess	Kings	Oneida	Rensselaer	Steuben	Westchester
Cayuga	Erie	Lewis	Onondaga	Richmond	Suffolk	Wyoming
Chautauqua	Essex	Livingston	Ontario	Rockland	Sullivan	Yates
Chemung	Franklin	Madison	Orange	St. Lawrence	Tioga	
Chenango	Fulton	Monroe	Orleans	Saratoga	Tompkins	
	Genesee					

6. INSERT THE ADDRESS OF EACH LOCATION WHERE BUSINESS WILL BE CARRIED ON OR TRANSACTED UNDER THE ASSUMED NAME.
 Use a continuous sheet, if needed. (The address must be set forth in terms of a number and street, city, state and zip code. Please note that the address(es) reflected in paragraph 6 must be within the county(ies) circled in paragraph 5. If the entity does not have a specific location where it will conduct business under the assumed name please check the statement below.)

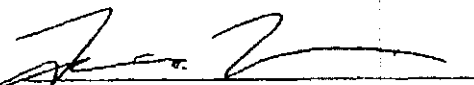
☒ No New York State Business Location

20071115058

INSTRUCTIONS FOR SIGNATURE: If corporation, by an officer; if limited partnership, by a general partner; if limited liability company, by a member or manager or by an authorized person or attorney-in-fact for such corporation, limited partnership, or limited liability company. If the certificate is signed by an attorney-in-fact, include the name and title of the person for whom the attorney-in-fact is acting. (Example, John Smith, attorney-in-fact for Robert Johnson, president.)

Francis A. Fuselier, Vice Pres. & General Counsel

Name and Title


Signature

CERTIFICATE OF ASSUMED NAME
OF

Gateway Energy Services Corporation

(Insert Entity Name)

Pursuant to §130, General Business Law

CT-07


2007 NOV 15 PM 1:52

Katten Muchin Rosenman LLP, 575 Madison Avenue, New York, NY 10022

FILER'S NAME AND MAILING ADDRESS

115
STATE OF NEW YORK
DEPARTMENT OF STATE

NOV 15 2007

FILED
138469
BY: 

NOTE: This form was prepared by the New York State Department of State. You are not required to use this form. You may draft your own form or use forms available at legal stationery stores. The Department of State recommends that all documents be prepared under the guidance of an attorney. The certificate must be submitted with a \$25 fee. The Department of State also collects the following, additional, county clerk fees for each county in which a corporation does or transacts business: \$100 for each county within New York City (Bronx, Kings, New York, Queens and Richmond) and \$25 for each county outside New York City. All checks over \$500 must be certified.

(For office use only)

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#3 of 3

EXHIBIT B-1

JURISDICTIONS OF OPERATION

Gateway Energy Services Corporation ("Gateway Energy") is currently certified, registered, licensed or otherwise authorized to provide retail natural gas and/or electric service in the following areas:

<u>State</u>	<u>Gas License #</u>	<u>Electric License #</u>
New York	Registration, no license required	SAME
New Jersey	GSL-0020	ESL-0022
Maryland	IR-334	IR-340
DC	Docket GA03-4	
Virginia	G-19	E-13
Texas		REP # 10080
Ohio	02-040(3)	02-091(3)
Ontario, Canada	GM-2008-0040	

EXHIBIT B-2

EXPERIENCE & PLANS

Econnergy Energy Company, Inc. ("Econnergy") was incorporated in the State of New York on May 6, 1997 to coincide with the deregulation of retail natural gas in New York State. Econnergy began with 50 customers in New York and has served more than 300,000 residential and business customers in 26 markets across six states, the District of Columbia, and Ontario, Canada. On March 11, 2008, Econnergy launched a new corporate identity and changed its name to Gateway Energy Services Corporation. ("Gateway Energy").

Gateway Energy markets to residential and business customers offering a variety of products to help customers manage their energy costs. Customer contact is made either through Gateway Energy's network of Account Executives and independent sales agents making "warm" sales to friends, relatives, and neighbors, or through mass marketing channels such as door-to-door or telemarketing.

Gateway Energy's customer service department is available Monday through Friday from 9AM to 5PM for questions, comments, or complaints at (800) 805-8586. Additionally, customers can contact us by e-mail: customerservice@gesc.com, in writing: 400 Rella Boulevard, Suite 300, Montebello, NY 10901, or via our web site: www.gesc.com. Customer issues which cannot be resolved during initial contact will be escalated to a Supervisor for resolution. If the Supervisor cannot resolve the issue for the customer, it will be escalated to our Consumer Advocate for follow-up.

Gateway Energy's plans consist of continuing to expand our business in all of our existing markets while seeking out a license to serve electricity in Ontario, Canada.

EXHIBIT B-3

SUMMARY OF EXPERIENCE

Econnergy Energy Company, Inc. ("Econnergy") was incorporated in the State of New York on May 6, 1997 to coincide with the deregulation of retail natural gas in New York State. Econnergy began with 50 gas customers in New York and has served over 300,000 residential and business customers in 26 markets across six states, the District of Columbia, and Canada.

Gateway Energy Services Corporation has a well-seasoned management team with significant consumer marketing, retail energy and commodity supply experience. The team leverages its diverse management, financial and operational backgrounds to deliver outstanding results.

EXHIBIT B-4, B-5, B-6

DISCLOSURE OF LIABILITIES AND INVESTIGATIONS

B-4 To date, there are no existing, pending or past rulings, judgments, contingent liabilities, revocations of authority or regulatory investigations against Gateway Energy Services Corporation ("Gateway Energy") that could adversely impact its financial or operational status or ability to provide the services it is seeking to be certified to provide.

B-5 Neither Gateway Energy, an affiliate, predecessor of Gateway Energy, or any principal officer of Gateway Energy has been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws since it last filed for certification.

B-6 Gateway Energy has not had any certification, license, or application to provide retail gas supply service denied, curtailed, revoked, or cancelled within the past two years.

EXHIBIT C-1

ANNUAL REPORTS

Gateway Energy Services Corporation is a privately held company owned by private investors. The Company's investors who have more than a 10% ownership are Gary Bondi (Chairman), Saul Horowitz, RBS Semptra Commodities LLP and Credit Suisse Private. Accordingly, no Annual Reports to Shareholders or similar information is available. Please refer to Exhibit C-3, "Financial Statements," for information concerning Gateway Energy Services Corporation's financial condition.

EXHIBIT C-2

SEC FILINGS

Gateway Energy Services Corporation is a privately held company owned by private investors. The Company's investors who have more than a 10% ownership are Gary Bondi (Chairman), Saul Horowitz, RBS Sempra Commodities LLP and Credit Suisse Private Equity. Accordingly, no filings with the Securities and Exchange Commission are required. Please refer to Exhibit C-3, "Financial Statements," for information concerning Gateway Energy Services Corporation's financial condition.

EXHIBIT C-3

FINANCIAL STATEMENTS

Please see the attached audited financials. Also, please note our motion for confidentiality of these items.

EXHIBIT C-4

FINANCIAL ARRANGEMENTS

Please see the attached submission for Exhibit C-3. Contact Angela Schorr at Gateway Energy for any more information if needed.

EXHIBIT C-5

FORECASTED FINANCIAL STATEMENTS

Please see the attached forecasted financial statements. Also, please note our motion for confidentiality of these items.

EXHIBIT C-6

CREDIT RATING

Gateway Energy Services Corporation is a privately held company with private investors. Gateway Energy Services Corporation is rated by Dun & Bradstreet and has an overall rating of 4A2 with a Payment History and Trend rating of 78 (Paydex). See attached Dun & Bradstreet report for more information.

Live Report : GATEWAY ENERGY SERVICES CORPORATION

D-U-N-S® Number: 01-387-6508
Endorsement: hking@gesc.com

D&B Address
Address 400 Rella Blvd Ste 300
Montebello, NY - 10901
Location Type Headquarters
Phone 845 503-5100
Fax
Web www.econenergy.com

Trade Names
Trade Names No trade names for this company.

Company Summary

Trade Payments - Timeliness of Historical Payments

When weighted by dollar amount, Payments to suppliers average 6 days beyond terms

12-month D&B PAYDEX®: 76

(Lowest Risk:100; Highest Risk:1) This assessment is based on D&B's 12-month PAYDEX® Score.

Predictive Indicators - Risk of Payment Delinquency

Commercial Credit Score Class: 2

Low To Moderate risk of severe payment delinquency over next 12 months.

Predictive Indicators - Risk of Financial Stress

Financial Stress Score Class: 1

Low risk of severe financial stress over the next 12 months.

Predictive Indicators - Supplier Evaluation Risk

Supplier Evaluation Risk Rating: 1 Low risk of supplier experiencing severe financial stress over the next 12 months.

History & Operations

This is a headquarters location

Branch(es) or Division(s) exist Y
Chief Executive STEVE MASLAK, CEO
Year Started 1997
Employees 150 (130 Here)
Financing SECURED
SIC 4911
Line of business Electric and gas services
NAICS 221122
History Status CLEAR
Financial Condition GOOD

Predictive Indicators - Credit Capacity

D&B Rating: 4A2

Financial Strength: 4A indicates \$10,000,000 to \$49,999,999
Commercial Credit Appraisal: 2 is good

This assessment is based on D&B's D&B Rating.

Public Filings

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	Number of Records	Most Recent Filing Date
Bankruptcies	0	-
Judgments	0	-
Liens	0	-
Suits	0	-
UCC's	12	06/01/06

Financials Overview

Financial Statement Date 09/29/2007
Total Current Assets \$45,715,508.00
Total Current Liabilities \$17,569,143.00
Total Assets \$63,035,532.00
Total Liabilities + Equity \$63,035,532.00
Current Ratio 2.6
Quick Ratio 1.4
Total Liabilities to Net Worth Ratio UN
Sales to Net Working Capital Ratio 4.6
Net Worth \$17,108,368.00
Annual Sales \$594,998,499.00

News & Alerts

Alert Type	Date	Alert Details
Commercial Credit Score Class	10/05/2008	View

The public record items contained herein may have been paid,
terminated, vacated or released prior to todays date.

Inquiry

09/18/2008

View

In the last 30 days, 2 alerts were generated for this company.

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EXHIBIT C-7

CREDIT REPORT

Please see attached Dun & Bradstreet report.

EXHIBIT C-8

BANKRUPTCY INFORMATION

There are no reorganizations, protection from creditors, or any other form of bankruptcy filings made by Gateway Energy Services Corporation.

EXHIBIT C-9

MERGER INFORMATION

In May, 2003, Econnergy Energy Company, Inc. ("Econnergy") acquired the customers of KeySpan Energy Services. This acquisition added approximately 50,000 natural gas customers in New York City and Long Island to Econnergy's customer base.

In July, 2003, Econnergy acquired Mirabito Gas and Electric Corp. and added approximately 2,500 customers to Econnergy's service. We have retained the Mirabito name and serve these customers as Econnergy dba Mirabito Gas and Electric.

In November, 2003, Econnergy acquired a portion of the customer base of AllEnergy New York Gas Marketing and was authorized to retain the name for approximately 3,000 customers. We now serve these customers under the name Gateway Energy Services Corporation and have discontinued use of the name Econnergy dba AllEnergy Gas Marketing.

EXHIBITS D-1 and D-2

OPERATIONS and OPERATIONS EXPERTISE

Gateway Energy Services Corporation ("Gateway Energy"), is a retail provider of natural gas and electricity. We do not own generation nor do we sell wholesale power. We sell natural gas and electricity to residential, commercial, and industrial customers. We schedule and arrange delivery of same.

Gateway Energy has demonstrated its experience and technical ability to perform these operations by providing these same services to thousands of customers in 26 markets across six states, the District of Columbia and Ontario, Canada. We have served gas customers since 1997 and electric customers since 1998.

EXHIBIT D-3

KEY TECHNICAL and OPERATIONAL PERSONNEL

Eric Hansen, Sr. Director of Electric Supply

Mr. Hansen joined Gateway Energy Services Corporation ("Gateway Energy") in May of 2007 bringing 7 years of experience in the deregulated energy industry. Mr. Hansen's prior experience includes extensive trading and structuring for both retail and wholesale energy at Constellation NewEnergy.

Mr. Hansen has taken on the responsibility for developing the supply, rates and risk management areas of the energy markets relevant to the Company. His experiences in physical and financial markets assists in the development of products for Gateway Energy's customers while ensuring the Company's interests are protected.

Mr. Hansen holds a Bachelor of Science degree in Finance from Bentley College.

Angela Schorr, Vice President of Regulatory Affairs and Quality Assurance

Ms. Schorr joined Gateway Energy in September of 2004 bringing more than 16 years of experience in the energy industry. Ms. Schorr's prior experience includes working for regulated and non-regulated energy companies in various departments including gas accounting, nominations and trading as well as electric bidding and scheduling.

Ms. Schorr currently oversees both the Regulatory Affairs and Quality Assurance departments. Ms. Schorr and her team are responsible for ensuring corporate compliance, involvement in rulemaking proceedings and maintaining document version control for all territories that Gateway Energy is conducting business. Additionally, through the Quality Assurance team, overall customer satisfaction is observed using tasks such as call monitoring, welcome calls, corporate training and customer contract audits.

Ms. Schorr holds a Bachelor of Science degree in Accounting and a Master's of Business Administration degree in Quantitative Analysis from St. John's University.

Rachel Baier, Director of Pricing and Sales Support Services

Ms. Baier joined Gateway Energy in August 2003 and currently serves as the Director of Pricing and Sales Support Services. Her responsibilities include the maintenance of cost allocation across all natural gas territories, variable and structured product pricing, natural gas price modeling, utility rate analysis, tracking financial results for all financial supply transactions, monitoring operations activities to ensure compliance with both internal and external guidelines and standards, as well as competitive and business analytics.

Prior to joining Gateway Energy, Ms. Baier most recently served as Assistant Controller for United States Gypsum Company in Stony Point, NY, a manufacturer of gypsum wallboard and other building products. She holds a combined Bachelor of Business Administration in Accounting and Master's of Science degree in Accounting/Controllershship from Texas Tech University.

Ethan Kagan, Vice President and Chief Information Officer

Mr. Ethan Kagan is responsible for all aspects of planning and directing the activities of a team consisting of professional and technical personnel involved in the design, development, and systems analysis functions required to build and maintain Gateways Energy's computer

systems. Ethan also oversees a team dedicated to maintaining Gateway Energy's hardware and network infrastructure and works with these teams to define and maintain Gateway Energy's overall technology strategy.

Mr. Kagan began his career as an Information Systems Developer for Consolidated Edison, and in the 20 years since, has progressed to hold roles in IT management and senior management in diverse industries as well as a diverse array of technologies and platforms. Prior to joining Gateway Energy in 2002, Ethan spent five years in financial services with Bear Stearns as an Associate Director managing a staff of 13 responsible for development of a large suite of Internet-hosted business applications and a year in telecommunications at Net2Phone serving as Director of Internet Development with a staff of 16. Areas of expertise include EDI, deregulated energy enrollment and billing, Internet, multi-tier architectures, and Data Warehouse applications, with a track record of successful projects in each.

Mr. Kagan holds a Bachelor of Science in Computer Information Science from Brooklyn College.

Joseph Waldman, Vice President of Operations

Mr. Joseph Waldman has over 7 years experience in the energy industry and serves as Vice President of Operations. He is responsible for Billing, Accounts Receivable, Enrollments, Cancellations, and the Collections areas at Gateway Energy. His focus is on projects that will improve the overall operations of his departments while maintaining the integrity of the data generated.

Prior to joining Gateway Energy in 2006, Mr. Waldman was employed at a competitor of Gateway Energy's where he remained for five years as Manager of Operations. While Mr. Waldman has only been in the energy industry for 7 years, he ran Operations for over 15 years during his work at several different Wall Street firms including the nation's third largest bond brokerage firm. Mr. Waldman holds a Bachelor of Science degree in Business, Management, and Finance from Brooklyn College.

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Exhibit C-5 - Forecasted Financial Statements
CRNGS Renewal Application of Gateway Energy Services Corporation
Fiscal Years Ending September 30, 2008 - 2010

	2008	2009	2010
Revenues	\$91,500	\$96,075	\$100,879
COGS	(80,063)	(84,066)	(88,269)
Gross Profit	11,438	12,009	12,610
SG&A	-	-	-
Bad Debt Expense	915	961	1,009
Total SGA	915	961	1,009
EBITDA	10,523	11,049	11,601
Depreciation & Amortization	-	-	-
Operating Income	\$10,523	\$11,049	\$11,601
Gross Margin Percentage	12.50%	12.50%	12.50%

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Consolidated Financial Statements
and Report of Independent Certified
Public Accountants

September 30, 2007

YOUR ENERGY | YOUR CHOICESM

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Grant Thornton 

Accountants and Business Advisors

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Gateway Energy Services Corporation

We have audited the accompanying consolidated balance sheet of Gateway Energy Services Corporation (a New York corporation) and Subsidiary as of September 30, 2007 and the related consolidated statements of operations, shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gateway Energy Services Corporation and Subsidiary as of September 30, 2007 and the consolidated results of their operations and their consolidated cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
February 5, 2008

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Gateway Energy Services Corporation
Consolidated Balance Sheets
September 30,

ASSETS	2007	2006 (Unaudited)
CURRENT ASSETS		
Cash	\$ 953,898	\$ 1,059,749
Accounts receivable, net of allowance for doubtful accounts of \$3,040,278 and \$11,951,181, respectively	24,450,499	35,114,718
Prepaid and deferred expenses (Note K)	8,222,189	3,588,849
Natural gas storage	8,209,332	8,887,145
Commodity imbalance	977,777	9,853,087
Other current assets	136,304	24,370,254
Deferred tax assets	<u>2,765,509</u>	<u>2,058,872</u>
Total current assets	<u>45,715,508</u>	<u>84,932,674</u>
PROPERTY AND EQUIPMENT, net	<u>2,441,768</u>	<u>1,205,970</u>
OTHER NONCURRENT ASSETS		
Security and energy deposits	1,754,961	4,107,079
Deferred tax assets, net	11,767,727	3,673,985
Other long-term assets, net	<u>1,355,568</u>	<u>496,020</u>
Total noncurrent assets	<u>14,878,256</u>	<u>8,277,084</u>
Total assets	<u>\$63,035,532</u>	<u>\$94,415,728</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note K)	\$ 4,474,756	\$38,795,237
Taxes payable	337,664	383,810
Other current liabilities	<u>12,756,723</u>	<u>11,438,375</u>
Total current liabilities	<u>17,569,143</u>	<u>50,617,422</u>
LONG-TERM LIABILITIES		
Loan payable - related party	<u>114,622</u>	<u>112,640</u>
Total liabilities	<u>17,683,765</u>	<u>50,730,062</u>
COMMITMENTS AND CONTINGENCIES (Note O)		
MANDATORILY REDEEMABLE STOCK	<u>9,724,786</u>	<u>9,680,231</u>
SHAREHOLDERS' EQUITY		
Series A Convertible Preferred Stock, \$.01 par value; 510,000 issued and outstanding	5,100	5,100
Series C Convertible Preferred Stock, \$.01 par value; 3,129,320 issued and outstanding	31,293	31,293
Common stock, \$.001 par value; 15,000,000 shares authorized; 3,612,500 and 3,600,000 issued and outstanding, respectively	3,613	3,600
Additional paid-in capital	35,409,598	35,365,225
Retained earnings	1,098,198	271,352
Accumulated other comprehensive income	<u>(920,821)</u>	<u>(1,671,135)</u>
Total shareholders' equity	<u>35,626,981</u>	<u>34,005,435</u>
Total liabilities and shareholders' equity	<u>\$63,035,532</u>	<u>\$94,415,728</u>

The accompanying notes are an integral part of these consolidated financial statements.

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Gateway Energy Services Corporation
Consolidated Statements of Operations
Six months ended September 30,

	<u>2007</u>	<u>2006</u> (Unaudited)	<u>2005</u> (Unaudited)
Sales	\$ 130,689,974	\$ 147,268,727	\$ 222,162,937
Cost of goods sold (Note K)	<u>(113,582,838)</u>	<u>(132,252,785)</u>	<u>(202,220,116)</u>
Gross profit	17,107,136	15,015,942	19,942,821
Selling, general and administrative expenses	<u>11,943,773</u>	<u>10,574,810</u>	<u>14,515,219</u>
Profit before other (income) expense and income taxes	5,163,363	4,441,132	5,427,602
Other (income) expense			
Interest (income) expense, net (Note K)	(397,077)	1,882,929	1,805,353
Interest expense associated with the sale of receivables	-	-	1,494,840
Other (income) expense, net	375,625	(499,171)	42,629
Non-cash charge to reflect the value of Series C issuance (Note I)	<u>(7,931,812)</u>	<u>(7,937,907)</u>	<u>-</u>
Profit (loss) before income taxes	(2,746,997)	(4,880,533)	2,084,780
Benefit from (provision for) income taxes, net	<u>653,896</u>	<u>1,963,031</u>	<u>(855,999)</u>
Net income (loss)	<u>\$ (2,093,101)</u>	<u>\$ (2,917,502)</u>	<u>\$ 1,228,781</u>

The accompanying notes are an integral part of these consolidated financial statements.

Gateway Energy Services Corporation
Consolidated Statement of Shareholders' Equity
Six months ended September 30, 2007, 2006 and 2005

CONFIDENTIAL

	Preferred Stock Series A		Preferred Stock Series C		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance, March 31, 2005	510,000	\$5,100	-	\$ -	3,600,000	\$3,600	\$ 3,726,476	\$(11,845,527)	\$ 3,417,020	\$ (4,693,331)
Change in fair value of derivative instruments	-	-	-	-	-	-	-	-	9,676,770	9,676,770
Net income	-	-	-	-	-	-	-	1,228,781	-	1,228,781
Total comprehensive income										10,905,551
Accretion of cumulative Series B dividends	-	-	-	-	-	-	-	(355,213)	-	(355,213)
Accretion of issuance costs	-	-	-	-	-	-	(5,884)	-	-	(5,884)
Balance, September 30, 2005 (unaudited)	<u>510,000</u>	<u>\$5,100</u>	<u>-</u>	<u>\$ -</u>	<u>3,600,000</u>	<u>\$3,600</u>	<u>\$ 3,720,592</u>	<u>\$(10,971,959)</u>	<u>\$13,093,790</u>	<u>\$ 5,851,123</u>
Balance, March 31, 2006	510,000	\$5,100	-	\$ -	3,800,000	\$3,800	\$ 3,720,592	\$ 3,378,152	\$ 1,187,742	\$ 8,295,186
Change in fair value of derivative instruments	-	-	-	-	-	-	-	-	(2,858,877)	(2,858,877)
Net loss	-	-	-	-	-	-	-	(2,917,502)	-	(2,917,502)
Total comprehensive loss										(5,776,379)
Accretion of cumulative Series B dividends	-	-	-	-	-	-	-	(189,298)	-	(189,298)
Issuance of Series C Convertible Preferred Stock	-	-	3,129,320	31,293	-	-	31,644,633	-	-	31,675,926
Balance, September 30, 2006 (unaudited)	<u>510,000</u>	<u>\$5,100</u>	<u>3,129,320</u>	<u>\$31,293</u>	<u>3,600,000</u>	<u>\$3,600</u>	<u>\$35,365,225</u>	<u>\$ 271,352</u>	<u>\$(1,671,135)</u>	<u>\$34,005,435</u>
Balance, March 31, 2007	510,000	\$5,100	3,129,320	\$31,293	3,600,000	\$3,600	\$35,409,682	\$ 3,191,299	\$ 382,016	\$39,022,990
Change in fair value of derivative instruments	-	-	-	-	-	-	-	-	(1,302,837)	(1,302,837)
Net loss	-	-	-	-	-	-	-	(2,093,101)	-	(2,093,101)
Total comprehensive loss										(3,395,938)
Issuance of Common Stock	-	-	-	-	12,500	13	49,987	-	-	50,000
Issuance of Series C Convertible Preferred Stock	-	-	-	-	-	-	(50,071)	-	-	(50,071)
Balance, September 30, 2007	<u>510,000</u>	<u>\$5,100</u>	<u>3,129,320</u>	<u>\$31,293</u>	<u>3,612,500</u>	<u>\$3,613</u>	<u>\$35,409,598</u>	<u>\$ 1,098,198</u>	<u>\$(920,821)</u>	<u>\$35,626,981</u>

The accompanying notes are an integral part of this consolidated financial statement.

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Gateway Energy Services Corporation
Consolidated Statements of Cash Flows
Six months ended September 30,

	<u>2007</u>	<u>2006</u> (Unaudited)	<u>2005</u> (Unaudited)
Cash flows from operating activities			
Net income (loss)	\$ (2,093,101)	\$ (2,917,502)	\$ 1,228,781
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	799,837	1,508,930	1,771,008
(Benefit from) provision for deferred tax	(2,272,263)	(2,938,458)	791,260
Provision for bad debts	1,150,236	1,203,060	3,518,516
Ineffective portion of hedge portfolio	175,123	-	-
Non-cash charge associated with the Series C issuance	7,931,812	7,937,907	-
Provision for loss on contracts	-	-	(177,148)
Changes in operating assets and liabilities			
Decrease in accounts receivable	35,924,251	44,711,711	7,479,100
Increase in prepaid and deferred expenses	(8,061,387)	(3,079,257)	(3,719,806)
(Increase) decrease in other current assets	(481,997)	(2,218,292)	581,736
Increase in natural gas storage	(7,011,680)	(7,911,772)	(11,396,980)
Decrease (increase) in security and energy deposits	345,027	(437,649)	356,002
Increase in other long-term assets	5,012	-	17,869
(Decrease) increase in accounts payable and accrued expenses	(31,306,949)	(33,848,591)	11,998,652
Increase (decrease) in commodity imbalance	6,661,984	191,719	(16,359,823)
Decrease in taxes payable	(5,053,694)	(9,077,538)	(475,663)
Increase in other current liabilities	5,305,098	7,969,028	4,878,204
Increase (decrease) in loan payable - related party	(371)	1,767	(5,076)
Net cash provided by operating activities	<u>2,016,938</u>	<u>1,095,063</u>	<u>486,632</u>
Cash flows from investing activities			
Purchase of property and equipment	(1,639,153)	(480,126)	(277,227)
Customer acquisition costs	(339,333)	(159,741)	(302,874)
Net cash used in investing activities	<u>(1,978,486)</u>	<u>(639,867)</u>	<u>(580,101)</u>
Cash flows from financing activities			
Issuance of common stock	50,000	-	-
Issuance costs associated with Series C	(50,071)	(75,702)	-
Net cash used in financing activities	<u>(71)</u>	<u>(75,702)</u>	<u>-</u>
Net increase in cash	38,381	379,494	(93,469)
Cash, beginning of period	<u>915,517</u>	<u>680,255</u>	<u>562,875</u>
Cash, end of period	<u>\$ 953,898</u>	<u>\$ 1,059,749</u>	<u>\$ 469,406</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for			
Income taxes	\$ 5,514,112	\$ 8,477,977	\$ 211,350
Interest	109,772	1,960,380	3,258,525

The accompanying notes are an integral part of these consolidated financial statements.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE A - NATURE OF BUSINESS

Gateway Energy Services Corporation (f/k/a Econnergy Energy Company, Inc.) (the "Company" or "Gateway") was incorporated in the State of New York on May 6, 1997 and is headquartered in Rockland County, New York. Econnergy is a full service marketer of natural gas and electric service to residential and commercial customers in the deregulated markets of the U.S. The Company purchases natural gas and electricity on a wholesale basis and transports it to retail energy consumers in New York, New Jersey, Maryland, Washington D.C., Virginia, Ohio and Texas.

On September 29, 2007, the Company changed its fiscal year end from March 31st to September 30th. The accompanying financial statements were prepared to report the short period beginning April 1, 2007 and ending September 30, 2007. Subsequent to the balance sheet date, the Company changed its name to Gateway Energy Services Corporation in connection with a brand expansion marketing initiative.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Unaudited Interim Financial Statements*

The accompanying unaudited financial statements as of and for the six-months ended September 30, 2006 and 2005 have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the unaudited financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at September 30, 2006 and the results of its operations and its cash flows for the six-month periods ended September 30, 2006 and 2005. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements.

2. *Consolidation*

The accompanying consolidated financial statements include the consolidated accounts of the Company and its wholly-owned subsidiary, Mirabito Gas & Electric Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. In fiscal year 2006, the Company's consolidated financial statements included the accounts of its wholly-owned subsidiaries, AllEnergy Gas Marketing Company New York, L.L.C. and AllEnergy Gas Marketing New Jersey, L.L.C. In order to improve operating efficiencies, the assets and liabilities of these subsidiaries were transferred to the Company in June 2006.

3. *Revenue Recognition*

The Company recognizes revenue for the sale of natural gas and electricity based on actual customer usage. The Company records gas and electric sales under the accrual method, and

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE B (continued)

these revenues are recognized upon delivery of gas and electricity to the customer's meter. Gas and electric services delivered but not yet billed are estimated and recorded each period. Budget billed amounts are not recognized as revenue until services have been delivered.

4. *Accounts Receivable*

Credit to customers is extended based on evaluation of customers' financial condition and generally collateral is not required. Accounts receivable are usually due within thirty days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company as well as the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

5. *Property and Equipment*

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their useful lives or the remaining lease term. Major renewals and improvements of property and equipment are capitalized. Maintenance and repairs which do not extend the useful life of the related property or equipment are charged to operations as incurred.

6. *Concentration of Credit Risk*

Many of the local distribution companies ("LDC's") through which the Company delivers gas and electricity also purchase the customers' accounts receivable from Gateway. The purchase discounts range from 0% to 2.60% of billed account receivables and are charged to bad debt expense in the consolidated statements of operations as revenue is recorded. Therefore, credit risk associated with trade account receivables purchased by LDC's is limited.

In markets where the LDC does not purchase the Company's receivables, the Company maintains a provision for bad debt based upon the age of the receivables, payment history and historical loss experience. At September 30, 2007 and 2006, the Company had gross accounts receivable where no receivables purchase agreements exist of approximately \$6,205,000 and \$18,894,000, respectively. The Company's mix of accounts receivable is diverse, with no one customer balance in excess of 10% of total accounts receivable.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE B (continued)

7. *Fair Value of Financial Instruments*

The Company's financial instruments consist primarily of cash, accounts receivable and accounts payable. The carrying amounts of these financial instruments approximate fair value due to their short-term maturity.

8. *Derivative Instruments*

The Company utilizes derivative instruments to reduce its exposure to fluctuations in the price of natural gas and to hedge fixed-price commitments to its customers. The Company accounts for derivative instruments based on the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These standards require the Company to recognize all derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. To the extent that a derivative is designated as hedging the exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. To the extent that a derivative is designated as hedging the exposure to changes in the fair value of a recognized asset or liability, the gain or loss is recognized in the statement of operations in the period of change together with the offsetting loss or gain on the hedged item.

9. *Income Taxes*

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires accounting for deferred income taxes under the asset and liability method. Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. When it is not considered more likely than not that a part or the entire deferred tax asset will be realized, a valuation allowance is recognized.

10. *Internal-Use Computer Software*

In accordance with Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company capitalizes costs incurred in the application development stage related to the development of the Company's proprietary

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE B (continued)

systems. Development costs for the six months ending September 30, 2007 and 2006 were approximately \$315,000 and \$353,000, respectively. Amortization expense was approximately \$312,000, \$273,000 and \$245,000 for the six months ending September 30, 2007, 2006 and 2005, respectively.

11. *Customer Acquisition Costs*

Incremental direct customer acquisition costs are capitalized and amortized over the future benefit period of twenty-four to thirty-six months. Such costs represent costs paid to third parties incurred in connection with the generation of new customer contracts. Customer acquisition costs, net of accumulated amortization as of September 30, 2007 and 2006 were approximately \$1,345,000 and \$491,000, respectively, and are included in the accompanying consolidated balance sheets as other noncurrent assets. Amortization costs were approximately \$409,000, \$591,000 and \$830,000 for the six months ending September 30, 2007, 2006 and 2005, respectively.

12. *Commodity Imbalances*

Commodity imbalances result when customers consume more or less gas and electricity than has been delivered by the Company to the LDC's. Gas imbalance volumes are settled either monetarily or as unit adjustments to a subsequent month's delivery requirement. Electric volumes are settled monetarily on a monthly basis, generally using a four-month look back. These amounts are stated at their net realizable value in the accompanying consolidated balance sheets.

13. *Accounting for Long-Lived Assets*

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets and identifiable intangible assets that are not deemed to have indefinite lives will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may be impaired. Furthermore, these assets are evaluated for continuing value and proper useful lives by comparison to undiscounted expected cash flow projections. If there are indications that the carrying amounts of such assets may not be recoverable, the Company would recognize an impairment loss by a charge against current operations.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE B (continued)

14. *Stock-based Compensation*

Prior to April 1, 2006, the Company accounted for stock-based compensation to employees under the intrinsic-value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and discloses the effect of the differences which would result had the Company applied the fair-value-based method of accounting on a pro forma basis, as required by SFAS No. 123, "Accounting for Stock-Based Compensation."

Consistent with the requirements of APB Opinion No. 25, the Company did not recognize compensation expense in its statement of operations for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective April 1, 2006, the Company adopted the provisions of SFAS No. 123 revised 2004 (Statement 123R), "Share-Based Payment," which revises SFAS No. 123, and supersedes APB Opinion No. 25. Statement 123R requires the Company to recognize expense related to the fair value of stock-based compensation awards, including employee stock options. Statement 123R allows the Company to use the prospective transition method and therefore, we have not restated our financial results for prior periods. Under this transition method, we are applying the provisions of Statement 123R to new awards and to awards modified, repurchased, unvested or cancelled after April 1, 2006.

The Company's pre-tax compensation cost for stock-based employee compensation was \$0 for the six months ended September 30, 2007, 2006 and 2005, respectively.

Had the Company determined compensation expense for stock options under the fair value method of SFAS No. 123, the Company's net income would have decreased to the following pro forma amounts for the six months ended September 30, 2005:

Net income as reported	\$1,228,781
Pro forma net income	\$ 563,397

15. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE B (continued)

16. Reclassifications

Certain reclassifications have been made in the fiscal 2006 and 2005 financial statements to conform to the fiscal 2007 presentation.

17. New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109". Interpretation No. 48, which clarifies SFAS No. 109, establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Company's financial statements. On initial application, Interpretation No. 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying Interpretation No. 48 will be reported as an adjustment to retained earnings at the beginning of the period in which it is adopted. Interpretation No. 48 is effective for fiscal years beginning after December 31, 2007, and will be adopted by the Company on October 1, 2008. The Company has not yet determined the impact, if any, that the implementation of Interpretation No. 48 will have on its results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption permitted. The Company has not yet determined the impact, if any, that the implementation of SFAS No. 157 will have on its results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for the Company for the year ended September 30, 2008. The Company has not yet determined the impact, if any, that the implementation of SFAS No. 159 will have on its results of operations or financial condition.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
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NOTE B (continued)

In June 2006, the Financial Accounting Standards Board ratified a consensus opinion reached by the Emerging Issues Task Force ("EITF") on EITF Issue 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation)." The guidance in EITF Issue 06-3 requires disclosure in interim and annual financial statements of the amount of taxes on a gross basis, if significant, that are assessed by a governmental authority that are imposed on and concurrent with a specific revenue-producing transaction between a seller and customer such as sales, use, value added, and some excise taxes. Additionally, the income statement presentation (gross or net) of such taxes is an accounting policy decision that must be disclosed. The consensus in EITF Issue 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. The Company adopted EITF Issue 06-3 effective April 1, 2007, and concluded that the adoption had no significant effect on its financial statements as it does not intend to change its existing accounting policy, which is to present taxes within the scope of EITF Issue 06-3 on a net basis.

NOTE C - PROPERTY AND EQUIPMENT, NET

As of September 30, 2007 and 2006, property and equipment consisted of the following:

	Estimated Useful Lives	2007	2006
Furniture and fixtures	7 years	\$ 645,936	\$ 645,191
Computer equipment	3 years	1,223,942	1,100,197
Software	3 years	4,521,893	3,811,966
Leasehold improvements	Shorter of the life of the lease or the life of the asset	<u>982,698</u>	<u>980,898</u>
		7,374,469	6,538,252
Less accumulated depreciation and amortization		<u>(6,117,788)</u>	<u>(5,332,282)</u>
Total property and equipment		1,256,681	1,205,970
Construction in progress		<u>1,185,087</u>	<u>-</u>
Property and equipment, net		<u>\$ 2,441,768</u>	<u>\$ 1,205,970</u>

Construction in progress represents leasehold improvements and furniture and fixtures related to our new corporate offices located in Montebello, New York.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE C (continued)

Depreciation and amortization expense associated with property and equipment for the six months ended September 30, 2007, 2006 and 2005 amounted to \$390,745, \$468,265 and \$491,050, respectively.

Internal use computer software, net of accumulated amortization as of September 30, 2007 and 2006, was approximately \$894,000 and \$840,000, respectively.

NOTE D - OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following as of September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Customer acquisition costs, net	\$1,345,068	\$491,010
Acquired customer contracts, net		
Other	<u>10,500</u>	<u>5,010</u>
Other long-term assets, net	<u>\$1,355,568</u>	<u>\$496,020</u>

NOTE E - RELATED PARTY TRANSACTIONS

During 1999, a corporation owned by one of the shareholders of the Company loaned the Company \$91,055 to fund its operations. The loan bears interest at an annual rate of 5% and matures on October 1, 2009. The balance as of September 30, 2007 and 2006 includes accrued interest.

Sempra Energy Trading, LLC (formerly known as Sempra Energy Corp.) is the Company's exclusive supplier of natural gas and power and owns 100% of the Series C Convertible Preferred Stock (see Note I and Note K).

In October 2006, the Company entered into a two-year consulting agreement with a former officer (also a shareholder of the Company) to provide transition assistance to the new executive management team and on-going strategic consulting services. The agreement provides for \$850,000 in compensation in addition to business expense reimbursements up to \$65,000. The balance remaining as of September 30, 2007 is approximately \$471,000.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
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NOTE F - INCOME TAXES

The income tax provision for the six months ended September 30, 2007, 2006 and 2005 is comprised of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current provision			
Federal	\$ 1,327,916	\$ 731,310	\$ 42,554
State	<u>290,450</u>	<u>244,117</u>	<u>22,184</u>
	<u>1,618,366</u>	<u>975,427</u>	<u>64,738</u>
Deferred (benefit) provision			
Federal	(2,378,067)	(2,466,854)	611,095
State	<u>105,805</u>	<u>(471,604)</u>	<u>180,166</u>
	<u>(2,272,262)</u>	<u>(2,938,458)</u>	<u>791,261</u>
Total provision	\$ <u>(653,896)</u>	\$ <u>(1,963,031)</u>	\$ <u>855,999</u>

The Company's normalized tax rates for 2007, 2006 and 2005 were 35%, 34% and 34%, respectively, for the U.S. Federal tax rate and 5%, 6.5% and 6.5% for state and local taxes, net of Federal benefit, respectively. The effective combined Federal and state income tax rate was 23.8%, 40.2% and 41.1% for 2007, 2006 and 2005, respectively. In 2007, the effective tax rates depart from the normalized rates because of changes in state rates.

The following is a reconciliation of statutory U.S. Federal income tax rates to effective income tax rates. The Company's effective income tax rates differ from the statutory Federal income tax rates as a result of the following:

	<u>Six months ended September 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Statutory U.S. Federal tax rate	35.00%	34.00%	34.00%
State and local taxes, net of Federal benefit	1.77	6.50	6.50
Permanent items	(.36)	(.13)	.38
Change in valuation allowance	.04	1.22	-
Prior year true up	3.61	2.81	.22
Rate change	<u>(16.26)</u>	<u>(4.20)</u>	<u>-</u>
Total effective rate	<u>23.80%</u>	<u>40.20%</u>	<u>41.10%</u>

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
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NOTE F (continued)

The significant components of the Company's deferred tax assets at September 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Bad debt reserve	\$ 1,086,608	\$1,788,422
Depreciation	294,587	326,289
Series C issuance costs	11,642,264	3,000,529
Accrued litigation	595,249	-
Amortization	537,979	594,984
Other	<u>474,545</u>	<u>181,303</u>
Total deferred tax assets	14,631,232	5,891,527
Less valuation allowance	<u>97,996</u>	<u>158,670</u>
Net deferred tax assets	<u>\$14,533,236</u>	<u>\$5,732,857</u>

The Company maintains a valuation allowance against certain deferred tax assets due to the uncertainty of recognizing future tax benefits. The valuation allowance that remains as of September 30, 2007 consists of deferred tax assets relating to a capital loss carryforward.

NOTE G - SHAREHOLDERS' EQUITY

On April 22, 1999 and May 27, 1999, the Company consummated a private placement in which the Company issued 50 units and 1 unit, respectively, each unit consisting of 10,000 shares of the Company's 8% Series A Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"). Each unit was sold at \$50,000 per unit, for total aggregate gross proceeds to the Company of \$2.55 million. The Series A Preferred Stock is convertible into shares of the Company's common stock at a 1 to 1 ratio, par value \$.001 per share (the "Common Stock"), at the option of the holder, at any time, after nine months from the date of issuance or automatically upon the consummation of an underwritten initial public offering of the Common Stock. The Series A Preferred Stock has voting rights and as declared by the Company's Board of Directors, are entitled to cumulative dividends from the date of issuance of such shares at the rate of 8% per year, payable beginning 12 months thereafter. As of September 30, 2007, the undeclared cumulative dividends attributable to the preferred Series A shareholders amounted to \$1,722,159.

The Series A Preferred Stock is not redeemable and carries a preference of \$5.00 per share plus accumulated and unpaid dividends whether or not declared in the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily. As a result of the

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE G (continued)

issuance of mandatorily redeemable stock in June 2000, upon conversion, the Series A Preferred Stock conversion ratio was changed from 1 to 1.13836.

In conjunction with the issuance of the Series C Convertible Preferred Stock (Note I), the Company restated its certificate of incorporation to increase the number of aggregate shares from 17,500,000 to 21,000,000 and Preferred Shares from 2,500,000 to 6,000,000 (for all series of preferred stock). As of September 30, 2007, there were 510,000 Series A Preferred Shares, 1,583,114 Series B Preferred Shares and 3,129,320 Series C Preferred Shares issued and outstanding.

NOTE H - MANDATORILY REDEEMABLE STOCK

On June 16, 2000, the Company entered into a Securities Purchase Agreement (the "Agreement") with Credit Suisse First Boston ("CSFB") and one of the Company's principal owners whereby it authorized and issued 1,583,114 shares of \$.01 par value Convertible Preferred Stock (the "Series B Preferred") for a purchase price of approximately \$5,858,600, net of issuance costs. The Series B Preferred shares have voting rights and accrue quarterly cumulative dividends at a rate of 8% per annum. The dividends begin to accrue from the Original Issue Date (the "Issuance Date") of the preferred stock and are convertible into common stock. The Agreement provided that the mandatory redemption election period begins on the fifth anniversary of the Issuance Date and requires the Company, if CSFB so elects, to redeem all the outstanding Series B Preferred shares at the greater of \$3.79 (plus accrued and unpaid dividends) or the fair market value per share of the Series B Preferred. Each holder of the Series B Preferred shall have the right, at any time, to convert any of its shares of Series B Preferred into common stock. The number of shares of common stock deliverable upon conversion shall equal the greater of (a) the sum of (i) \$3.79 plus (ii) accrued and unpaid dividends or (b) the fair market value per share of the Series B Preferred divided by \$3.79 (or as adjusted). The Series B Preferred has a liquidation preference equal to the greater of (a) the sum of (i) \$3.79 plus (ii) accrued and unpaid dividends or (b) the fair market value per share of the Series B Preferred. As of September 30, 2007, the undeclared cumulative dividends attributable to the Series B Preferred shareholders amounted to \$3,724,790. Such amount is presented as part of the carrying value of the Series B Preferred mandatorily redeemable stock in order to reflect its redemption value as of September 30, 2007. In connection with the issuance of Series B Preferred, the Company incurred issuance costs of approximately \$140,000. Such costs were recorded as a reduction of the carrying amount of such preferred stock and have been accreted over the five-year period to the earliest redemption date.

In conjunction with the issuance of the Series C Preferred Stock (Note I), the Certificate of Designation of the Series B Preferred was modified to terminate the preferred dividends accrued on the Series B effective as of the date of the Series C issuance and deferred the mandatory redemption date from June 16, 2005 to July 31, 2011.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
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NOTE I - SERIES C CONVERTIBLE PREFERRED STOCK

On July 21, 2006, the Company executed the Tenth Amendment to the Sempra Commodity Purchase Agreement and the Company issued 3,129,320 shares of \$.01 par value Convertible Preferred Stock ("Series C Preferred Stock") to Sempra Energy Trading Corp. At any time and from time to time at the option of the holder, the Series C Preferred Stock is convertible into shares of the Company's common stock at a 1 to 1 ratio. Series C Preferred Stock has both voting rights and the right to participate in dividends when and if declared by the Board of Directors. The Series C Preferred Stock is not redeemable and has a \$0.01 per share liquidation preference. As a result of the Series C Preferred Stock issuance, the Company obtained a third party valuation, which valued the Series C issuance at approximately \$31,700,000, which was amortized over the term of the Tenth Amendment (one year). In the six months ending September 30, 2007 and 2006, a non-cash charge reflecting the value of the Series C issuance in the amount of approximately \$7,900,000 was included in the consolidated statement of operations. As of September 30, 2006, there was approximately \$23,000,000 of unamortized deferred expenses, which is included in other current assets in the consolidated balance sheets.

NOTE J - STOCK OPTION PLAN

In 1999, the Company adopted a stock option plan (the "1999 Plan"), under which the Company may issue qualified and incentive stock options. Awards may be granted to directors, employees and consultants of the Company as the Board of Directors selects in its discretion. As amended, a combined total of 1,000,000 shares of Common Stock has been reserved for issuance under the 1999 Plan.

As of September 30, 2007, there are 313,866 shares available for future grants.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

Six months ended 2005

Expected life (in years)	10.00%
Risk-free interest rate	4.75%
Volatility	30.00%
Dividend yield	0.00%

Utilizing these assumptions, the weighted-average fair value of the options granted for the six months ended September 30, 2005 was \$4.33. The Company did not grant any options in the six-month period ended September 30, 2007 and 2006.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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NOTE J (continued)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because the changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

A summary of the activity under the 1999 Plan is as follows:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Life (Years)</u>
Outstanding, March 31, 2005	525,300	\$4.54	5.43
Granted	302,334	4.00	-
Exercised	-	-	-
Canceled	<u>(4,000)</u>	<u>6.00</u>	<u>-</u>
Outstanding, September 30, 2005	<u>823,634</u>	<u>\$4.36</u>	<u>7.21</u>
Outstanding, March 31, 2006	848,634	\$4.44	6.11
Granted	-	-	-
Exercised	-	-	-
Canceled	<u>(70,000)</u>	<u>6.50</u>	<u>-</u>
Outstanding, September 30, 2006	<u>778,634</u>	<u>\$4.26</u>	<u>6.45</u>
Outstanding, March 31, 2007	763,634	\$4.22	5.73
Granted	-	-	-
Exercised	(12,500)	4.00	-
Canceled	<u>(77,500)</u>	<u>5.68</u>	<u>-</u>
Outstanding, September 30, 2007	<u>673,634</u>	<u>\$4.06</u>	<u>5.30</u>
Exercisable, September 30, 2007	<u>673,634</u>	<u>\$4.06</u>	<u>5.30</u>

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE K - CREDIT AND LOAN FACILITIES

On December 26, 2002, the Company entered into a three-year Commodity Purchase Agreement ("CPA") with Sempra Energy Trading LLC ("Sempra"), which initially expired on December 26, 2005; however, through several amendments, the CPA was extended through June 30, 2008. The CPA, as amended, provides for Sempra to act as the Company's exclusive supplier for natural gas and power. In addition, Sempra granted Gateway an extension to its customary payment terms for the supply of such commodity costs and extended credit up to an aggregate of \$45 million. In return, the Company provides Sempra a first priority security interest on substantially all of its current and future assets, including without limitation all cash and cash equivalents, all accounts receivable and all deposit accounts. Under the CPA, all payments from its customers and distributors are paid to a specific lockbox or by wire to the lockbox account under the control of Sempra, from which Sempra permits certain payments to be made to the Company for its general corporate purposes. The Company pays or is credited for financing fees and interest for outstanding balances that are either due to or from Sempra.

Financing fees are calculated on a daily basis and payable monthly in arrears on the tenth day of each month in the amount equal to the LIBOR (based on the offered rate for two-month deposits) plus 4%, which was 9.17%, 9.35% and 7.94% as of September 30, 2007, 2006 and 2005, respectively. The CPA contains both financial and non-financial covenants and at September 30, 2007, the Company is in compliance with its covenants.

In connection with an amendment to the CPA, on March 21, 2003, the Company also granted Sempra 100,000 warrants at an exercise price of \$4.00 per share exercisable at any time until June 30, 2008. The fair value of these options was \$137,014, which was charged to operations. Additionally, in conjunction with another amendment, on October 30, 2003, the Company granted Sempra an additional 100,000 warrants at an exercise price of \$4.00 per share exercisable at any time until October 30, 2008. The fair value of these warrants was \$84,224, which was charged to operations. All warrants remain outstanding as of September 30, 2007.

On April 1, 2004, the Company entered into a Receivables Transfer Agreement ("RTA") in which it sold to SET Trade Finance LLC ("STF"), a wholly-owned subsidiary of Sempra, rights to certain customer payment obligations. The activity under this program was accounted for as a sale of accounts receivable in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." For the six months ended September 30, 2007, 2006 and 2005, total receivables sold to STF approximated \$0, \$0 and \$195,182,000, respectively. The discounts from the face amount of each sale consist of cost of capital (interest expense) and loss discounts, which were approximately \$0, \$0 and \$1,494,000 for the six months ended September 30, 2007, 2006 and 2005, respectively, and included in the accompanying consolidated statements of operations. The loss discounts are presented as part of selling, general and administrative expenses, while the cost of capital discounts are presented as a separate line item within other (income) expense. The Company retained servicing responsibilities for which the servicing compensation was taken into account in the determination of the accounts receivable purchase price.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE K (continued)

The RTA was initially for one year; however, it was extended for an additional eleven months as documented in the April 2005 Amendment to the RTA. In March 2006, the RTA was terminated and the Company was released from its obligations under the agreement. In conjunction with the termination, the Company purchased \$22,162,161 of receivables net of a provision for bad debts of \$11,562,079.

NOTE L - PROCEEDS RELATING TO PROPOSED MERGER

On September 30, 2005, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with a third party. The Merger Agreement provided for liquidated damages of \$7,300,000 to the Company if the third party failed to close upon the Company's satisfaction of its closing obligations. The Company entered into several amendments including the final amendment dated January 24, 2006, that extended a grace period to consummate the merger through February 17, 2006. The third party was not able to complete its closing obligations and, as a result, the Company received liquidated damages of \$7,300,000 plus accrued interest of \$61,847. The Company offset direct costs associated with the transaction of \$755,345. In February 2006, the Company recorded the remaining net proceeds of \$6,544,655. See Note O for a lawsuit filed by this third party.

NOTE M - ACQUISITIONS

Mirigas Inc. (formally known as Mirabito Gas & Electric Inc.)

Effective July 1, 2003, the Company entered into an Agreement and Plan of Merger with Mirabito Gas and Electric Corporation ("MGE"), a wholly-owned subsidiary of Mirigas Inc. ("Mirigas"), whereby the Company acquired certain assets and liabilities of Mirigas, specifically those relating to its business of selling natural gas and electric. This acquisition has been accounted for in accordance with SFAS No. 141, "Business Combinations," and results of the operations of the acquired business have been included in the accompanying financial statements since the date of acquisition. The total purchase price, excluding \$688,400 paid for natural gas acquired, includes cash consideration of \$1,800,000, of which \$400,000 was paid at closing and the balance was being paid in the form of a contingent earn-out payment in equal installments over fourteen months up to a maximum of \$1,400,000. Based on the final earn-out, the full amount paid of \$1,800,000 was allocated as acquired customer contracts and included in other long-term assets. This balance was amortized over the future benefit period of thirty-six months. Amortization expense was \$0, \$450,000 and \$450,000 for the six months ended September 30, 2007, 2006 and 2005, respectively.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE N - DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas swap and option contracts. To the extent that these instruments are effective in hedging the Company's exposure to price changes, changes in the fair values of the hedge contracts are deferred in accumulated other comprehensive income and reclassified to cost of goods sold as the natural gas is purchased. Changes in the time value of option contract have been included in the Company's assessment of hedge effectiveness and reported in earnings immediately. The amount of ineffectiveness which is reported in cost of goods sold in the accompanying statements of operations for the six months ended September 30, 2007, 2006 and 2005 was not material.

Deferred gains on outstanding natural gas option and swap contracts are reflected in other current assets/liabilities and accumulated other comprehensive income in the amount of \$(920,821) and \$(1,671,135), respectively, at September 30, 2007 and 2006.

During the six months ended September 30, 2007, 2006 and 2005, gains and losses on derivative financial instruments that were used to reduce exposure to fluctuations in the price of natural gas and to hedge fixed-price commitments to customers were not recognized until the hedged transaction was reflected in the statements of operations. These hedging transactions increased (decreased) cost of goods sold by \$602,000, \$(496,000) and \$(912,000), respectively. Premiums paid on option contracts were amortized over the life of the contracts (typically one year or less).

NOTE O - COMMITMENTS AND CONTINGENCIES

Operating Leases

In October 2001, the Company entered into a five-year lease agreement with the owners of the Company's headquarters in Spring Valley, New York. In September 2006, the Company amended its lease agreement to extend the terms of the lease through October 2007 with the ability to extend the agreement until October 2011 at the Company's election.

In February 2007, the Company entered into a new seven-year lease with Mack-Cali Realty Corporation for approximately 32,000 square feet of office space. The lease commenced November 2007.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005

NOTE O (continued)

The Company is obligated under operating leases for its office space, requiring minimum annual rental payments as follows:

Year ending September 30,	
2008	\$ 673,590
2009	764,345
2010	764,345
2011	764,345
2012 and thereafter	<u>2,547,818</u>
Total	<u>\$5,514,443</u>

The Company has the option to terminate its lease agreement with Mack-Cali at the end of the fifth or sixth year. If the Company exercises its termination option, the Company will be required to pay an early termination fee of approximately \$300,000 or \$144,000, respectively.

Rent expense was approximately \$199,349, \$240,422 and \$150,739, respectively, for the six months ended September 30, 2007, 2006 and 2005.

Contingencies

On May 11, 2006, a retail energy marketer filed a lawsuit claiming that the Company is liable for allegedly breaching the terms of a failed merger agreement between the two companies. In September 2006, the Company filed a motion to dismiss the lawsuit for failure to state a claim on which relief can be granted. The motion to dismiss remains pending before the Court. Written discovery in the case is substantially complete and the parties anticipate deposition discovery in late 2007. The Company intends to vigorously defend against this lawsuit; however, it cannot predict the resolution of this lawsuit. In March 2007, the Company recorded a reserve of \$1,750,000 related to this litigation matter. As of September 30, 2007, expenses in the amount of \$182,427 have been offset against this reserve.

From time to time, the Company is a party to litigation arising in the normal course of its business operations. In the opinion of management and counsel, it is not anticipated that the settlement or resolution of any such matters will have a material adverse impact on the Company's financial position, liquidity or results of operations.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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**Gateway Energy Services Corporation
Notes to Consolidated Financial Statements
September 30, 2007, 2006 and 2005**

NOTE P - EMPLOYEE BENEFIT PLAN

In July 2000, the Company established a 401(k) profit-sharing plan covering all eligible employees. The plan allows employees to defer up to 15% of their annual earnings subject to limitation of Section 401(m) of the Internal Revenue Code. The Plan was amended in August 2006 to include a partial employer matching contribution where the Company matches one-half of the first 6% of employee contributions up to the maximum allowable under the plan. The employer expense portion was \$72,380, \$18,152 and \$0 for the six months ended September 30, 2007, 2006 and 2005, respectively.

The plan provides that the Company can make discretionary contributions. These contributions would be allocated based on the participant's compensation in proportion to the compensation of all participants. The Company paid \$0, \$63,000 and \$0 during the six months ended September 30, 2007, 2006 and 2005, respectively.

Information as of and for the six months ended September 30, 2006 and 2005 is unaudited.

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SUPPLEMENTAL FINANCIAL STATEMENTS

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Gateway Energy Services Corporation
Consolidated Balance Sheets
March 31,

ASSETS	2007	2006
CURRENT ASSETS		
Cash	\$ 915,517	\$ 680,255
Accounts receivable, net of allowance for doubtful accounts of \$3,798,318 and \$11,002,697, respectively	61,524,986	81,029,490
Prepaid and deferred expenses	160,802	509,592
Natural gas storage	1,197,652	975,372
Commodity imbalance	7,639,761	10,044,807
Other current assets	8,888,957	1,197,118
Deferred tax assets	2,696,595	2,158,060
Total current assets	83,024,270	96,594,694
PROPERTY AND EQUIPMENT, net	1,193,359	1,194,109
OTHER NONCURRENT ASSETS		
Security and energy deposits	2,099,988	3,669,430
Deferred tax assets, net	9,564,378	636,339
Other long-term assets, net	1,430,339	1,376,943
Total noncurrent assets	13,094,705	5,682,712
Total assets	\$97,312,334	\$103,471,515
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$35,781,705	\$ 72,643,828
Taxes payable	5,391,358	9,461,348
Commodity Imbalance	-	-
Other current liabilities	7,276,502	3,469,348
Total current liabilities	48,449,565	85,574,524
LONG-TERM LIABILITIES		
Loan payable - related party	114,993	110,873
Total liabilities	48,564,558	85,685,397
COMMITMENTS AND CONTINGENCIES		
MANDATORILY REDEEMABLE STOCK	9,724,786	9,490,932
SHAREHOLDERS' EQUITY		
Series A Convertible Preferred Stock, \$.01 par value; 510,000 issued and outstanding	5,100	5,100
Series C Convertible Preferred Stock, \$.01 par value; 3,129,320 issued and outstanding	31,293	-
Common stock, \$.001 par value; 15,000,000 shares authorized; 3,600,000 issued and outstanding	3,600	3,600
Additional paid-in capital	35,409,682	3,720,592
Retained earnings	3,191,299	3,378,152
Accumulated other comprehensive income	382,016	1,187,742
Total shareholders' equity	39,022,990	8,295,186
Total liabilities and shareholders' equity	\$97,312,334	\$103,471,515

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Gateway Energy Services Corporation
Consolidated Statements of Operations
Year ended March 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales	\$ 374,564,886	\$ 594,998,499	\$ 460,628,267
Cost of goods sold	<u>(322,644,422)</u>	<u>(532,545,341)</u>	<u>(420,930,761)</u>
Gross profit	51,920,464	62,453,158	39,697,506
Selling, general and administrative expenses	<u>(23,688,951)</u>	<u>(33,506,221)</u>	<u>(26,219,320)</u>
Profit before other income (expense) and income taxes	28,231,513	28,946,937	13,478,186
Other income (expense)			
Interest expense, net	(2,454,057)	(4,762,103)	(5,238,503)
Interest expense associated with the sale of receivables	-	(3,282,400)	(2,396,920)
Proceeds from proposed merger	-	6,544,655	-
Warrant income, net	-	-	455,559
Other expense, net	(1,751,730)	(588,174)	(2,741)
Non-cash charge to reflect the value of Series C issuance	<u>(23,813,721)</u>	<u>-</u>	<u>-</u>
Profit before income taxes	212,005	26,858,915	6,295,581
(Provision for) benefit from income taxes, net	<u>(165,004)</u>	<u>(10,912,458)</u>	<u>5,330,553</u>
Net income	<u>\$ 47,001</u>	<u>\$ 15,946,457</u>	<u>\$ 11,626,134</u>

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Gateway Energy Services Corporation
Consolidated Statements of Cash Flows
Year ended March 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities			
Net income	\$ 47,001	\$ 15,946,457	\$ 11,626,134
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	2,193,100	3,568,393	984,186
(Benefit from) provision for deferred tax	(9,466,574)	2,576,420	(5,370,819)
Provision for (benefit from) bad debts	2,285,332	11,126,500	(4,634,750)
Stock-based compensation	55,409	-	-
Non-cash charge associated with the Series C issuance	23,813,721	-	-
Provision for loss on contracts	-	(177,148)	(501,465)
Non-cash compensation expense	-	-	(455,559)
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	17,219,171	(75,223,804)	59,995,838
Decrease (increase) in prepaid and deferred expenses	348,790	(274,984)	3,240,693
(Increase) decrease in other current assets	(559,657)	895,570	(394,788)
(Increase) decrease in natural gas storage	(222,279)	(338,642)	298,940
Decrease (increase) in security and energy deposits	1,569,442	555,305	(1,259,208)
(Increase) decrease in other long-term assets	(10,502)	65,489	1,051,581
(Decrease) increase in accounts payable and accrued expenses	(36,862,123)	48,108,842	(64,235,586)
Increase (decrease) in commodity imbalance	2,405,045	(12,320,571)	993,801
(Decrease) increase in taxes payable	(4,069,990)	5,470,327	229,613
Increase in other current liabilities	3,807,155	1,500,822	330,675
Decrease in other long-term liabilities	-	-	(87,500)
Decrease in long-term taxes payable	-	-	(385,494)
Increase (decrease) in loan payable - related party	4,120	(2,352)	216
Net cash provided by (used in) operating activities	<u>2,557,161</u>	<u>1,276,624</u>	<u>1,426,508</u>
Cash flows from investing activities			
Purchase of property and equipment	(862,276)	(634,441)	(591,149)
Customer acquisition costs	(1,372,968)	(524,803)	(1,587,827)
Cash paid in acquisitions	-	-	(600,000)
Net cash used in investing activities	<u>(2,235,244)</u>	<u>(1,159,244)</u>	<u>(2,778,976)</u>
Cash flows from financing activities			
Issuance costs associated with Series C	(86,655)	-	-
Net cash used in financing activities	<u>(86,655)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	235,262	117,380	(1,352,468)
Cash, beginning of year	680,255	562,875	1,915,343
Cash, end of year	<u>\$ 915,517</u>	<u>\$ 680,255</u>	<u>\$ 562,875</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for			
Income taxes	\$ 13,329,487	\$ 857,870	\$ -
Interest	3,038,496	8,634,416	7,582,717