

*These are the comments made by the Receiver during Court hearings on Monday March 31, 2008 on the Retention of Counsel and Sale Process. The Court granted the Retention Order for Day Pitney and adjourned the hearing on the Sale Motion, after all parties were heard, to work out a process for the phased sale of various assets of F&S.*

*A transcript of this proceeding and the comments of counsels for the Receiver, Citizen's Bank and the Attorney General are a matter of public record.*

*Copies of the Motions are or soon will be posted on this web site.*

*Copies of the related orders will be posted once available.*

16 days ago on a Friday afternoon, I (as the Receiver) first arrived at the F&S Oil facilities in Waterbury. There was no sign of life at the facility just one week after the Company abruptly shut down leaving 12,000 customers literally out in the cold. Within an hour of my arrival, the building had run out of propane to heat it. In a rapid debriefing with two Company representatives, I learned there had been five possible acquirers but that time had run out with out anyone able to make a deal and obtain bank approval. All of these offers allegedly insisted the Bank suffer substantial losses and write-down on monies it loaned to the Company.

Through the weekend, I tried to obtain and/or review every source of information and historical record; I could place my hands on and by Monday AM believed we might have a chance of restarting the Company and resuming oil deliveries and service. My thoughts were brief lived as I learned that the Bank did not intend to fund an operation with new management and that other lenders/lessors had repossessed many assets apparently due to recent adverse financial conditions. I had no choice but to acquiesce to

the overwhelming evidence that this company lacked the necessary financial partners to make another go of it in its present configuration.

In sixteen days since the commencement of the Receivership, we have faced and managed chaos in the form of but not limited to:

- Business and individual customers running out of oil,
- Significant employee wage, benefit and human resources issues including denial of coverage by their health insurance carrier,
- Investigations commenced by the State of Ct via the Attorney General and Department of Consumer Protection,
- Citizen's Bank who has exhibited a zealous effort to minimize any investigation and recover any assets as fast as they can,
- Refusal by Citizen's Bank to provide the Receiver with copies of a forensic exam performed in February, 2008 and asset audits performed in the course of the bank's relationship with the Company,
- Company trust fund liabilities that have yet to be measured for federal and state revenue services,
- Public and private allegations of skullduggery by some of the former Executives of the Company,
- Missing computers with key financial information resulting from an alleged robbery in the company in the days after it shut down,
- Assets including customer lists in the hands of some former employees that needed to be identified and recovered,
- Lessors of company assets or locations changing locks and prohibiting the Receiver from access to company leased spaces, files, furniture, computers and/or perhaps first class mail and company oil inventory,
- A distinct lack of current records due to two years of poor record keeping and failure to complete appropriate financial or tax reporting,
- An investment in an alleged state of the art biodiesel plant that rumors suggest could be 85% or more complete
- An extensive list of creditors, who had delivered their goods and / or services with the promise of being paid but currently have sums of money still due and owing,

- 3-4,000 well intentioned customers who prepaid the Company for service contracts and oil purchases,
- A cooperative stockholder of the Company who has assisted whenever asked in helping the Receiver identify or recover assets,
- An oil company competitor who set up an internet domain name using the name of one of the Companies (Village Oil) with a direct link for F&S Oil customers to access its direct web site.
- Despite regular promises, Citizens Bank did not provide an inventory of assets (to be sold) until Friday morning March 28 (three days ago) and now seeks to drive an accelerated sale process on limited or inadequate information,
- Solicitation of more than 600 prospective asset purchasers and compilation of more than 75 expressions of interest by prospective buyers,
- A press corps and news media illuminating every issue to generate a high level of public emotion and interest and
- Finally, a bank, Citizens, who keeps representing that they wish to see the Receiver and counsel to the receiver paid out of the assets recovered and sold by the Estate yet keeps asking for new calculations of budgets and action steps to minimize or neutralize the Receiver's effort and professional work to comply with the Court's order. The bank continues to telegraph or state they do not want the Receiver to investigate their activities or other actions as required by our Court order.

To date, the Receiver and his colleagues have completed more than 137 tasks in just under 300 professional hours working seven days a week to identify and maximize assets for the Estate, including:

- Fact investigation
- Asset investigation, recovery and cataloguing
- Accounts receivable collection and recovery
- Preliminary forensics -- financial, computers and data
- Budget and funding negotiations
- Consumer issues

- Operations review and understanding
- Deal with facilities issues
- Coordinate and facilitate the Sale Process
- Attend to General Receivership Matters
- Handle Human resources issues
- Ensure Records identification and retention
- Coordinate all tasks with Bank, DCP and AG

In my cash forecast for the next seven weeks, we are predicting revenues of approximately \$230,000 essentially from the collection of accounts receivable. During that same period, we are projecting operating expenses of \$182,000. Depending on today's motions in front of the Court along with subsequent ones, there may be a need for additional operating expenses for the Receiver to pay for the costs of communication and mailings. The Receiver and Attorney for the Receiver are operating this Estate on an extremely limited budget. For the next seven weeks ending phase one of our assignments and I hope resulting in a consummated sale of many of the Assets of the Estate, I have requested the bank to allow for \$237,000 and \$125,000 for the Receiver and Counsel for the Receiver respectively. The bank has not agreed to this.

In fact, I have prepared a Receiver's budget for the Estate itemizing approximately two hundred plus tasks to be completed within twelve months aggregating approximately 2000 hours. Immediately, I see approximately 1700 hours necessary for the Estate to recover and sell assets and perform all tax-required tasks of compliance. The bank has suggested that the Receiver should not worry about utility bills or leases of various assets or properties presuming a prospective buyer will cure defaults or abandon

them. Those steps are appropriate in a liquidation but I suggest may not be appropriate to selling a business enterprise as a whole. The Receiver faces and juggles those decisions daily as the Receiver tries to operate the estate in an efficient manner.

While we do not know for certain what the sale of assets will add to the value of the estate due to the complex nature of the business and assets as well as pending evaluation of the biodiesel plant, we seek the Court's guidance in how the Receiver and Counsel for the Receiver should proceed to comply with the orders of the Court as well as be paid for our enthusiastic effort to recover and maximize the value of the Estate for all parties in interest.

The Receiver and Counsel for the Receiver have requested the Bank to approve a seven-week budget approximating \$360,000 for professional services. We recognize that our fees will be subject to Court approval for reasonableness. We also recognize that this may be the first of additional requests in front of the court as we work to maximize the value of the Estate.