Consolidated Financial Statements

NORESCO, LLC and Subsidiaries
Years Ended December 31, 2005 and 2004
With Report of Independent Auditors

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Years Ended December 31, 2005 and 2004

Contents

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Report of Independent Auditors

The Shareholder
NORESCO, LLC and Subsidiaries

We have audited the accompanying consolidated balance sheets of NORESCO, LLC and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, common stockholder equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included 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 financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NORESCO, LLC and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

May 15, 2006

NORESCO, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(Thousands)

	2005 (Successor)	2004 (Predecessor)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,591	$ 64,496
Accounts receivable (less accumulated provision for doubtful accounts of $613 and $1,500, respectively)	22,094	23,152
Unbilled revenues	82,183	103,155
Inventory	161	121
Prepaid income taxes	–	10,996
Prepaid expenses and other	81	385
Total current assets	106,110	202,305
Equity in nonconsolidated investments	88	3,315
Property, plant, and equipment, net	4,042	4,656
Deferred and other assets:		
Deferred income taxes	1,024	11,924
Goodwill and intangibles	55,326	51,656
Other	17,094	21,494
Total deferred and other assets	73,444	85,074
Total assets	$183,684	$295,350
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,880	$ 582
Accounts payable	14,869	18,095
Accounts payable to affiliated companies, net	–	9,035
Notes payable to affiliated companies, net	–	20,673
Accrued income taxes	111	–
Current portion of project financing obligations	18,236	31,329
Other current liabilities	5,899	5,349
Total current liabilities	41,995	85,063
Long-term debt	39,418	1,335
Deferred and other credits:		
Project financing obligations	55,591	73,281
Other	9,746	22,366
Total deferred and other credits	65,337	95,647
Common stockholder equity	36,934	113,305
Total liabilities and stockholder equity	$183,684	$295,350

See notes to consolidated financial statements.

NORESCO, LLC AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
YEARS ENDED DECEMBER 31,
(Thousands)

	2005 (Predecessor)	2004 (Predecessor)
Energy service contract revenues	$144,787	$146,426
Energy service contract cost	106,966	107,090
Net operating revenues	37,821	39,336
Operating expenses:		
Selling, general and administrative	23,733	23,403
Depreciation and amortization	998	987
Total operating expenses	24,731	24,390
Operating income	13,090	14,946
Equity earnings (losses) from nonconsolidated investments:		
Impairment in nonconsolidated investments	–	(39,590)
Other	44	1,152
Total equity earnings (losses) from nonconsolidated investments	44	(38,438)
Minority interest expense	934	976
Interest expense	4,544	4,374
Income (loss) before income tax provision (benefit)	7,656	(28,842)
Income tax provision (benefit)	1,635	(10,960)
Net income (loss)	$ 6,021	$ (17,882)

See notes to consolidated financial statements.

NORESCO, LLC AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDER EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Thousands)

	Common Stock			
	Shares Outstanding	**No Par Value**	**Retained Earnings/ (Deficit)**	**Common Stockholder Equity**
Balance, December 31, 2003 (Predecessor)	–	$143,714	$(20,527)	$123,187
Contributions from affiliated companies	–	8,000	–	8,000
Net loss	–	–	(17,882)	(17,882)
Balance, December 31, 2004 (Predecessor)	–	151,714	(38,409)	113,305
Net income	–	–	6,021	6,021
Elimination of Historical Equity due to acquisition	–	(151,714)	32,388	(119,326)
Capital contribution from affiliate to fund purchase price	–	76,934	–	76,934
Return of capital to affiliated company	–	(40,000)	–	(40,000)
Balance, December 31, 2005 (Successor)	–	$ 36,934	$ –	$ 36,934

See notes to consolidated financial statements.

NORESCO, LLC AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
YEARS ENDED DECEMBER 31,
(Thousands)

	2005 (Predecessor)	2004 (Predecessor)
Cash flows from operating activities:		
Net income (loss)	$ 6,021	$(17,882)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	998	987
Impairment in nonconsolidated investments	–	39,590
Amortization of construction contract costs	961	1,675
Gain on sale of nonconsolidated investments	(172)	–
Provision for losses on accounts receivable	351	388
Minority interest	934	976
Change in undistributed earnings from nonconsolidated investments	(44)	(1,152)
Deferred income taxes	(478)	(3,354)
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues	(36,006)	(51,393)
Accounts receivable from (accounts payable to) affiliated companies	(9,035)	19,722
Inventory	(40)	(24)
Prepaid expenses and other	33	162
Accounts payable	(3,389)	(245)
Other accrued liabilities	111	(7,763)
Other – net	8,978	(32,314)
Total adjustments	(36,798)	(32,745)
Net cash used in operating activities	(30,777)	(50,627)
Cash flows from investing activities:		
Capital expenditures	(465)	(538)
Distributions from nonconsolidated investments	44	980
Proceeds from sale of nonconsolidated investments	3,000	–
Net cash provided by investing activities	2,579	442
Cash flows from financing activities:		
Loans against construction contracts	26,934	50,394
Return of capital to affiliated company	(40,000)	–
Cash distribution to former parent company	(41,349)	–
Repayments of long-term debt	(582)	(532)
Proceeds from long-term debt	40,963	–
Contributions from affiliates	–	8,000
Change in notes payable to affiliates	(20,673)	(1,428)
Net cash provided by financing activities	(34,707)	56,434
Net change in cash and cash equivalents	(62,905)	6,249
Cash and cash equivalents, beginning of period	64,496	58,247
Cash and cash equivalents, end of period	$ 1,591	$ 64,496
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 4,555	$ 4,059
Income taxes, net of refunds	$ 7,953	$ 3,219

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Business: NORESCO, LLC (the Company or Noresco) provides an integrated group of energy-related products and services that are designed to reduce its customers' operating costs and improve their energy efficiency. The Company's activities are comprised of performance contracting, energy efficiency programs, combined heat and power and central boiler/chiller plant development, design, construction, ownership and operation. The Company's customers include governmental, military, institutional, commercial and industrial end-users.

On December 30, 2005, the Company was acquired by a fund managed by GFI Energy Ventures LLC (GFI) from Equitable Resources, Inc. (Equitable). The Company was sold (GFI Transaction) for $82 million before purchase price adjustments of $5.1 million. The sales price is also subject to future purchase price adjustments per the terms of the agreement. The effect of GFI's acquisition of the Company was recognized in the accompanying consolidated financial statements. Additionally, the accompanying financial statements have been presented on a Predecessor and Successor basis. The Predecessor financial statements represent the Company's financial statements prior to the GFI transaction. The Successor financial statements represent the Company's financial statements subsequent to the GFI transaction. As the acquisition occurred on December 30, 2005, there was no income statement activity under GFI ownership. The consolidated balance sheet at December 31, 2005 reflects the fair value of assets and liabilities acquired by GFI – see Note 3.

Principles of Consolidation: The consolidated financial statements include the accounts of NORESCO, LLC and all subsidiaries, ventures and partnerships in which a controlling equity interest is held. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company, in most instances, utilizes the equity method of accounting for companies where its ownership is less than or equal to 50% and significant influence exists.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. These investments are accounted for at cost, which approximates fair value due to the short maturity of the investments. Interest earned on cash equivalents is included as a reduction of interest charges.

Property, Plant, and Equipment: Property, plant, and equipment is carried at cost and depreciation is calculated using the straight-line method based on estimated service lives. This property consists largely of buildings (35 year estimated service life), office equipment (3-7 year estimated service life), vehicles (5 year estimated service life), and computer and telecommunications equipment and systems (3-7 year estimated service life).

Planned major maintenance projects that do not increase the overall life of the related assets are expensed. When the major maintenance materially increases the life or value of the underlying asset, the cost is capitalized.

Capitalized Interest: Interest costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. Interest costs during 2005 and 2004 totaling $0.3 million and $0.3 million, respectively, were capitalized as a portion of the cost of the related long-term assets.

Goodwill: Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets (tangible and intangible) acquired. Goodwill is required to be evaluated for impairment on an annual basis according to SFAS No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). The Statement requires that a two-step process be performed to analyze whether or not goodwill has been impaired. Step one requires that the fair value be compared to book value. If the fair value is higher than the book value, no impairment is indicated and there is no need to perform the second step of the process. If the fair value is lower than the book value, step two must be evaluated. Step two requires that a hypothetical purchase price allocation analysis be done to reflect a current book value of goodwill. This current value is then compared to the carrying value of goodwill. If the current fair value is lower than the carrying value, an impairment must be recorded. Annually, the goodwill is tested for impairment in the fourth quarter. There were no impairments identified during 2005 and 2004.

Impairment of Long-Lived Assets: In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement No. 144), whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the Company reviews its long-lived assets for impairment by first comparing the carrying value of the assets to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. If the carrying value exceeds the sum of the assets' undiscounted cash flows, the Company estimates an impairment loss by taking the difference between the carrying value and fair value of the assets.

Revenue Recognition: The Company recognizes revenue and profit from long-term contracts, including turnkey energy savings performance contracts, using the percentage of completion method of accounting. The percentage of completion method measures the percentage of contract costs incurred to date to the estimated total contract costs for each contract. Contract costs include all direct material, labor, subcontract costs and those indirect costs related to contract performance. Selling, general and administrative costs are charged to expense as incurred. Revenue from contract change orders and claims is recognized when settlement is probable and the amount can be reasonably estimated. Costs and estimated profits in excess of billings are classified as a current asset. Amounts billed in excess of costs and estimated profits are classified as a current liability. The Company follows this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. However, due to uncertainties inherent in the estimation process, actual results could differ from those estimates. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of the contract, recognized revenues and profit are subject to revisions as the contract progresses to completion. The revenue recognized on contracts is not related to progress billings to customers. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. Accordingly, favorable changes in estimates result in additional profit recognition, and unfavorable changes in estimates result in the reduction of previously recognized revenue and profits. The accuracy of the gross margins the Company reports for contracts is dependent upon various judgments it makes with respect to its contract performance, its cost estimates, and its ability to recover additional contract costs through change orders or claims. When estimates indicate a loss under a contract, cost of sales is charged with a provision for such loss in the period in which such losses are identified. As work progresses under a loss contract, revenues continue to be recognized, and a portion of the contract costs incurred in each period is charged to the contract loss reserve.

Balances billed but not paid by customers under retainage provisions in contracts were not significant at December 31, 2005 and December 31, 2004. There were no significant amounts representing sales value of performance that had not been billed and were not billable to customers at December 31, 2005 and December 31, 2004. Noresco had unbilled amounts representing claims that are subject to uncertainty concerning their ultimate realization. The amount of these claims were $3.0 million and $2.6 million at December 31, 2005 and 2004, respectively.

With certain projects, the Company enters into shared energy savings contracts to provide sustained levels of energy savings to its customers. The terms of the project are defined by an energy services agreement between the Company and the customer. Once completed, these projects will earn revenue from the customer based on the measurement formulas established in the energy services agreement. The Company recognizes revenue from shared energy savings contracts as energy savings are measured and verified, in accordance with the established measurement formulas.

Revenue received from customer contract termination payments is recognized when received. Any maintenance revenues are recognized as related services are performed.

Sales of Receivables: The Company enters into construction contracts with governmental and institutional counterparties whereby those counterparties finance the construction directly with the Company at prevailing market interest rates. In order to accelerate cash collections and manage working requirements, the Company transfers these contract receivables due from customers to financial institutions. The transfer price of the contract receivables is based on the face value of the executed contract with the financial institution. The gain or loss on the sale of contract receivables is the difference between the existing carrying amount of the financial assets involved in the transfer and the transfer price of the contract with the financial institution.

Certain of these transfers do not immediately qualify as "sales" under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (Statement No. 140). For the contract receivables that are transferred and still controlled by the Company, a liability is established to offset the cash received from the transfer. This liability is recognized until control has been surrendered in accordance with Statement No. 140, as the cash received by the Company can be called by the financial institution at the time it is determined that control will not be surrendered. The Company derecognizes the receivables and the liabilities when control has been surrendered in accordance with the criteria provided in Statement No. 140. The Company does not retain any interests in the contract receivables once the sale is complete. As of December 31, 2005, the Company had recorded a current liability of $18.2 million classified as current portion of project financing obligations and a long-term liability of $55.6 million classified as project financing obligations on the Consolidated Balance Sheet. The current portion of project financing obligations represents transfers for which control is expected to be surrendered, and cash could be called, within one year. The related assets are classified as unbilled revenues as construction progresses and as other assets upon completion of construction.

For the year ended December 31, 2005, approximately $62.3 million of the contract receivables met the criteria for sales treatment generating a recognized gain of $1.3 million. The derecognition of the $62.3 million in receivables and the related liabilities was considered a noncash transaction and is consequently not reflected in the Statement of Consolidated Cash Flows.

Investments: Investments in companies in which the Company has the ability to exert significant influence over operating and financial policies (generally 20% to 50% ownership) are accounted for using the equity method. These investments are classified as equity in nonconsolidated investments on the Consolidated Balance Sheets. Under the equity method, investments are initially recorded at cost and adjusted for dividends and undistributed earnings and losses. A loss in the value of an equity method investment is recognized when the loss is determined to be other than temporary in accordance with Accounting Principles Board No. 18, "The Equity Method of Accounting for Investments in Common Stock" (APB 18). The Company analyzes its equity method investments based on its share of estimated future cash flows from the investment to determine whether the carrying amount will be recoverable.

Income Taxes: Historically, the Company has been included in the consolidated federal income tax return of Equitable. The consolidated federal income tax provision is allocated among the groups' members on a separate return basis with tax credits allocated to those members that generated the credits. The current provision for income taxes represents amounts paid or estimated to be payable, net of amounts refunded or estimated to be refunded. Current federal income tax balances of all subsidiary companies are settled with Equitable, which makes all consolidated tax payments. Subsequent to the GFI transaction, the Company will no longer be included in the consolidated federal income tax return of Equitable. Accordingly, the Company's federal income tax provision may change in the future as compared to prior periods. State tax provisions of subsidiaries are determined based upon applicable state statutes. Any refinements to prior years' taxes made due to subsequent information are reflected as adjustments in the current period. Deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities in accordance with SFAS No. 109, "Accounting for Income Taxes" (Statement No. 109), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of such temporary differences. Statement No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Allowance for Doubtful Accounts: Judgment is required to assess the ultimate realization of the Company's accounts receivable, including assessing the probability of collection and the creditworthiness of certain customers. Reserves for uncollectible accounts are recorded as part of selling, general and administrative expense on the Statements of Consolidated Income. The reserve is based on historical experience, current and expected economic trends, and specific information about customer accounts. Accordingly, actual results may differ from these estimates under different assumptions or conditions.

Reclassification: Certain previously reported amounts have been reclassified to conform to the 2004 presentation. These reclassifications did not affect reported net income.

2. Property, Plant, and Equipment

The Company's property, plant, and equipment consists of the following:

	December 31,	
	2005 (Successor)	2004 (Predecessor)
	(Thousands)	
Leasehold improvements	$ 230	$ 636
Office equipment	828	3,431
Other equipment	111	489
Power generation facility	2,873	7,251
Accumulated depreciation	–	(7,151)
Property, plant, and equipment, net	$4,042	$4,656

3. Goodwill and Intangible Assets

As a result of the acquisition of the Company, a purchase price allocation analysis was performed in accordance with Statement of Financial Accounting Standard No. 141, "Business Combinations" (SFAS No. 141). Under SFAS No. 141, all assets should be recorded on the financial statements at fair value. Goodwill is recorded to the extent that there is excess purchase price over the net fair values of the amounts assigned to assets acquired (tangible and intangible) and liabilities assumed. The purchase price allocation is preliminary and a final determination of required purchase accounting adjustments will be made upon the finalization of the fair value of certain acquired assets and liabilities. The resulting goodwill will not be deductible for tax purposes. The following presents the preliminary allocation of the purchase price:

Current assets	$106,110
Property, plant, and equipment	4,042
Intangible assets	6,095
Goodwill	49,231
Other long-term assets	17,047
Current liabilities	(39,556)
Long-term debt	(698)
Other long-term liabilities	(65,337)
Cash paid	76,934
Less cash acquired	1,591

Cash paid, net of cash acquired	$ 75,343

The following table presents the identifiable intangible assets recorded:

	Amount	Weighted Average Amortization Period (Years)
Trademark	$ 382	Indefinite
Customer backlog	5,713	5.3
Total	$6,095	

4. Other Assets

The Company's other assets consist of the following:

	December 31, 2005 (Successor)	December 31, 2004 (Predecessor)
	(Thousands)	
Deferred revenue	$1,380	$1,970
Lease receivable	6,692	6,780
Capitalized project costs	2,166	5,106
Deferred emission reduction credits	1,423	1,897
Deferred development costs	3,204	3,660
Deferred financing costs	1,157	–
Other	1,072	2,081
Total other assets	$17,094	$21,494

In June 2001, Noresco entered an agreement to construct a chiller water plant and oversee operations for the next 20 years. The repayment of this lease receivable will be complete in December 2021.

5. Other Current Liabilities

The Company's other current liabilities consist of the following:

	December 31, 2005 (Successor)	December 31, 2004 (Predecessor)
	(Thousands)	
Accrued wages	$2,304	$2,945
Warranty reserve	682	561
Other	2,913	1,843
Total other current liabilities	$5,899	$5,349

6. Income Taxes

The following table summarizes the source and tax effects of temporary differences between financial reporting and tax bases of assets and liabilities:

	December 31,	
	2005 (Successor)	2004 (Predecessor)
	(Thousands)	
Long-term contract account	$2,251	$ 1,769
Tax depreciation in excess of book depreciation	(136)	(393)
Deferred revenues/expenses	641	1,394
Impaired assets	–	6,728
Reserves	105	221
Uncollectible accounts	292	594
Assigned intangible asset values in excess of tax basis	(2,000)	–
Other	(129)	1,611
Total	$1,024	$11,924

Income tax expense (benefit) is summarized as follows:

	December 31,	
	2005 (Predecessor)	2004 (Predecessor)
	(Thousands)	
Current:		
Federal	$ 909	$(9,092)
State	1,204	402
Foreign	–	1,084
Subtotal	2,113	(7,606)
Deferred:		
Federal	635	162
State	(1,113)	475
Foreign	–	(3,991)
Subtotal	(478)	(3,354)
Total	$1,635	$(10,960)

Provisions for income taxes differ from amounts computed at the federal statutory rate of 35% on pretax income. The reasons for the difference are summarized as follows:

	December 31, 2005 (Predecessor)	December 31, 2004 (Predecessor)
	(Thousands)	
Tax at statutory rate	$2,680	$(10,094)
State income taxes	91	570
Foreign tax differences	–	(1,140)
Federal tax credits and incentives	(1,397)	–
Other	261	(296)
Income tax (benefit)	$1,635	$(10,960)

During 2005, following a moratorium imposed by the IRS for claiming any research and development tax credits, the Company completed an analysis of its research and development expenditures for the fiscal years from 2001 through 2005. This analysis resulted in a federal tax credit that generated a benefit of approximately $1.4 million in the accompanying December 31, 2005 consolidated income statement.

In December 2004, the Company repatriated $3.9 million of offshore earnings related to several international infrastructure projects. Under the American Jobs Creation Act of 2004, this dividend will be taxed at an effective tax rate of approximately 6% instead of the statutory tax rate of 35%. Deferred taxes had previously been provided on these earnings at the higher tax rate.

7. Equity in Nonconsolidated Investments

The Company has ownership interests in various nonconsolidated investments that are accounted for under the equity method of accounting. The following table summarizes the Company's equity in nonconsolidated investments.

Investees	Location	Interest Type	Ownership	December 31, 2005 (Successor)	December 31, 2004 (Predecessor)
				(Thousands)	
Compania Hidroelectrica Dona Julia, S.D.R. Ltd	Costa Rica	Limited	24%	$ –	$2,828
EQT IP Ventures, LLC	USA	Limited	33%	–	384
Other	USA	Limited	Various	88	103
Total equity in nonconsolidated investments				$88	$3,315

The Company did not make any additional equity investments in nonconsolidated investments during 2005 or 2004 and has a total cumulative investment in nonconsolidated entities of $88,000 as of December 31, 2005.

Certain projects were conducted through nonconsolidated entities that consisted of private power generation facilities located in select international locations. During the second quarter of 2004, several negative circumstances caused the Company to revisit its international investments for additional impairments and to accelerate its plans to exit the international generation business. Changes in pricing in the electricity power market in Panama during the second quarter of 2004 negatively impacted the outlook for operations of IGC/ERI Pan Am Thermal Generating

Limited (Pan Am), a Panamanian electric generation project. As a result, the Company performed an impairment analysis of its equity interest in this project. This involved preparing a probability-weighted cash flow analysis using the undiscounted future cash flows and comparing this amount to the book value of the equity investment. The probability-weighted cash flows resulted in a lower fair value than the carrying value, and an impairment was deemed necessary. An impairment of $22.1 million was recorded in the second quarter of 2004 and represents the full value of the Company's equity investment in the project. Pan Am was not part of the GFI Transaction and accordingly is not included in the balance sheet at December 31, 2005.

During the second quarter of 2004, the Company also reviewed its investment in Compania Hidroelectrica Dona Julia, S.D.R. Ltd. (Dona Julia), a Costa Rican electric generation project, as the investment was being actively marketed for sale. Based on the analysis performed on the sales value of the investment, the Company recorded an impairment charge of $2.8 million to write down the investment to its fair value less costs to sell. Following the impairment, the investment in Dona Julia was considered held for sale. The investment was included in equity in nonconsolidated investments on the Consolidated Balance Sheet at December 31, 2004. In the first quarter of 2005, the Company sold its interest in Dona Julia for $3.0 million and recorded a gain of $170,000.

Additional impairment charges of $15.3 million were also recorded in the second quarter of 2004 for total impairment charges of $40.2 million. The additional charges related to various costs and obligations related to exiting the Company's investments in international power plant projects. Included in these charges was a liability for loan guarantees in the amount of $5.8 million in support of a 50% owned nonrecourse financed energy project known as Pan Am. The impairment charges were reviewed during the fourth quarter of 2004 and reduced by $0.6 million. The entire impairment charge has been included in impairment on nonconsolidated investments on the Statement of Consolidated Income for the year ended December 31, 2004. The Company's investments in international power plant projects were not part of the GFI Transaction and, accordingly, are not included in the accompanying consolidated balance sheet at December 31, 2005.

The Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46) for variable interest entities created or acquired prior to February 1, 2003 as of July 1, 2003. The adoption of FIN No. 46 required the consolidation of Plymouth Cogeneration LP's (Plymouth) financial position, results of operations and cash flows as of July 1, 2003, as the Company is the primary beneficiary of Plymouth. In December 2003, the FASB issued a revision to FIN No. 46 (FIN No. 46R) that modified some of the provisions of FIN No. 46 and provided exemptions to certain entities from the original guidance. The Company adopted FIN No. 46R in the first quarter of 2004. The adoption of FIN No. 46R required the Company to deconsolidate Plymouth as of January 1, 2004, due to certain modifications of the original FIN No. 46 provisions. This deconsolidation returned Plymouth to the equity method of accounting for investments. The Company restored the equity investment in Plymouth of $0.1 million and decreased minority interest by $0.6 million in the Consolidated Balance Sheet. As of January 1, 2004, $4.9 million of assets and $4.9 million of liabilities, including nonrecourse debt of $4.0 million, were removed from the Consolidated Balance Sheet. The investment in Plymouth is included in "Other" in the table above.

EQT IP Ventures, LLC (EQT-IP) owns and manages intellectual property, predominantly service marks, trademarks and trade names. EQT-IP licenses this intellectual property to affiliates of EQT-IP under licensing agreements entitling the affiliates to utilize the intellectual property in exchange for the payment of quarterly licensing fees. An affiliate of the Company owned directly by Equitable Resources, Inc. holds a 1% Class A equity interest and a 33% Class B equity interest in EQT-IP. The 1% Class A interest includes managing member rights and this affiliate manages the operations of EQT-IP. Another affiliate of the Company holds a 33% Class C equity interest. The Company holds a 33% Class D equity interest in EQT-IP. As part of the acquisition of the Company by GFI, the investment in EQT-IP was dissolved and the value of the asset removed during purchase accounting.

8. Long-Term Debt

	December 31,	
	2005 (Successor)	2004 (Predecessor)
	(Thousands)	
Hunterdon long-term debt	$1,335	$1,917
Term loans	40,000	–
Revolving credit facility	963	–
	42,298	1,917
Less current portion of long-term debt	2,880	582
Total long-term debt	$39,418	$1,335

Interest expense on outstanding debt amounted to $0.1 million in 2005 and $0.2 million in 2004. Aggregate maturities of outstanding debt, are $2.9 million in 2006 and $4.6 million in 2007, $3.9 million in 2008, $3.9 million in 2009 and $27.0 million thereafter.

To finance the acquisition, the Company obtained financing from General Electric Capital Corporation (GE Capital) in the form of two term loan notes. The first being a $20 million note with an interest rate based on prime rate plus 175 basis points or LIBOR plus 250 basis points. The rate is selected by the Company and fixed for a specified period of time, and reset at the end of that period. As of December 31, 2005, the rate was 9.0% based upon prime rate plus 175 basis points. The second is a $20 million note with an interest rate based on prime rate plus 325 basis points or LIBOR plus 400 basis points. The rate is selected by the Company and fixed for a specified period of time, and reset at the end of that period. As of December 31, 2005, the rate was 10.5% based upon prime rate plus 325 basis points. Both term loans are due in full on December 31, 2010. As part of the financing arrangement, the Company has pledged a substantial amount of its assets. The Company was in compliance with all debt covenants pertaining to both term loan notes at December 31, 2005.

During the year ended December 31, 2005, the Company entered into a revolving credit facility agreement with a maximum borrowing capacity of $15.0 million. The Company had drawn $963,394 against this facility on December 30, 2005 which represents the only borrowing against this facility during the year ended December 31, 2005. This amount was repaid in January 2006, and is included in current portion of long-term debt in the accompanying consolidated balance sheet. The interest rate for the credit facility at December 31, 2005 was 9.75% based upon prime rate plus 250 basis points. The Company was in compliance with all debt covenants pertaining to the revolving credit facility at December 31, 2005.

9. Employee Benefit Plans

Expense recognized by the Company related to its 401(k) employee savings plans totaled $0.8 million in 2005 and $0.8 million in 2004.

10. Concentrations of Credit Risk

The Company's operating revenues and related accounts receivable are generated from performance contracts with federal, state, and local government, institutional customers throughout the United States and cogeneration and power plant facilities in several U.S. markets.

The Company is not aware of any significant credit risks that have not been recognized in provisions for doubtful accounts.

11. Commitments and Contingencies

There are various claims and legal proceedings against the Company arising from the normal course of business. Although counsel is unable to predict with certainty the ultimate outcome, management and counsel believe that the Company has significant and meritorious defenses to pending claims and intends to pursue them vigorously. The Company has established reserves for that litigation, which it believes are adequate, and therefore believes that the ultimate outcome of any matter currently pending against the Company will not materially affect the financial position of the Company. The reserves recorded by the Company do not include any amounts for legal costs expected to be incurred. It is the Company's policy to recognize any legal costs associated with any claims and legal proceedings against the Company's continuing operations as they are incurred.

12. Transactions with Affiliated Companies

The Company, in the ordinary course of business, had transactions with affiliated companies of Equitable Resources, Inc. Equitable provided certain financial, administrative and licensing services for all of its subsidiaries. The cost for such services billed to the Company totaled $4.1 million during 2005 and $3.8 million during 2004. Subsequent to the GFI transaction, these services will no longer be provided by Equitable. Accordingly, the cost incurred for these services in the future may change compared to prior periods.

At December 31, 2004, the Company had demand notes due to EQT Capital Corporation, an affiliate of the Company, of $25.2 million and has demand notes due from Equitable totaling $4.5 million. The interest rate on all of these notes is variable and fluctuates based upon short-term interest rate changes. The demand note was repaid prior to the acquisition of the Company by GFI.