

Report
of
Vernon T. Jones, Jr.

Special Master
W Financial Group

July 23, 2008

This report is divided into three sections and includes an addendum detailing a prior affidavit filed with this Court.

I. Collections to Special Master Account

The current balance in the Special Master W Financial Group, LLC account is \$3,615,107.75. Deposits have been made to the account as follows:

<u>Date</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Description</u>
4/4/08	\$474,040.93	W Custom Builders	Proceeds of home sale that occurred 4/1
4/14/08	\$650,000.00	National Power Co.	Protect excess working capital from use in NPC's failing business by agreement with defendant counsel
4/28/08	\$128,000.00	Texas Auto Pros	Proceeds of auto and loan sales
5/5/08	\$1,000,000.00	UNKNOWN	Transaction of National Power Co.
5/5/08	\$280,000.00	Texas Auto Pros	Proceeds of high quality auto loan sales
5/16/08	\$70,000.00	Texas Auto Pros	Unexplained
6/12/08	\$2,600.00	UNKNOWN	UNEXPLAINED
6/13/08	\$511,418.39	W Custom Builders	Proceeds of home sale (does not reconcile with contracted sale price)
6/16/08	\$500.00	W Custom Builders	Proceeds of home sale
6/27/08	\$498,619.66	W Custom Builders	Proceeds of home sale (does not reconcile with contracted sale price)
07/03/08	\$168,445.64	Texas Auto Pros	Likely sale of loans & inventory (no accounting)

II. Assets Remaining of Those Listed in the Exhibit to the Agreed Special Master Order

While information provided by defendants has been limited, it is my understanding that the following assets remain in the control of W Financial Group for liquidation:

2506 Wheeler St. multi-unit rental^{1,2}

7 unimproved home lots

An unknown amount of inventory and loans of the Auto business

Death benefit life insurance policy

Modest cash balances

¹ not now actively marketed for unknown reasons, tax authority records indicates ownership to entity unrelated to W Financial Group

² not listed as an asset on exhibit to settlement letter between defendants and SEC dated 3/11/08, however the property has consistently been represented by defendants as controlled by W Financial for liquidation to the settlement process under the Special master Order

III. Comments

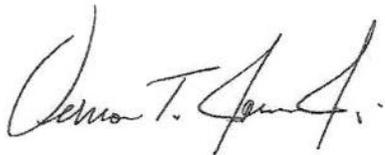
I attach the substance of my affidavit in support of the SEC motion to freeze assets and appoint a receiver made May 28, 2008. The affidavit explains the timeline and events of my work in this project with the numerous and continuing violations of the Special Master Order by the defendants.

Given a lack of hard accounting figures but based on liquidation estimates prepared by the defendants and adjusted for corrected assumptions and factual updates, I currently estimate that recovery will likely be no more than \$0.40 on the dollar for the investors of W Financial Group from on-hand funds and estimable assets and liabilities under the order.

A significant amount of residual value and cash may yet be available for recovery in the form of reasserting control over NPC. The defendants took a promissory note from the alleged buyer that could afford recovery of the stock of the company if unpaid, which is likely since the company has discontinued operations. A number of claims may exist against third parties related to power purchases and transportation services. The customers of NPC were transferred to a third party for a conditional fee that could total more than \$250,000. Someone, possibly the defendants, has been collecting the payments from customers made after the sham purchase transaction and subsequent demise of NPC. Those collections effectively represent money transferred from W Financial in propping up NPC in the weeks prior to the sham sale on May 1. Such collections could be expected to total as much as \$2.5 million. This is an example of exactly the type of recovery that could have been accomplished through an orderly shuttering plan for NPC had one been developed (as I requested) and acted on in April with greater certainty of results for the investors of W Financial.

Regrettably for the investors, this project has incurred significantly more time and professionals expense than I believe, or expected at the outset, was necessary for the orderly and good faith operation of the Special Master Order had the defendants performed as they committed.

Respectfully submitted this 23rd day of July 2008



Vernon T. Jones, Jr.

ADDENDUM

AFFIDAVIT of Vernon T. Jones, Jr.
In the Matter of Special Master of W Financial Group
Prepared May 28, 2008

Report of the liquidation of the assets of W Financial since Court Appointment

1. On Tuesday, April 1, 2008, I had a call with the defendants and their attorney to begin the project. The agenda was for them to provide an overview so that I could identify initial document requests and schedule an in person meeting for Thursday, April 3 after I had engaged counsel.
2. A limited number of documents were supplied by the defendants in timely fashion by email. On April 1, a closing occurred on the sale of a W Financial Group ("WFG") custom built home that day for a net \$474,040.93 and that money was transferred to the special master account when it became available Friday, April 4.
3. The initial in person meeting was held in the office of National Power Company ("NPC") in North Houston with the defendants, the special master and their respective counsels present. After covering the background information on the case from the defendants, we discussed the status of liquidation efforts already in progress.
4. It was established that there were four primary classes or groups of assets to sell; 1) National Power Company, a retail marketer of electric power in Texas (defendants' estimated value \$5 to 8 million), 2) a real estate and home building business with one rental and two nearly complete houses as well as seven unimproved lots in a subdivision of far North Houston (defendants' estimated value \$2.9-3.8 million), 3) Texas Auto Pros, a "buy here, pay here," low-end used car auto dealership on four leased lots in the Dallas area (defendants' estimated value \$2.0-2.4 million) and 4) a death benefit life insurance policy on an unrelated individual (defendants' estimated value \$250,000-350,000). Notably, the due date for bids in an outstanding process for the sale of NPC was the next Monday, April 7. We reviewed and discussed financial reports, NPC offering documents that had already been provided and reviewed budget reports with David Barrett, Sr. Accountant for NPC, who was offered as the person most knowledgeable of the financial books and records of the W Financial entities.
5. From my experience in the power retailing industry, it was immediately apparent there was a lack of industry background in the individuals running NPC (including its president, Richard Hunter), and the financial resources required to manage the operation. However, a credible sale representative was involved in marketing NPC and the expected respondents were known industry players. I decided to see through the results of the bids in four days. We scheduled a meeting at NPC for a "bid opening" on Tuesday, April 8.
6. I was told in the initial meeting that the remaining construction and materials to put the two unfinished houses in salable condition, including work done but not yet billed was \$30,000-50,000.
7. In the meeting it was disclosed that the wife of one of the defendants, Michael Wallens, Sr. was the listing real estate agent for the real estate properties. I

clarified with Jeff Norris of the SEC that this arrangement was certainly not in keeping with the spirit, if not the letter, of the agreed order appointing special master and that she should not benefit from any of the real estate transactions. Mr. Wallens Sr. stated that another arrangement would be put in place. Later he recommended (with my concurrence) that the listing would remain with her brokerage and that she handle the sales efforts without compensation.

8. The plan for liquidating Texas Auto Pros was discussed and agreed to be started immediately.
9. No bids were received for NPC on April 7. From my experience, a lack of bids by companies I knew were then making acquisitions of this type of operation indicated likely issues with the ability to assume NPC's sales obligations or legal issues. In the April 8 meeting, attended by the Company sale representative, Intelometry, we discussed alternate sale opportunities and the need for close management of daily operations to ensure the Company did not lose, or bleed, whatever remaining cash it had. An operation such as NPC will turn over \$2-2.5 million per month in accounts receivable and payable while making a relatively thin gross margin leaving little room for error in managing cash. I requested more information on the sales process to-date, detailed budgets for continued operation of the type required to manage the risks in such a company and an update of the "mark-to-market" calculation of the company's sales portfolio, a key indicator used in the industry to determine value. The mark to market was calculated by Intelometry as NPC did not have the resources to report this critical information. The defendants stated further investment was needed in NPC in the form of a "hedge" to lock in the value of the NPC sales contract portfolio to which I disagreed (pending the updated mark-to-market report).
10. Intelometry provided the updated mark to market on Friday, April 11 which showed that the value of NPC's sales portfolio was a negative \$1.75 million as of that week. This indication of company value had deteriorated substantially from a positive \$628,000 in the March 27 offering document, also calculated by Intelometry in February.
11. I determined from this information that the Company was not salable by industry standards and immediately notified the defendants it was my intention to inform the SEC and the Court of my conclusion and that NPC be shuttered to protect any investor cash that it might possess. I notified the defendants that I was particularly concerned that neither NPC nor WFG use investor funds to purchase the hedge, estimated by them to cost \$1 million. At this point I had no meaningful or reliable financial reporting on NPC beyond the status and activity in the bank accounts.
12. Over the weekend it was agreed that the defendants would voluntarily turn over \$650,000 to the special master account for its protection and retain a balance of approximately \$350,000 for working capital for NPC pending my review of sufficient financial reports to determine the appropriate level of working capital for NPC and for them to continue to pursue the several non-industry, private equity buyers they described to me as interested. The \$650,000 was transferred on Monday, April 14.
13. Over the next two weeks I was routinely asked about potential buyers and deals including having representatives of alleged buyers call me to pitch their deal structure needs in order to make an offer. In all cases I specified that my potential

- agreement to a transaction started with a written offer delineating all conditions for closing and basic information on the buyer's ability to perform.
14. The financial reports and budgets on NPC that were agreed to be provided for the refined determination of required working capital were never provided (though continually requested on the concern that cash was bleeding that otherwise would ultimately be available for the investors). Bank statements were provided for the various accounts at a couple of points in time.
 15. I repeatedly asked the defendants for a shuttering plan for NPC that included an evaluation of the liabilities such a shut down could create. I was told that NPC regulatory counsel, Brown & McCarroll LLP had been requested to provide advice for a plan being developed.
 16. I also requested documents that could be expected to be the subject of due diligence requests from a bona fide buyer, particularly in the matter of a minority ownership of an apparent 15% in NPC that was residual to the original purchase of NPC by WFG in October 2007. The only information I received were certificates by the corporate secretary (himself the object of subsequently discovered disputes) which I evaluated to permit a likely ability to "cram down" any transaction on the minority owners on like terms to the majority owners.
 17. During that period, sales efforts on assets other than NPC were continually verbally reported to me. Those efforts sounded reasonable and eventually included copies of executed sales contracts for the two homes at represented prices.
 18. A draft amended order was prepared and circulated to address some of the specifications of the existing order to provide a clearer understanding of the required communications and approval processes to the defendants based on experience to-date. An agreement was made to implement certain provisions as they were agreed anticipating that some time would be involved in the court filing and approval processes. One of those agreed provisions was for the defendants to provide a report of expenditures for the month by the 7th of the following month starting with April. No such report has ever been provided.
 19. On Friday, April 25 I was informed by the defendants that an offer for NPC was forthcoming from David Barrett, Sr. Accountant of NPC. I expressed my concern that all of the financial information available to that point had come from Mr. Barrett, including that supplied to potential competing buyers.
 20. On Monday, April 28 a written offer was received indicating a closing on Thursday May 1 at a price of \$1 million for 100% of the NPC's stock.
 21. On April 29, at his request, I provided an email to defendants' counsel briefly outlining my understanding of the circumstances of the proposed transaction and that on the basis of that understanding I would not object to the transaction. I requested all documents relating to the transaction including the definitive buy/sell agreement and closing papers.
 22. I was informed the transaction did occur on May 1 but that the title company was holding the monies that I expected to be deposited directly into the special master account. I continually inquired about the status of the deposit until it was transferred in the exact amount of \$1 million on May 5. I had expected a differing amount because of addressing closing adjustments that are routinely a part of such transactions and specific conversations I had with defendants to make

sure any and all cash that could be extracted from NPC would be garnered prior to closing, which I was assured would be done.

23. The week of May 5 provided calls from third parties and their representatives informing of lawsuits filed against NPC, its corporate secretary and defendant Adley Abdulwahab related to the minority and prior controlling ownerships. Communications of these same people with the SEC and my counsel, Randy Williams of Thompson Knight LLP raised the specter of a sham transaction with potential residual benefit to the defendants. The SEC requested I investigate certain matters to assist with a determination about the integrity of the NPC sale. A phone call I made to David Barrett on May 7 provided no comfort when he declined to answer my question as to whether any of the defendants were involved in the financing of his deal.
24. That same week I requested bank account statements for all accounts, including NPC through closing which were not received until the middle of the following week. Notably, NPC's account statement was provided for a period well past the transaction date when the Company's accounts were expected to be outside the purview of the defendants.
25. On May 9, I declined a request by defendants' counsel that I return \$150,000 of the NPC transaction transfer for them to satisfy the minority shareholder's share of the price paid. Representatives of those same shareholders had made it clear they were seeking more and other remedies to satisfy their interests. I informed the defendants and their counsel that I considered them to be in violation of the good faith requirement of the order in their failure to disclose the existence of lawsuits regarding the minority ownership at the times I had inquired of it.
26. The bank account statements finally provided on May 13 and 15 indicate that over \$350,000 was transferred from W Financial to NPC in the five business days before and including the day of the sale closing. The transfers of these funds were never disclosed to me in that time and were well outside reason in a situation where the concern was about losses, or bleeding of cash, and recovering at closing the remaining cash in NPC. Additionally, it was apparent that far more cash had been used in W Home builder's activities than had been represented or notified to me with approximately \$125,000 having been advanced as opposed to the \$30-50,000 represented at the first meeting in April. There were also discrepancies in amounts apparently received for sales of Texas Auto Pros assets to its account and the receipts from those accounts to the special master account.
27. Just a couple of hours prior to the meeting agreed for May 21, defendants' counsel called me to inform that the defendants had just informed him that they, in fact, financed David Barrett's acquisition of NPC and were secured by a note with him.
28. The meeting provided additional admissions from the defendants that they had not only provided the \$1 million sales price but, pending Barrett's financing from family and commercial sources, they had collectively put another \$1.25 to \$1.5 million into NPC from "their own money" received from "their other jobs."
29. Defendants agreed at the same meeting to provide a copy of their note with David Barrett; however they have failed to provide it.
30. The events described above represent continual and material mismanagement, or worse, of the assets originally represented by the defendants as identifiable and available to the W Financial investors. These actions were taken in spite of my

direct advice and warnings to the contrary. My counsel and I informed the defendants and their counsel at the meeting on the 21st of May that we considered them to be in default of the terms and spirit of the agreed order appointing special master and would recommend to the SEC that a receiver be appointed.

31. In my opinion, the numerous omissions, misrepresentations and mismanagement by the defendants make clear the need for a receiver to be appointed by the court to take immediate control of the remaining property and liquidation process. Sources of funds used by the defendant's in providing bridge financing to David Barrett and the subsequent "propping-up" of NPC should be investigated fully for possible links to original WFG investor monies.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Report of Vernon T. Jones, Jr. (Special Master W Financial Group) was filed with the Court and served on the following persons by first class mail, postage prepaid, on this 24th day of July, 2008:

Jeffrey B. Norris
U.S. Securities & Exchange Commission
Fort Worth Regional Office
801 Cherry St., 19th Floor
Fort Worth, Texas 76102

John R. Teakell
Law Office of John R. Teakell
2828 N. Harwood St.
Suite 1950 LB 9
Dallas, Texas 75201

/s/ John S. Brannon
John S. Brannon