Molly McKinnon
[redacted]

November 14, 2018

Tom Scott, Attorney
c/o Douglas Vance

Dear Mr. Scott:

I am writing this letter in an effort to provide information I believe pertinent to an on-going investigation by the FBI relating to Douglas William Vance (Vance).

It is my understanding that the FBI has questions relating to several instances where I have first-hand knowledge of many of the facts.

I am in the process of compiling additional written (and hopefully audio) documentation to support these facts but wanted to provide this written statement and excel attachment (timeline) now in the event that unforeseen circumstances prevent me from relaying this information at a future date.

The first instance relates to Allan Deware (Deware) and his business relationship with Vance. Deware was introduced to Vance by David Smith, a mutual acquaintance of Deware and myself.

Deware was approached by Mr. Smith to become a partner with Vance in his bio-char business. Deware stated he had the financial capability to purchase an industrial facility (aka Trus Joist) for Vance and provided written POF documentation to Vance to support that assertion. Vance divulged to Deware from the very beginning that he had an existing partnership agreement with Ken Shumard and partners (aka Shumard) and was willing to allow Deware to buy out their investment to secure a partnership with Vance. Vance's willingness to allow the Shumard buy-out was predicated on the premise that Deware purchase or help facilitate the purchase of Trus Joist as his investment in the business.

Vance and Deware executed a hand-written LOI relaying the partnership structure and also executed an Operating Agreement at a later date. That Operating Agreement was different than the proposed initial agreement and subsequent discussions and meetings verbally changed the terms and conditions of even that agreement. It was everyone's understanding that Vance signed the Operating Agreement with the understanding that Deware's company was partnering WITH Vance's current company, not forming a new company. The new company would only go into effect when Deware was able to buy out Shumard. Until that time, Deware would act as a marketing arm for Vance's current business. As such, Deware's company was entitled to 51% of the income earned by Vance in the business with Shumard. After he bought out Shumard, Deware would take over the position left vacant by Shumard and would thus be entitled to 51% of the profits from the entire business.

Over the course of several months, it became apparent that Deware had no desire or intention to purchase Trus Joist and/or continue in a business relationship with Vance. Some of the reasons for that included the fact that

his partner, David Smith, initially made many bold claims about his ability to generate sales for the business. During the approximately 10 months of working on sales, Smith was unable to produce one sale. There were also two (2) worker's comp accidents that occurred and Vance's company was named in a lawsuit at that time, which could ultimately affect their collective business. It was understood that Deware would "buy out" the Shumard group, but in order to do so, he had to provide them with the same investment they had already provided. It appeared that Deware had to borrow money to put into the business and I don't believe he was quite as financially capable as he initially stated so he was never able to come up with the entire amount to buy them out. I believe the final and most important reason that resulted in them parting ways was Deware indicated in an email that the purchase of Trus Joist was up for debate. Upon receipt of that communication, Vance contacted Deware and they verbally agreed to convert Deware's investment to a loan. I was not part of the phone discussion with Deware, but Vance relayed to me that they verbally agreed that Vance would repay the loan, however, to my knowledge, there were no specific terms agreed upon at that time. Vance said he also agreed to allow Deware to market the product but had reservations about allowing David Smith to sell the product due to previous instances where David "embellished" facts about the company. Vance said he asked Deware to come up with a plan to move forward. I have not had any further communication from Deware since that time and, to my knowledge, Vance has not either so I do not believe Deware provided that plan. According to my records, Deware provided a total of $373,300 as his initial investment into the partnership.

I am in the process of compiling a separate and independent timeline including all email correspondence between Deware, myself, Vance and Smith relating to Deware's involvement and detailed knowledge of the fact that Vance had a current investment partner. These emails will clearly document that Vance's intention was to allow Deware to buy out Shumard and move forward in a new partnership.

The second instance relates to the ongoing partnership with Shumard and is a lot more complicated. I am still going through all my communications and transferring information from journals I kept during this time period in an effort to prepare a much more detailed timeline of events and document the questionable requests (and ultimately threatening demands) made by one of the partners, Gary Chamblee (Chamblee). The attached timeline highlights some facts I feel may be pertinent now but once I am able to transfer information from journals I kept during this time period, I should be able to provide much more specific details. I also recorded many conversations with Chamblee and am in the process of trying to retrieve, transcribe and catalog those.

Before detailing the timeline, I believe it is important to note that Chamblee is a CPA and did not follow "normal accounting procedures" or simply follow standard business practices throughout the entire business relationship. The following are examples of various issues noted from August 2016 through October 2018.

1. The parties came to a collective agreement regarding a partnership and Shumard funded the first draw on August 26, 2016, however, Chamblee did not form the new company until late November of 2016 and didn't provide Vance with an Operating Agreement until late December, 2016. Additionally, several of the terms of the initial LOI were not transferred over to the official Operating Agreement.
2. Chamblee utilized Vance's business bank account from August 2016 until June of 2017, even though the new business had already been formed. I opened a bank account for the new business in March of 2017, however, Chamblee continued to utilize Vance's account until the logging/chipping business ceased and no further deposits were made from that business line. (Neither I nor Vance had the capacity to wire funds from Shumard's accounts, therefore, Chamblee made the sole decision to wire the funds into Vance's account.)
3. Chamblee did not request nor require official financial records (Quick Books) until their accountant requested them for taxes in April of 2017.....eight (8) months after the company began transacting business.
4. Chamblee required that I make various changes to Quick Books whereby an initial loss of $267k (as reported by me) ultimately became a $17k profit for year 2016 (as reported on tax return)

5. Chamblee requested that we pay many "employees" as sub-contractors even though they were full-time employees. The obvious reason for that was the company saved on payroll taxes for those individuals. Also, instead of filing payroll taxes under the partnership name, Chamblee instructed me to file them under Vance's company, Nex-Gen Industries, Inc.
6. Chamblee transferred funds to and from his personal banking account and the company banking accounts.
7. Chamblee routinely borrowed funds from other businesses he managed for Ken Shumard.
8. Chamblee required Vance to secure credit in the name of his company and/or personally instead of establishing credit in the name of the new company.
9. Chamblee required that we use the services of a trucking company that charged more for their services than other companies we could have uses, resulting in a net loss for numerous transactions. I can only assume he received some form of kick-back from the trucking company for doing so.
10. Chamblee breached the Operating Agreement (that he provided) by
    a. Securing debt for the company without notifying Vance in writing
    b. Revised loan docs for the company without notifying Vance in writing
11. Chamblee provided a manual POF as proof that Shumard had the financial capability to close on a $2.9M transaction that included a Balance Sheet indicating the company provided a loan for his own personal residence. Chamblee informed me at a much later date that there was no loan on his home and that Ken had actually "given" him the home. If so, it should not have been listed as a loan.
12. Chamblee replaced me with a 21 year-old landscaper with no accounting or business experience.
13. Chamblee refused to allow the person who was appointed as Director of Sales (Doyle Rabren) to assist with procuring sales for the company.
14. Chamblee informed at least three (3) people that all of the businesses he managed for the Shumard Foundation (30+ businesses) were losing money.

Overview of relationship:
Shumard (group of 4 parties who collectively own 51% of the partnership with Vance) and Vance entered into a partnership agreement initially to help grow Vance's existing bio-char business. As per the agreement, Vance and his company, Nex-Gen Industries, Inc, would collectively own the remaining 49% of the business. Vance and I were both supposed to be paid a salary. Mine was to be paid directly from the Shumard office and Vance's was to be paid from the business. As a 48% owner of the business, it was also agreed that NGI would invoice the company for consulting fees on a monthly basis. This fee was intended to cover his time and expenses related to travel to/from Virginia, as well as various smaller expenses, but also to compensate him for introductions he made to the company to help facilitate sales.

When the parties initially met, Vance's business was located in Virginia and Shumard's initial investment of $250k should have been sufficient to accomplish the immediate goals of both parties, however, the property in Virginia went under contract to another buyer and Vance had to relocate.

Vance made the decision to relocate to Trus Joist in Chavies, KY due to the fact that it had more than enough room to grow the business, was in an excellent location to obtain feedstock through local sources (as well as logging by company crews) but also had two (2) large industrial dryers that Vance wanted to retrofit that would enable accelerated growth for the company. The Shumard group visited the property and were non-committal about purchasing the property. (That was the reason Vance agreed to consider moving forward with Deware and planned to buy Shumard out once Deware was able to secure financing.)

The idea of purchasing Trus Joist grew on Shumard, however, but they didn't want to provide the capital themselves so Chamblee asked me to start seeking grants and loans while he pursued other investors. It is my opinion that this is what precipitated Chamblee's nefarious behavior.

Early on, Vance asked Chamblee if it would be ok for him to use the KY facility as the base for a proposed logging operation. Chamblee was on board with the logging/chipping and trucking portions of the business due to the fact that it helped secure a reliable source of feedstock, however, during one of his first visits to the plant, he stated that Ken Shumard (majority partner in Shumard group, aka Ken) would not want the increased liability associated with those lines of business. His solution to this "minor" issue was to have me re-allocate logging/chipping income & expenses as income & expenses from our product instead. I voiced my reservations but Chamblee was insistent and explained that I was an employee of the company, the financial records were "internal company records" and we could make whatever entries we wanted. He said he has had to do this with some of their other companies until the companies started showing a profit and Ken was happy....then he changed the numbers back. I told him I was uncomfortable making those changes and he dropped the matter at that time. He brought it up again a few times and really pushed me hard the day before my brother-in-law passed away after several weeks in hospice. While I won't get into specifics, I was mentally and physically exhausted at that time and ultimately agreed to re-allocate those expenses until the end of the year because I just couldn't deal with more stress.

The initial agreement regarding the logging/chipping business was that Shumard would provide the capital for the business and the parties would split the income on a 49% (Vance & NGI) / 51% (Shumard). That worked out fine until there were two (2) worker's comp accidents and the state sent notification that their collective business (NexGen Energy Partners, LLC) was being named in the suit. Chamblee all but freaked out and asked Vance if he would consider filing a motion to change the name back to Nex-Gen Industries, Inc, Vance's company. As an incentive for doing so, Chamblee agreed to allow Vance to keep all income generated from the logging/chipping business and would even cover any medical bills or other expenses that may arise out of the WC cases. Vance agreed under those conditions. I filed the motion for him and the company named in the suit is now Vance's company, Nex-Gen Industries, Inc.

At the onset of the business, Vance's plan was to create bio-char out of wood. Due to the abundance of coal in the immediate areas surrounding the new facility and the fact that products made from coal would garner larger profits, it was collectively agreed that Vance would focus on producing coal-based products. The only issue there was it would take considerable R&D for Vance to perfect the specs for each type of coal and product. So, while Vance focused on R&D, Chamblee made several sales essentially brokering coal from one of his partners in the coal business (Ken McCoy). Chamblee routinely provided me with information on those sales and asked me to provide written updates to him and his partners. Everything was proceeding smoothly.....or I thought they were, until I found out later those sales were, in fact, bogus. Unbeknowst to me, Chamblee was apparently also providing those same updates to investors outside the company. I believe the reasoning behind those actions was that he truly believed the company could make tens of millions, if not hundreds of millions of dollars (his words) but he simply did not want to invest his own money. I am aware of at least two (2) investors or components he felt could make that happen.

Initially, I believe Chamblee felt Ken McCoy (business associate of Chamblee and coal mine owner) would be a great investor. Chamblee informed me that McCoy allowed him to buy into one of his companies (Seneca) on the premise that they "needed to park some money" and basically assured him they would invest in NGEP. The premise behind their investment would be that we would pay an above-average price for his coal in exchange for McCoy providing funding for various aspects of the business. By structuring it this way, Chamblee did not have to give up any of his equity. Chamblee courted McCoy for over a year but I believe he eventually gave up when Jeff Dimick entered the picture. Dimick had a technology he wanted to "connect" with Vance's technology in an effort to create electricity. It is my understanding that Dimick (in conjunction with Chamblee) applied for a $6M grant to facilitate that endeavor. Over the course of many months, I was told by Chamblee that the grant amount had increased to $30M and he was almost orgasmic when he told me about it. Based on conversations with Chamblee, I also believe part of his motivation was that he had been "borrowing" money from several of

Shumard's other investments and desperately needed to replace those funds. He thought all his problems would be solved when the grant was awarded.

Things became even more complicated when Hogan (Shumard partner) asked me to provide statements from Vance's bank account. As mentioned earlier, Chamblee ran all transactions through Vance's business account until the logging/chipping ceased. Hogan handles the accounting for the various Shumard investments and apparently wanted to reconcile the accounts but couldn't do so without those bank statements. I contacted Chamblee after she requested them and he said he would handle it and get back in touch with me. To this day, I don't think she was aware of any issues and was simply doing her job. Chamblee, however, had to come up with some way to cover the changes he requested to the logging/chipping business and the bogus sales and told me that he needed me to "make up" bank statements to coincide with the entries I made. I immediately refused and we had subsequent conversations including several where his threats ranged from civil & criminal charges for willful misconduct & fraud, to reporting me to the FBI, to physical threats to me, Vance, my sister and "anyone else important to me." I hate to admit it but I was terrified and told him I would do it but still held out hope that something would change and he would find another solution. I stalled as long as I could but ultimately produced altered bank statements and submitted those to Hogan because his threats became increasing worse.

Chamblee said Mendie got the bank statements and just filed them so at least he didn't share those with investors, however, unbeknownst to me again, he didn't stop his pursuit of the free money. Instead of re-grouping and allowing Doyle Rabren (initially hired as Director of Sales but never given the opportunity to make sales) or others to procure sales, Chamblee once again made his own sales. Chamblee told me that he reached out to a brokerage company he had utilized on one of his businesses in the country of Columbia (KNT Global). He informed me that his contact there (Ernie) got stuck with a large order and needed some help closing it. According to Chamblee, Ernie had buyers for the product once it got to the states but he needed an LOC to facilitate the transaction. If Chamblee could provide the LOC, Ernie could deliver the goods to the US and the buyers would take possession and pay immediately. By providing the LOC, Chamblee didn't have to come out of pocket any money but would receive a large profit once the buyers paid. That sounded like the perfect deal. The only problem was it wasn't real either. Chamblee kept the charade going, hoping and praying McCoy or the grant would come through. But it didn't and he became even more volatile than before.

While I have no direct proof, Chamblee basically acknowledged that he had me beaten and robbed to make a point to Vance. (He and Vance had words about Chamblee's demands that Vance use his own money to fund the business, while Chamblee selectively decided what he would fund.) He also hinted that he had my house burned to the ground because he wanted to destroy the proof I had of his schemes. And I believe he had me assaulted shortly after that in my hotel room so that I would know he was serious about his threats. He had knowledge of both the mugging and assault BEFORE anyone told him about them. Unbelievable as it may seem, I believe Chamblee was so desperate to ensure that Ken Shumard not discover he was taking money from his other companies that he would do almost anything.

He continued demanding that I provide statements "one more time." The stress eventually became so much, though, that I just couldn't continue. I told Chamblee I was not going to keep doing it and he needed to come up with a way to get everything back on track. His solution was to hire someone else to take my place and told everyone that I had to resign to take care of my husband. He asked me to train my replacement and told everyone that he would make sure the company took care of me financially after I left and that I would also still receive the profits from the company I was told I would receive. I went along with his story because I thought (hoped) Chamblee would really get the company back on track. Chamblee also opened a new bank account for the business that was linked to his personal accounts. I think he hoped to be able to make adjustments to the account that way but I think he let it all go too far. I think Hogan was insistent that she get accurate statements and reporting and, without me providing them, Chamblee had to find a scapegoat. With me gone, the only person left to blame was Vance.

Now the most difficult part of this letter: he almost succeeded. The man who mugged me and assaulted me came back. He had apparently been watching the house because when I took the dog out for a walk, he showed up. He showed me photos on his phone of my sister and my mother in Florida. He told me in very graphic terms what he would do to them if I didn't place all the blame on Vance. He said he knows I'm still working with Vance and wants me to continue sending updates. He'll get the updates to me and I just need to get them to Vance. He gave me very specific instructions on sending two (2) questionable POs and specs to Vance as well as another email regarding another transaction. He told me if I did this, Chamblee would guarantee I was not implicated in any way. I told him I didn't see how because that still makes me look guilty. He told me he didn't give a shit what I thought or what it looked like. This was my best shot of getting out of this and keeping my family safe. So I did it. The bad part is that Vance made it easy and didn't have a clue. He had given me his email password early on and never changed it. I sent him the emails and then opened them on his end to make it appear he had already read them.

Until I told Vance about Chamblee's bogus sales and "blackmail", he had no knowledge of what Chamblee had told me to do and had no involvement in it whatsoever, however, I believe he can corroborate some of what happened due to his own conversations with Chamblee. I will let him provide his own details, though.

I hate to admit but I am too much of a coward to tell him to his face about this last instance so this letter is the first he will hear of it. I know what I did was unforgiveable but all I can say is I am terribly sorry. I was in a horrible situation and still am but I truly didn't see any other way out at that time. I do now. This letter is my first step in trying to do so.

There is a great deal more to the story and other players involved but that is the gist of what occurred.

I will do my best over the course of the next few weeks to pull together supporting documentation and provide copies to you and/or Vance. If something happens to me in the interim, I'm hoping this letter will at least give you enough detail to provide the investigators with sufficient information to pursue the correct parties.

I plan to retain an attorney as soon as possible. I'm sure he would not approve of me writing this but I can't with good conscience let Vance take responsibility for what I did at Chamblee's request and insistence. So, while I know this letter implicates me, I want you to know that, (unlike what Chamblee forced me to do), I wrote it of my own free will and with the knowledge that there will most likely be serious ramifications for my actions even though I felt I had no choice.

I am writing this letter to hopefully give you some background and facts as you assist Vance with the FBI investigation but would request that you not provide a copy to the FBI until I give you permission to do so, or in the event that something happens to me. I would like an opportunity to gather my supporting documentation and retain my own attorney before speaking with them.

Please feel free to contact me if you need additional information or clarification prior to me supplying my supporting documents.

Sincerely,

Molly McKinnon