



Development Specialists, Inc.

Advisory and Fiduciary Services • Corporate Restructuring and Workouts • Interim Management • Insolvency Services

11 October 2012

e-mail address: gberman@dsi.biz

TO THE CREDITORS AND SHAREHOLDERS OF

ENERTECH ENVIRONMENTAL CALIFORNIA, LLC
503 EAST SANTA ANA BOULEVARD
BLOOMINGTON, CA 92316

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

Please be advised that the above LLC executed a general assignment for the benefit of creditors in favor of California Assignments, LLC, (the "Assignee") on Friday, October 5, 2012. This action was taken by the Members of the limited liability company (the "Company") after it was determined that it was not possible for the Company to continue operating as a going concern.

The Company was financed primarily through public bond debt obtained from the California Statewide Communities Development Authority and the Trustee, Deutsche Bank Securities Inc., Nordkap Bank AG, Nuveen California High Yield Municipal Bond Fund, Nuveen High Yield Municipal Bond Fund, Nuveen Municipal High Income Opportunity Fund, Nuveen California Dividend Advantage Municipal Fund, Nuveen California Dividend Advantage Municipal Fund 2, Nuveen California Dividend Advantage Municipal Fund 3, and Pacific Specialty Insurance Company (collectively, the "**Bondholders**") as well as Deutsche Bank National Trust Company, solely in its capacity as trustee (the "**Trustee**") pursuant to that certain Indenture of Trust, dated as of March 1, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Indenture**").

The Bondholders and the Trustee have asserted that California Statewide Communities Development Authority (the "**Lender**") made a loan to Assignor pursuant to a certain Loan Agreement, dated as of March 1, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Loan Agreement**") with the proceeds of certain bonds issued by the Lender to the Bondholders pursuant to the Indenture. In connection with the Loan Agreement, the Assignor granted certain security interests in its property to the Lender under that certain Security Agreement, dated as of March 30, 2007 (the "**Security Agreement**" and together with the Loan Agreement, the Indenture and the Security Documents as defined in the Indenture, the "**Loan Documents**"). Pursuant to the Indenture, the Lender pledged all of its rights and interests in the Loan Agreement, the Security Agreement and certain other agreements to the Trustee to secure repayment of the outstanding bonds issued under the Indenture. Under the Loan Documents, and as October 3, 2012 the Bondholders assert that the Company was indebted to the Bondholders in the total amount of \$157,531,650.00 (the "**Indebtedness**") reflecting outstanding Series 2007A Bonds and Series 2007B Bonds (as defined in the Indenture). The Indebtedness remains outstanding, and interest, fees and costs continue to accrue on the Indebtedness.

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333 South Grand Avenue, Suite 4070 • Los Angeles, California 90071-1544 • Telephone: 213.617.2717 • Fax: 213.617.2718 • www.dsi.biz

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The Assignee has retained the firm of Pachulski, Stang, Ziehl & Jones LLP (Jeffrey Pomerantz, Esq. and Teddy Kapur, Esq.) to serve as its counsel in this assignment estate. The Pachulski Stang firm is in the process of reviewing the Bondholder and Trustee loan and security documents to confirm the validity of the asserted liens against the Company's assets.

The Assignee is currently determining the best method of liquidating the Rialto, CA plant. A decision as to a sale in bulk, piecemeal auction or some other alternative, for the plant assets should be made in the very near future. Notice of how the plant will be liquidated will be sent to creditors once the decision has been made. Additionally, the Assignee has met with a representative of the City of Rialto, the lessor of the real property and is working with the City during the liquidation process.

For those of you unfamiliar with general assignments, the process is similar to liquidations administered under Chapter 7 of the Bankruptcy Code. However California law controls. Experience has proven that in circumstances such as those in this instance, estates administered through general assignments typically return a greater recovery on the assets of the estate, quicker and more economically than the bankruptcy process. There is no guaranty however in light of the significant amount of alleged Indebtedness in this estate that the value of the Company's plant will be sufficient to retire the secured Indebtedness. Creditors should note that California law provides for an assignee to recover preferential transfers made by the Company within the ninety days immediately prior to the making of the general assignment. No review of the transactions that may qualify as recoverable under California law has been undertaken yet.

Attached hereto creditors will find a form Proof of Claim by which creditors can file their claims with the Assignee. Please note that pursuant to California law (see Code of Civil Procedure §1802) the last day to file proofs of claim in this estate is April 5, 2013. Creditors who fail to file their proofs of claim by that date will not be entitled to share in any distribution arising out of the liquidation of the company's assets should there in fact be any funds available for distribution to unsecured creditors. The Assignee will accept proofs of claim via facsimile, so long as the facsimile is received by the claims bar date April 5, 2013 and the original signed proof of claim is received by the Assignee not later than April 12, 2013. Please remember to include copies of your supporting invoices or statements with your proof of claim. The fact that the Assignee is accepting *proofs of claim* is not a guaranty that there will be any recovery by unsecured creditors from the liquidation of the Companies' assets.

EnerTech Environmental California, LLC

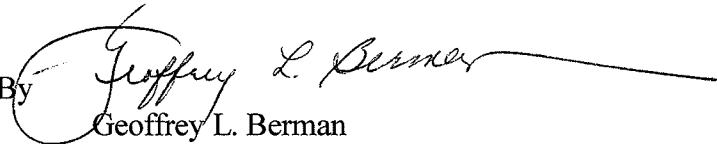
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Information regarding the general assignment may also be found at www.dsiassignments.com. After returning the form Proof of Claim, creditors are requested to advance their files approximately forty-five days, pending our next report.

Very truly yours,

California Assignments, LLC, solely in its capacity
as Assignee for the Benefit of Creditors of
ENERTECH ENVIRONMENTAL CALIFORNIA, LLC

By 
Geoffrey L. Berman

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Enclosure (form Proof of Claim)