



# Development Specialists, Inc.

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

October 21, 2016

*e-mail address: msorenson@dsi.biz*

## TO THE CREDITORS AND EQUITYHOLDERS OF

ThermaSource, LLC, a Delaware limited liability company  
ThermaSource International, LLC, a Delaware limited liability company  
ThermaSource Holding Company, LLC, a Delaware limited liability company  
Ridge Cementing, LLC, a Delaware limited liability company  
ThermaSource Drilling, LLC, a California limited liability company; and  
Tecton Geologic, LLC, a Delaware limited liability company  
3883 Airport Way, Suite 340  
Santa Rosa, California 95403

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

As previously advised, ThermaSource, LLC, a Delaware limited liability company; ThermaSource International, LLC, a Delaware limited liability company; ThermaSource Holding Company, LLC, a Delaware limited liability company; Ridge Cementing, LLC, a Delaware limited liability company; ThermaSource Drilling, LLC, a California limited liability company; and Tecton Geologic, LLC, a Delaware limited liability company (collectively, the “**Assignors**”) executed general assignments for the benefit of creditors in favor of Development Specialists, Inc. on June 16, 2016. This letter is to serve as an update from the Assignee as to the progress of the assignment estate and liquidation of assets.

Immediately upon accepting the general assignment, the Assignee began to field inquiries as to the Company’s remaining assets and began working with customers to collect all outstanding accounts receivable. The Assignee successfully negotiated and closed a sale of the cementing business assets to Ridge Energy Services, Inc. for \$600,000 plus the assumption of nearly \$670,000 of secured debt on the assets for a total consideration of \$1,270,000. The sale was approved by Glitnir Holdco ehf, (“Glitnir”) which has a lien on all of the Assignors’ assets. The Assignee also successfully closed on the sale of rig #101 located in Malta, Idaho for a sales price of \$400,000.

The Assignee retained the services of Tiger Capital Group, LLC, Liquidity Services, Inc., and Land Rig ClearingHouse, LLC to assist with the marketing and auction of the remaining two drilling rigs. That process remains ongoing. Additional information as to the sales can be found at: [www.networkintl.com/](http://www.networkintl.com/)

Creditors will recall, and as mentioned above, that Glitnir Holdco ehf had asserted a security interest in all of the Company’s assets. The Assignee and its counsel spent time reviewing the secured lender’s loan documents and have confirmed the validity of the asserted liens against the

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THERMASOURCE, LLC and related Assignors

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Company's assets. Creditors will also recall that we reported previously that the Bank's loan to the Company had an outstanding balance of roughly \$15.732 million. To date, the Assignee has paid down \$610,000 from the sale proceeds received minus expenses.

Creditors were provided with a Proof of Claim form by which creditors can file their claims with the Assignee. Please note that pursuant to California law (*see* California Code of Civil Procedure §1802) the last day to file proofs of claim in this estate is **December 14, 2016**. 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, e-mail, or through its website so long as they are received by the claims bar date, December 14, 2016, and the original signed proof of claim is received by the Assignee within one week of the claims bar date. Creditors are reminded to include copies of any supporting invoices, statements or other documentation with the proof of claim. There is no guaranty, however, in light of the secured debt and the results of the sale of substantially all of Company's operating assets, that there will be any recovery for general unsecured creditors from this assignment estate.

Attached to this report creditors will find a Statement of Condition, which summarizes Assignors' consolidated financial condition as of the date of the general assignment. A further report will follow in approximately ninety days, with an update on the efforts to recover on the sale of the remaining assets. Creditors are requested to advance their files accordingly.

Very truly yours,

Development Specialists, Inc., solely in its capacity  
as Assignee for the Benefit of Creditors of THERMASOURCE, LLC. AND RELATED ASSIGNORS



By

Matthew P. Sorenson

Enclosures: (Statement of Condition)

cc: Justin Rawlins, Esq. (w/enclosure)  
Geoffrey L. Berman

**THERMASOURCE, LLC**  
**CONSOLIDATED STATEMENT OF CONDITION (in thousands)**  
**June 21, 2016**

	<b>Consolidated</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	135
Accounts receivables, net of allowance	173
Notes Receivable	-
Inter-company accounts receivables	0
Inventory	1,124
Prepaid expenses and other assets	729
Costs and estimated earnings in excess of billings on uncompleted contracts	-
Deferred tax assets	-
Total current assets	<u>2,161</u>
<b>Property and Equipment</b>	
Drilling rigs	35,919
Other drilling equipment	75
Drill tubulars	2,755
Cement equipment	8,318
Tecton equipment	760
Office equipment and leasehold improvements	1,287
Vehicles	551
Repairs & maintenance	16
Less accumulated depreciation	<u>(27,861)</u>
	<u>21,820</u>
<b>Other Assets</b>	
Notes receivable and advances	-
Deposits and other assets	32
Goodwill	782
Investment in subsidiaries	-
Intangible assets	131
Accumulated amortization	<u>(0)</u>
	<u>945</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,926</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 492
Accrued liabilities and other payables	1,684
Inter-company accounts payable	-
Billings in excess of costs and estimated earnings on uncompleted contracts	-
Revolving line of credit	-
Project advances	-
Current maturities of long-term debt	14,683
Current maturities of equipment leases and loans	<u>296</u>
Total current liabilities	<u>17,155</u>
<b>Long Term Liabilities</b>	
Long-term debt, net of current maturities	-
Equipment leases and loans, net of current maturities	<u>428</u>
	<u>428</u>
	<u>17,584</u>
<b>MEMBERS' EQUITY</b>	
Capital	73,305
Capital - officers	3,197
Paid in capital	(0)
Retained earnings	(68,159)
Distributions	<u>(1,000)</u>
	<u>7,342</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 24,926</u>