



Development Specialists, Inc.

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

10 June 2013

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**

As we previously advised, 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. 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**").

Over the past several months, the Assignee has attempted to locate a buyer interested in acquiring the physical assets and recommencing operations at the Rialto facility. Several parties initially expressed interest but only one party conducted material due diligence in connection with a potential transaction. An issue that arose during the diligence process was the taxable value of the assets upon a sale. Accordingly, the Assignee met with the City of Rialto and County of San Bernardino in an effort to obtain concessions. Although the Assignee was able to reduce the property tax burden to any potential buyer, the one serious buyer elected not to proceed with the transaction. Simultaneously with its efforts to locate a turnkey buyer, the Assignee engaged in discussions with several auctioneers regarding the terms and conditions upon which they would auction the assets if a turnkey sale could not be accomplished. The Assignee also offered the auctioneers the opportunity to acquire the assets in an outright sale.

In the past few weeks the Assignee, with the consent of the secured lenders has agreed on a sale of the equipment to Hackman Capital Partners, who will conduct an auction of the equipment for its own account. The sale proceeds, net of expenses, will be paid to the Bondholders and certain parties who recorded mechanic's liens against the property. The City has approved the proposed sale along with a termination of the underlying lease between EnerTech and the City; the sale is now awaiting approval by the appropriate state agencies.

LOS ANGELES

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EnerTech Environmental California, LLC

June 10, 2013

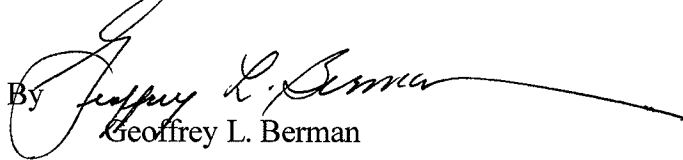
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Attached hereto is the Statement of Condition, representing the financial condition of the Company as of September 30, 2012. This information was taken from the Company's books and records and does not include any consolidating information from the Company's parent or any other related entities. The current year, prior to the making of the assignment, the company lost in excess of \$8.8 million

The result of the efforts to sell the equipment means that unsecured creditors, including taxing authorities, will not see a recovery on their respective claims. The Assignee will send out a final notice once the sale to Hackman Capital has closed, with a summary of the cash receipts and disbursements of the Assignee. Creditors should expect that report sometime in the next six to eight weeks. Information regarding the general assignment may also be found at www.dsiassignments.com.

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 (Statement of Condition)