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LAKELAND DEVELOPMENT COMPANY

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

In re

LAKELAND DEVELOPMENT  
COMPANY,

Debtor.

No. 2:12-bk-25842 RN

Chapter 11

**DEBTOR-IN-POSSESSION  
LAKELAND DEVELOPMENT  
COMPANY'S DISCLOSURE  
STATEMENT DESCRIBING ITS  
CHAPTER 11 PLAN**

Disclosure Statement Hearing:

Date:  
Time:  
Ctrm: 1645

Plan Confirmation Hearing:

Date:  
Time:  
Ctrm: 1645

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I.

**INTRODUCTION**

Lakeland Development Company is the Debtor in a Chapter 11 bankruptcy case. On May 4, 2012, Lakeland Development Company commenced a bankruptcy case by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code ("Code"), 11 U.S.C. §101 et seq. Chapter 11 allows the Debtor, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization ("Plan"). The Plan may provide for the Debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. Lakeland Development Company is the party proposing the Plan sent to you in the same envelope as this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

This is a combined liquidating and reorganizing plan. In other words, the Proponent seeks to accomplish payments under the Plan by selling its tangible assets and using the funds to pay creditors, but retaining equity interests and continuing to operate thereafter. The Effective Date of the proposed Plan is \_\_\_\_\_.

**A. Purpose of This Document**

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

- (1) WHO CAN VOTE OR OBJECT,
- (2) WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what your claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION,

(3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING  
THE BANKRUPTCY,

(4) WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR  
NOT TO CONFIRM THE PLAN,

(5) WHAT IS THE EFFECT OF CONFIRMATION, AND

(6) WHETHER THIS PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should  
consider consulting your own lawyer to obtain more specific advice on how this Plan will  
affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any  
inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will  
govern.

The Code requires a Disclosure Statement to contain "adequate information"  
concerning the Plan. The Bankruptcy Court ("Court") has approved this document as an  
adequate Disclosure Statement, containing enough information to enable parties affected  
by the Plan to make an informed judgment about the Plan. Any party can now solicit votes  
for or against the Plan.

**B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS  
DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT  
YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE  
PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL  
CREDITORS AND INTEREST HOLDERS IN THIS CASE.

*1. Time and Place of the Confirmation Hearing*

The hearing where the Court will determine whether or not to confirm the Plan will  
take place on \_\_\_\_\_, at \_\_\_\_\_ A.M./P.M., in Courtroom 1645, Roybal Federal  
Building and Courthouse, located at 255 East Temple Street, 16<sup>th</sup> Floor, Los Angeles,

California 90012.

*2. Deadline for Voting For or Against the Plan*

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to Richard T. Baum, 11500 West Olympic Boulevard, Suite 400, Los Angeles, California 90064.

Your ballot must be received by \_\_\_\_\_ or it will not be counted.

*3. Deadline for Objecting to the Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court and served upon Richard T. Baum, 11500 West Olympic Boulevard, Suite 400, Los Angeles, California 90064 and upon Lawrence M. Jacobson of Glickfeld, Fields & Jacobson LLP, 9720 Wilshire Boulevard, Suite 700, Beverly Hills, California 90212 by \_\_\_\_\_.

*4. Identity of Person to Contact for More Information Regarding the Plan*

Any interested party desiring further information about the Plan should contact Richard T. Baum, 11500 West Olympic Boulevard, Suite 400, Los Angeles, California 90064, telephone 310.277.2040.

**C. Disclaimer**

The financial data relied upon in formulating the Plan is based on Debtor's books and records, financial statements, projections, appraisals, and evaluations. The information contained in this Disclosure Statement is provided by the Debtor and its officers. The Plan Proponent represents that everything stated in the Disclosure Statement is true to the Proponent's best knowledge. The Court has not yet determined whether or not the Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Plan.

**II.**

**BACKGROUND**

**A. Description and History of the Debtor's Business**

The debtor is a corporation organized under the laws of the State of Delaware.



1 The debtor is in the business of owning and developing its 55-acre tract of land in  
2 Santa Fe Springs, California 90670. The land is divided into 10 separate parcels, four of  
3 which form a rectangular tract of approximately 17 acres, and the other six form a  
4 rectangular tract of approximately 38 acres. As described hereinafter, the Debtor entered  
5 into separate agreements with regard to the two tracts, and they are referred to as the "17  
6 acre tract" or the "17 acre parcels", and as the "38 acre tract" or the "38 acre parcels",  
7 respectively.

8 The debtor was formed in June 1998, and in June 2004 changed its name from  
9 Cenco Refining Company to Lakeland Development Company. As Cenco, it acquired  
10 assets and commenced business operations in August 1998. Its predecessor companies  
11 operated an oil refinery on the property from back in the 1930's. However, refinery  
12 operations shut down in 1995, were not restarted though there were several efforts made,  
13 and much of the equipment was sold and removed from the property. On the Petition  
14 Date, the Debtor owned a waste water reclamation facility initially operated by its affiliate  
15 Lakeland Processing Company, and, on the Petition Date managed by Ridgeline Energy  
16 Services, Inc.

17 **B. Principals/Affiliates of Debtor's Business**

18 Energy Merchant Holding Corp. is the Debtor's sole shareholder, and Energy  
19 Merchant Corp. is the sole shareholder of that corporation.

20 **C. Management of the Debtor Before and After the Bankruptcy**

21 Siegfried Hoddap is the President of the Debtor and its vertical owners. Vincent  
22 Papa is the Secretary and General Counsel of the Debtor. Michael Egner is the Chief  
23 Financial Officer. Papa and Egner have been the primary managers of the Debtor in the  
24 years immediately before the filing of the bankruptcy herein, and after the Petition Date.

25 **D. Events Leading to Chapter 11 Filing**

26 Here is a brief summary of the circumstances that led to the filing of this Chapter 11  
27 case:  
28

1 The Debtor's land is contaminated with various toxic chemicals which occurred  
2 during the time the property was operated as an oil refinery and various related activities  
3 were conducted thereon. The Debtor made numerous attempts to locate potential buyers  
4 or partners who could remediate the soil to levels consistent with Water Board standards.  
5 One such attempt was made with the Sares Regis Group, but the agreement fell apart  
6 leading to litigation. In settlement, the Debtor gave Sares Regis a note for approximately  
7 \$2.5-million secured by deed of trust against six parcels totaling approximately 38 acres  
8 of the Debtor's land. The Debtor defaulted in the payment of that note, and the new holder  
9 of the note, 12345 Lakeland LLC, commenced non-judicial foreclosure proceedings. A  
10 trustee's sale scheduled for May 7, 2012 was stayed when the Debtor filed its Chapter 11  
11 case.

12 The Debtor had engaged Lakeland Processing Company ("LPC"), an affiliate, to  
13 operate the waste water reclamation facility which was located on the 17-acre parcels of  
14 the Debtor's property. LPC built it into a viable, profitable business and was able to attract  
15 the interest of a potential operator/buyer of the plant, Ridgeline Energy Services, a  
16 Canadian company. In April 2012, the Debtor and Ridgeline entered into a Management  
17 Contract whereby Ridgeline, an experienced waste water operator, took over operation of  
18 the facility, and an Asset Purchase Agreement whereby it agreed to purchase the waste  
19 water facility, lease the 17 acre parcels upon which it was located, and obtain an option to  
20 purchase that land.

21 The Debtor also has a bio-diesel facility located on its land which is presently leased  
22 but is not operating.

23  
24 **E. Significant Events During the Bankruptcy**

25 *1. Bankruptcy Proceedings*

26 The following is a chronological list of significant events which have occurred  
27 during this case:  
28

1	May 4, 2012	Petition Filed
2	May 4, 2012	"First Day Motions" to use cash collateral and to pay
3		employees filed.
4	May 15, 2012	First Day Motions granted, and orders entered shortly
5		thereafter.
6	June 8, 2012	First Meeting of Creditors held and concluded.
7	June 11, 2012	Emergency Motion filed to permit Debtor to enter into premium
8		financing agreement for purchase required insurance. Court
9		entered order granting relief on July 12, 2012.
10	June 28, 2012	Status Conference held before Judge Richard Neiter. Court
11		sets Bar Date for filing of Proofs of Claim as August 31, 2012.
12		Court enters order extending time for Debtor to use cash
13		collateral.
14	Sept. 20, 2012	Hearing is held on Debtor's motions to assume the Asset
15		Purchase Agreement with Ridgeline Energy, to extend
16		exclusivity, and for continued use of cash collateral. The Court
17		grants each motion and orders are entered shortly thereafter.
18		The Ridgeline purchase consummated on January __, 2013.
19	Nov. 14, 2012	Applications of Richard Baum and Glickfeld, Fields & Jacobson
20		for interim approval of fees and costs heard and approved.
21		The order was entered on November 30, 2012.
22	Nov. 20, 2012	Motion for Approval of Settlement with United States
23		Environmental Protection Agency filed with court. Order
24		approving settlement entered December 21, 2012.
25	January 24, 2013	Status Conference will be held before Judge Neiter reporting
26		results and accomplishments during the last four months of the
27		reorganization.
28		

The Court has approved the employment of the following professionals:  
Richard T. Baum, and Lawrence M. Jacobson of Glickfeld, Fields & Jacobson  
were approved as general bankruptcy counsel.

H. Henry Eshraghian was approved as tax preparer.

Currently, the following significant adversary proceedings and motions are still  
pending:

1. Motion to Use Cash Collateral. The motion was granted on each time it came  
on for hearing, and is next set to be heard on January 24, 2013.

2. Motion for Approval of Sale Procedures regarding the sale of the Debtor's 38  
acre parcels of real property.

3. Motion for Approval of the Sale of the Debtor's 38 acre parcels of real property  
free and clear of liens.

## *2. Other Legal Proceedings*

In addition to the proceedings discussed above, the Debtor is currently  
involved in the following non-bankruptcy legal proceedings:

The Debtor was not actively engaged in any other legal proceedings at the time the  
Petition was filed. The Debtor was involved in a lawsuit with Renewable Energy Products,  
LLC and REP-LA1, LLC concerning the construction and operation of a biodiesel unit on  
Debtor's property, but the parties agreed to dismiss the suit and submit the dispute to  
arbitration by JAMS in New York City. The parties reached an agreement to resolve that  
dispute by the terms of the Plan

A lawsuit by the County Sanitation District No.2 of Los Angeles County was resolved  
in September 2011 by the entry of a Judgment by stipulation of the parties. The plaintiff  
is an unsecured claimant against the estate of the Debtor.

1 Finally, a lawsuit was filed by Paladin Global Alternative Energy L.P. in the Supreme  
2 Court of the State of New York in Manhattan regarding the biodiesel plant and its lease,  
3 but that suit was never served. The parties have reached an agreement to resolve that  
4 dispute by the terms of the Plan.

5  
6 3. *Actual and Projected Recovery of Preferential or Fraudulent Transfers*

7 The Debtor does not believe that there are any Preferential Transfers since all  
8 transfers were in the ordinary course of business, and that any such transfers did not result  
9 in the receipt of more than would be received in a Chapter 7 liquidation.

10 The Debtor made no actual fraudulent transfers, i.e., those with the actual intent to  
11 hinder, delay or defraud creditors. Debtor does not believe that constructive fraudulent  
12 transfers were made because there will be no damage to the estate since all allowed  
13 claims will be paid in full.

14 Zero dollars is estimated to be realized from the recovery of fraudulent and  
15 preferential transfers. The following is a summary of the fraudulent conveyance and  
16 preference actions filed or to be filed in this case: None.

17  
18 4. *Procedures Implemented to Resolve Financial Problems*

19 To attempt to fix the problems that led to the bankruptcy filing, Debtor has  
20 implemented the following procedures:

21 The Debtor's financial problems arose out to the failure to find a buyer for its  
22 interests in its real property in Santa Fe Springs, and its own financial inability to comply  
23 with orders requiring the remediation of the contamination of the soil of its property. The  
24 Debtor has sold the 17 acre parcels of property to Ridgeline Energy in a transaction which  
25 will fund the clean up of those 17 acres. It has resolved by compromise its liability with the  
26 Environmental Protection Agency, and it is seeking court approval for the sale of the  
27 remaining 38 acre parcels for cash to a buyer who has the financial wherewithal to  
28

1 complete the remediation of the property. The Debtor obtained standards from the Water  
2 Board for the cleaning and remediation of the land. At the completion of these tasks, the  
3 Debtor will have cash, and some stock in Ridgeline, a publically traded corporation, and  
4 will make distributions to creditors under its Plan of Reorganization.

5 The Debtor expects to remain in business after the Effective Date of the Plan.

6  
7 *5. Current and Historical Financial Conditions*

8 The Debtor sold the 17 acre parcels to Ridgeline for cash and stock valued at  
9 \$13,000,000, of which \$5,500,000 will be devoted to the remediation of the toxins in the  
10 land and related ground. The shares will be deposited into an escrow account, sold to  
11 raise cash, and disbursed to cover the costs of remediation. The waste water reclamation  
12 facility was sold to Ridgeline for which the Debtor receives \$1,800,000. The Debtor will ask  
13 the Court for approval to sell the 38 acre parcels and many of the fixtures thereon for  
14 \$23,000,000, of which \$8,000,000 is earmarked for remediation of the land. The identity  
15 and fair market value of the estate's assets including those which will remain after the two  
16 sales are listed in Exhibit A. See also the Debtor's financial history set forth in Exhibit B.

17  
18 **III.**

19 **SUMMARY OF THE PLAN OF REORGANIZATION**

20 **A. What Creditors and Interest Holders Will Receive Under the Proposed**  
21 **Plan**

22 As required by the Bankruptcy Code, the Plan classifies claims and interests in  
23 various classes according to their right to priority. The Plan states whether each class of  
24 claims or interests is impaired or unimpaired. The Plan provides the treatment each class  
25 will receive.

26 **B. Unclassified Claims**

27 Certain types of claims are not placed into voting classes; instead they are  
28

1 unclassified. They are not considered impaired and they do not vote on the Plan because  
2 they are automatically entitled to specific treatment provided for them in the Bankruptcy  
3 Code. As such, the Proponent has not placed the following claims in a class.

4 *1. Administrative Expenses*

5 Administrative expenses are claims for costs or expenses of administering the  
6 Debtor's Chapter 11 case which are allowed under Code section 507(a)(1). The Code  
7 requires that all administrative claims be paid on the Effective Date of the Plan, unless a  
8 particular claimant agrees to a different treatment.

9 The following chart lists all of the Debtor's § 507(a)(1) administrative claims  
10 (estimated as of the Effective Date and their treatment under the Plan. (see Exhibit F for  
11 detailed information about each administrative expense claim):

12

Name	Amount Owed	Treatment
Richard T. Baum	\$100,000	Paid in Full on Effective Date
Glickfeld Fields & Jacobson	\$100,000	Paid in Full on Effective Date
H. Henry Eshraghian	\$ 1,200	Paid in Full on Effective Date
Clerk's Office Fees	\$ 300	Paid in Full on Effective Date
Office of the US Trustee	\$ 5,000	Paid in Full on Effective Date

13  
14  
15  
16  
17  
18  
19

20 Court Approval of Fees Required:

21  
22 The Court must rule on all fees listed in this chart before the fees will be owed. For  
23 all fees except Clerk's Office fees and U.S. Trustee's fees, the professional in question  
24 must file and serve a properly noticed fee application and the Court must rule on the  
25 application. Only the amount of fees allowed by the Court will be owed and required to be  
26 paid under this Plan.

27 As indicated above, the Debtor will need to pay \$206,500 of administrative claims  
28 on the Effective Date of the Plan unless the claimant has agreed to be paid later or the

Court has not yet ruled on the claim. As indicated elsewhere in this Disclosure Statement, Debtor will have \$7,045,000 in cash on hand on the Effective Date of the Plan. The source of this cash will be proceeds of the sales of the Debtor's real property located at 12345 Lakeland Road, Santa Fe Springs, California 90670.

## 2. Priority Tax Claims:

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments, over a period not exceeding six years from the date of the assessment of such tax.

The following chart lists all of the Debtor's Section 507(a)(8) priority tax claims and their treatment under the Plan (Note: The Debtor disputes these claims and believes that no taxes are owed):

Description	Amount Owed	Treatment	
Name: IRS  Type of Tax FUTA/WT/FICA/Excise  Date Tax Assessed: Not yet due	\$500.00	Pymt Interval Pymt amt/interval Begin Date End Date Interest Rate Total Payout Amount	Paid in full on Effective Date
Name: California FTB  Type of Tax: Franchise  Date Tax Assessed: 12/31/12	\$823.58	Pymt Interval Pymt amt/interval Begin Date End Date Interest Rate Total Payout Amount	Paid in full on Effective Date



**C. Classified Claims and Interests**

**1. Classes of Secured Claims**

Secured claims are claims secured by liens on property of the estate. The following chart lists all classes containing Debtor's secured pre-petition claims and their treatment under this Plan :

Class #	Description	Insiders Y/N	Impaired Y/N	Treatment
1	Secured claim of: Name = LA County Tax Collector (Real Property Taxes) Collateral description: Debtor's land and buildings thereon Collateral value \$36,000,000 Priority of security int. = 1 <sup>st</sup> Principal owed \$6,642,948.86 Pre-pet. arrearage amount = Post-pet. arrearage amount = Total claim amount = \$6,642.948.86	N	N	Allowed Claim as secured by the 38 acre parcels paid in full upon Close of Escrow for Sale of 38 acre parcels; Allowed Claim as secured by the 17 acre parcels will be paid by Ridgeline Energy Services on or before January 31, 2014
2	Secured claim of: Name = LA County Tax Collector (Personal Property taxes) Collateral description = Debtor's land and buildings thereon Collateral value = \$36,000,000 Priority of security int. =2nd Principal owed =\$3,796.36 Pre-pet. arrearage amount = Post-pet. arrearage amount = Total claim amount: \$3,796.36	N	N	Allowed Claim Paid in full upon Close of Escrow for Sale of 38 acre parcels; Tax liens released upon payment
3	Secured claim of: Name = 12345 Lakeland LLC Collateral description: 38 acre parcels Collateral value = \$23,000,000 Priority of security int. = 1 <sup>st</sup> TD Principal owed =\$3,020,000 Pre-pet. arrearage amount: \$251,311.45 Post-pet. arrearage amount: \$175,469.94 Total claim amount: \$3,445,781.39	N	N	Allowed Claim paid in full upon close of escrow for sale of 38 acre parcels. Deed of trust reconveyed.

4	Secured claim of: Name Robertson Unitrust Collateral description: 38 acre parcels Collateral value: \$23,000,000 Priority of security int.: 2 <sup>nd</sup> TD Principal owed: \$100,000.00 Pre-pet. arrearage amount: \$26,424.64 Post-pet. arrearage amount = \$11,097.00 Total claim amount: \$137,521.64	N	N	Allowed Claim paid in full upon close of escrow for sale of 38 acre parcels. Deed of trust reconveyed.
5	Secured claim of: Name: Braverman & Associates Collateral description = 38 acre parcels Collateral value = \$23,000,000 Priority of security int. = 3 <sup>rd</sup> TD Principal owed =\$107,984.55 Pre-pet. arrearage amount = 0 Post-pet. arrearage amount = 0 Total claim amount = \$107,984.55	N	N	Allowed Claim paid in full upon close of escrow for sale of 17 acre parcels from money to be paid by Ridgeline. Deed of trust reconveyed.
6	Secured claim of: Name = Iron Mountain Collateral description = stored boxes of records Collateral value = \$13,501.00 Priority of security int. Warehouseman's lien Principal owed: \$17,409.87 Pre-pet. arrearage amount:\$17,409.87 Post-pet. arrearage amount = 0 Total claim amount =\$17,409.87	N	N	Allowed Secured Claim paid in full on Effective Date. Warehouseman's lien released as to all past charges. Balance of Claim is unsecured and will be paid as stated in Class 13.
7	Secured claim of: Name = Carlson Mechanical Collateral description = Mechanic's Lien on all real property Collateral value = \$36,000,000 Priority of security int. = 4th Principal owed: \$501,094.00 (disputed) Pre-pet. arrearage amount = \$200,000.00 disputed Post-pet. arrearage amount: \$0.00 Total claim amount: \$701,094.00 (disputed)	N	Y	Pymt intervals: Upon closing of sale of 17 acres, \$212,500; upon closing of sale of 38 acres, \$90,000; upon Effective Date, \$20,000.  Total payout \$310,500.00 Treatment of Lien: Mechanic's Lien released upon the 17 acres at close of escrow, released on the 38 acres at close of escrow. Lien attaches to remaining proceeds of

				property sale pending payment at Effective Date.
8	Secured claim of: Name: Environmental Protection Agency of the United States of America Collateral description: = Debtor's land and all buildings thereon Collateral value = \$38,000,000 Priority of security int. = 4th Principal owed =\$6,960,000 Pre-pet. arrearage amount: \$6,960,000 Post-pet. arrearage amount =\$0 Total claim amount =6,960,000	N	N	Payment made from the holdback in proceeds from the sale of the 17 acre parcels, and will be made by Ridgeline.  Pymt amt \$750,000 as agreed in court approved compromise  Abstract of Judgment to be released and satisfaction of judgment recorded upon payment. Documents to be delivered to escrow.
9	Secured claim of: Name = RB International Finance Collateral description Lien on Lease Collateral value = \$1,000,000 Priority of security int: 1st Principal owed =\$722,148.27 Pre-pet. arrearage amount Post-pet. arrearage amount Total claim amount =\$722,148.27	N	N	Allowed Claim paid in full upon close of escrow for sale of 38 acre parcels. Lien will be released.

## 2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in Code Sections 507(a)(3), (4), (5), (6), and (7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claims.

The following chart lists all classes containing Debtor's 507(a)(3), (a)(4), (a)(5), (a)(6), and (a)(7) priority unsecured claims and their treatment under this Plan..

Class #	Description	Impaired Y/N	Treatment
N/A	Priority unsecured claim pursuant to §507(a)(3)  Total amt of claims = \$0.00	N	No such claims exist
10	Priority unsecured claim pursuant to §507(a)(4)  Total amt of claims = \$1,195,929.22 Some claims may be Class 11 claims, and some may be Class 13 non-priority claims	N	Allowed Claims paid in full in cash on Effective Date
11	Priority unsecured claim pursuant to §507(a)(5)  Total amt of claims = To extent that Class 10 claims are due to class 11 priorities, they will be included herein and will reduce the Class 10 claims. In addition, Performance Bonus Payable to all Employees of Debtor on December 31, 2012.  Total Amount of Claims: \$250,000.00	N	Allowed Claims paid in full in cash on Effective Date  Performance Bonus of \$250,000.00 to be allocated to all employees of Debtor upon the later of the Effective Date or sale of the 38 acres in amounts not less than \$2,000 nor more than \$90,000 per employee. Allocation to be made by Debtor's officers.
N/A	Priority unsecured claim pursuant to §507(a)(6)  Total amt of claims = \$0.00	N	No such claims exist
N/A	Priority unsecured claim pursuant to §507(a)(7)  Total amt of claims = \$0.00	N	No such claims exist
12	Priority unsecured claim pursuant to §507(a)(8)  Total amt of claims = \$121,729.72	N	Allowed Claims paid in full in cash on Effective Date

### 3. *Class of General Unsecured Claims*

General unsecured claims are unsecured claims not entitled to priority under Code Section 507(a). There are three classes of unsecured claims. The first are those arising as a result of activities undertaken by the Debtor. The second are those of insurers subrogated to their insured's contribution claims arising under environmental laws related

to the contamination of the property. A third group of unsecured claims arises in favor of employees of the Debtor whose service to the Debtor was invaluable in completing its business operations and consummating its Plan of Reorganization. The following chart identifies this Plan's treatment of the class containing all of Debtor's general unsecured claims (see Exhibit H for detailed information about each general unsecured claim):

Class #	Description	Impaired Y/N	Treatment
13	General unsecured claims except as noted.  Total Amount of Claims: \$5,253,701.80 (does not include claims filed by Paladin Global Alternative Energy and Renewable Energy Products totaling \$44,000,000 due to settlement reached with these creditors - no motion yet made for approval)	Y	Allowed Claims will be paid pro rata up to full payment, without interest, upon the Effective Date of the Plan, or upon final, non-appealable order of allowance, whichever comes last.
14	General unsecured claims of subrogated insurers for contribution and indemnity against the Debtor based upon its successor liability as the owner of contaminated land.  Total Amount of Claims: \$5,604,142.63	Y	These claims are disputed and will be estimated for distribution purposes. The estimated claims will be paid pro rata with Class 13 claims up to full payment, without interest, after payment of the Class 13 General unsecured claims.

#### *4. Class of Interest Holders*

Interest holders are the parties who hold ownership interest (i.e., equity interest) in the Debtor. If the Debtor is a corporation, entities holding preferred or common stock in the Debtor are interest holders. If the Debtor is a partnership, the interest holders include both general and limited partners. If the Debtor is an individual, the Debtor is the interest holder. The following chart identifies the Plan's treatment of the Class of interest holders (see Exhibit I for more detailed information about each interest holder):

Class #	Description	Impaired Y/N	Treatment
15	Equity Security Holders Energy Merchant Holding Corp.	N	If and when allowed unsecured claims paid in full, equity interests in the Debtor will be preserved. No distribution of moneys will be made.

5. *Class of Governmental Police Power Claims*

The Debtor has liability under a judgment of the Los Angeles Superior Court to clean up and remediate the toxic contamination of its land. The Debtor's duty under this injunction will be satisfied by the following:

1. The 17 acres parcels

This land is sold to Ridgeline Energy Services in exchange for cash and stock totaling \$13,000,000. After the initial distribution of the sales price to the Debtor, Ridgeline will deliver five tranches of its stock into an escrow to be established at a company to be determined. The stock will have a value of not less than \$5,425,000 on its date of issuance to escrow, and may be sold at any time six months after delivery. Escrow shall disburse funds to a builder's control account which shall monitor the on-going remediation work and authorized disbursement upon schedules approved by Ridgeline, the contractors rendering services and any relevant governmental agency which wishes to participate. A total of \$5,500,000 is allocated by the Debtor and Ridgeline for remediation efforts and ground water monitoring. Ridgeline will succeed to the Debtor's liability under the judgment and its mandatory injunction, and will hold the Debtor harmless from any liability.

2. The 38 acres parcels

This land is subject to a sale pursuant to the agreement for sale for which approval is sought. Under that transaction which is expected to be approved by May 1, 2013, a total of \$8,000,000 is allocated by the parties to remediate the contamination in the 38 acre parcels. In view of the solid balance sheet, the \$8,000,000 remediation fund

1 will be deducted from the purchase price and the buyer will perform the remediation out  
2 of its own non-sequestered funds. Additional costs are borne by the buyer which will  
3 succeed to the Debtor's liability under the judgment and its mandatory injunction, and will  
4 hold the Debtor harmless from any liability in connection therewith. Any insurer payments  
5 to the buyer will be returned to the Debtor.

6  
7 **D. Means of Effectuating the Plan**

8 *1. Funding for the Plan*

9 The plan will be funded by the following:

10 The Debtor sold the waste water reclamation facility and will receive \$35,000 in cash  
11 and \$400,000 note due January 31, 2013, and 2,469,136 shares of Ridgeline stock.

12 The Debtor sold the 17 acre parcels of land to Ridgeline Energy for \$13-million in  
13 cash and stock. The Debtor will receive \$2,600,000 in cash, will receive a note for  
14 \$428,571 due January 2014, and will receive 1,714,286 shares of stock in Ridgeline at  
15 closing and thereafter in five tranches totaling 7,750,000 shares. The stock can be  
16 liquidated after 6 months from the date of deposit, and will be held in escrow. The funds  
17 in escrow will be used up to \$5,500,000 to pay for the remediation of the contamination on  
18 the 17 acres and ground water monitoring.

19 The Debtor has received an offer to purchase the 38 acre parcels, and is seeking  
20 approval thereof, for \$23-million, of which \$8-million will be offset to fund the remediation  
21 of the contamination on the 38 remaining acre parcels. The Debtor is seeking orders of the  
22 court setting forth procedures which will govern the sale of the property and the ability of  
23 other parties to make offers to purchase the 38 acres. The offeror is a "stalking horse"  
24 bidder for the property, and will be entitled to a break up fee if the sale procedures are  
25 approved as will be prayed. The Debtor will seek approval of the sale to the offeror subject  
26 to consideration of any qualified bids from third parties, and, if received, an auction among  
27 such parties. Allowed secured claims against both the 38 acre parcels and the 17 acre  
28

1 parcels will be paid in full upon the close of the escrow for the sale of the 38 acres.

2 From the cash proceeds of the sales over and above the payment of the costs of  
3 sale and the allowed secured claims, the Debtor will make distribution to unsecured  
4 creditors in full without interest. The Debtor will retain any additional proceeds. To the  
5 extent that a claim is objected to by the Debtor, the Debtor will hold the amount of that  
6 claim in reserve.

7  
8 *2. Post-Confirmation Management*

9 The Debtor will continue to be managed by Siegfried Hodapp, President, Vincent  
10 Papa, Secretary and General Counsel, and Michael Egner, Chief Financial Officer.

11 *3. Disbursing Agent*

12 The Debtor shall act as the disbursing agent for the purpose of making all  
13 distributions provided for under the Plan. The Disbursing Agent shall serve without bond  
14 and shall receive fees equal to 1% of the amounts distributed for distribution services  
15 rendered. It will received its expenses incurred pursuant to the Plan.

16  
17 **E. Risk Factors**

18 The proposed plan has the following risks:

19 The Plan is based upon the sale of the Debtor's land. There is a risk that Ridgeline  
20 Energy could become financially unable to complete its duties to remediate the land, and  
21 that its stock could become worth substantially less than what is necessary to fund the  
22 remediation and pay the expected excess proceeds to the Debtor.

23 There is a risk that the Debtor will not be able to gain approval of the sale of the 38  
24 acres to the buyer. There is a risk that the Debtor will not be able to close any approved  
25 sale thereby requiring the Debtor to seek a new buyer for the land. This may take  
26 substantial periods of time.



**F. Other Provisions of the Plan**

**1. Executory Contracts and Unexpired Leases**

**a. Assumptions**

The following are the unexpired leases and executory contracts to be assumed as obligations of the reorganized Debtor under this Plan (see Exhibit C for more detailed information on unexpired leases to be assumed and Exhibit D for more detailed information on executory contracts to be assumed):

The Debtor's executory contract with Ridgeline was assumed pursuant to order of the court entered September 26, 2012.

The lease of REP-LA 1 of the biodiesel facility will be cured, assumed and assigned to Ridgeline.

The lease with Wells Fargo Equipment Finance, a division of Wells Fargo Bank, N.A. of the 2000 Eagle Picher RC60 will be assumed and assigned to Ridgeline.

The lease with Wells Fargo Financial Leasing, Inc. of a Ricoh copier model MPC2800 will be assumed.

On the Effective Date, each of the unexpired leases and executory contracts listed above shall be assumed as obligations of the reorganized Debtor. The Order of the Court confirming the Plan shall constitute an Order approving the assumption of each lease and contract listed above. If you are a party to a lease or contract to be assumed and you object to the assumption of your lease or contract, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. See Section I.B.3. of this document for the specific date.

**b. Rejections**

On the Effective Date, the following executory contracts and unexpired leases will be rejected:

Lease with Ricoh Americas Corporation for office photocopier.

1 The order confirming the Plan shall constitute an Order approving the rejection of  
2 the lease or contract. If you are a party to a contract or lease to be rejected and you  
3 object to the rejection of your contract or lease, you must file and serve your objection to  
4 the Plan within the deadline for objecting to the confirmation of the Plan. See Section I.B.3.  
5 of this document for the specific date.

6 THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM ARISING  
7 FROM THE REJECTION OF A LEASE OR CONTRACT IS \_\_\_\_\_. Any claim  
8 based on the rejection of a contract or lease will be barred if the proof of claim is not timely  
9 filed, unless the Court later orders otherwise.

10  
11 2. *Changes in Rates Subject to Regulatory Commission Approval*

12 This Debtor is not subject to governmental regulatory commission approval  
13 of its rates.

14 3. *Retention of Jurisdiction*

15 The Court will retain jurisdiction to the extent provided by law.  
16

17 **G. Tax Consequences of Plan**

18 CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN  
19 MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN  
20 ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of  
21 possible tax consequences is intended solely for the purpose of alerting readers about  
22 possible tax issues this Plan may present to the Debtor. The Proponent CANNOT and  
23 DOES NOT represent that the tax consequences contained below are the only tax  
24 consequences of the Plan because the Tax Code embodies many complicated rules which  
25 make it difficult to state completely and accurately all the tax implications of any action.

26 The following are the tax consequences which the Plan will have on the Debtor's tax  
27 liability: The Debtor has large operating losses carryforwards which will eliminate any tax  
28

liability as a result of the sales of its assets.

#### IV.

#### **CONFIRMATION REQUIREMENTS AND PROCEDURES**

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OR THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, acceptance of the Plan, whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and whether the Plan is feasible. These requirements are not the only requirements for confirmation.

##### **A. Who May Vote or Object**

###### *1. Who May Object to the Confirmation of the Plan*

Any party in interest may object to the confirmation of the Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

###### *2. Who May Vote to Accept/Reject the Plan*

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim which is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

###### *a. What is an Allowed Claim/Interest*

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be

1 allowed, unless a party in interest brings a motion objecting to the claim. When an  
2 objection to a claim or interest is filed, the creditor or interest holder holding the claim or  
3 interest cannot vote unless the Court, after notice and hearing, either overrules the  
4 objection or allows the claim or interest for voting purposes.

5 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE  
6 WAS AUGUST 31, 2012. A creditor or interest holder may have an allowed claim or  
7 interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed  
8 if (1) it is scheduled on the Debtor's schedules and such claim is not scheduled as  
9 disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim.  
10 An interest is deemed allowed if it is scheduled and no party in interest has objected to the  
11 interest. Consult Exhibits F through L to see how the Proponent has characterized your  
12 claim or interest.

13 b. What is an Impaired Claim/Interest

14 As noted above, an allowed claim or interest only has the right to vote  
15 if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the  
16 legal, equitable, or contractual rights of the members of that class. For example, a class  
17 comprised of general unsecured claims is impaired if the Plan fails to pay the members of  
18 that class 100% of what they are owed.

19 In this case, the Proponent believes that classes 7, 13, 14 and 15 are  
20 impaired and that holders of claims in each of these classes are therefore entitled to vote  
21 to accept or reject the Plan. The Proponent believes that classes 1, 2, 3, 4, 5, 6, 8, 9, 10,  
22 11, and 12, are unimpaired and that holders of claims in each of these classes therefore  
23 do not have the right to vote to accept or reject the Plan. Parties who dispute the  
24 Proponent's characterization of their claim or interest as being impaired or unimpaired may  
25 file an objection to the Plan contending that the Proponent has incorrectly characterized  
26 the class.

1                   3.     *Who is Not Entitled to Vote*

2                   The following four types of claims are not entitled to vote: (1) claims that have  
3     been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant  
4     to Code sections 507(a)(1), (a)(2), and (a)(8) (76); and (4) claims in classes that do not  
5     receive or retain any value under the Plan. Claims in unimpaired classes are not entitled  
6     to vote because such classes are deemed to have accepted the Plan. Claims entitled to  
7     priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(7) are not entitled to vote  
8     because such claims are not placed in classes and they are required to receive certain  
9     treatment specified by the Code. Claims in classes that do not receive or retain any value  
10    under the Plan do not vote because such classes are deemed to have rejected the Plan.  
11    EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE  
12    A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

13                   4.     *Who Can Vote in More Than One Class*

14                  A creditor whose claim has been allowed in part as a secured claim and in  
15    part as an unsecured claim is entitled to accept or reject a Plan in both capacities by  
16    casting one ballot for the secured part of the claim and another ballot for the unsecured  
17    claim.

18                   5.     *Votes Necessary to Confirm the Plan*

19                  If impaired classes exist, the Court cannot confirm the Plan unless (1) at least  
20    one impaired class has accepted the Plan without counting the votes of any insiders within  
21    that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is  
22    eligible to be confirmed by "cramdown" on non-accepting classes, as discussed later in  
23    Section {IV.A.8.}.

24                   6.     *Votes Necessary for a Class to Accept the Plan*

25                  A class of claims is considered to have accepted the Plan when more than  
26    one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which  
27    actually voted, voted in favor of the Plan. A class of interests is considered to have  
28

1 accepted the Plan when at least two-thirds (2/3) in amount of the interest-holders of such  
2 class which actually voted, voted to accept the Plan.

3 *7. Treatment of Nonaccepting Classes*

4 As noted above, even if all impaired classes do not accept the proposed  
5 Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated  
6 in the manner required by the Code. The process by which nonaccepting classes are  
7 forced to be bound by the terms of the Plan is commonly referred to as "cramdown." The  
8 Code allows the Plan to be "crammed down" on nonaccepting classes of claims or  
9 interests if it meets all consensual requirements except the voting requirements of  
10 1129(a)(8) and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward  
11 each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. §  
12 1129(b) and applicable case law.

13 *8. Request for Confirmation Despite Nonacceptance by Impaired*  
14 *Class(es)*

15 The party proposing this Plan asks the Court to confirm this Plan by  
16 cramdown on impaired classes 7, 13, and 14 if any of these classes do not vote to accept  
17 the Plan. Please note that the proposed Plan treatment described by this Disclosure  
18 Statement cannot be crammed down on the following classes : None . AS A RESULT, IF  
19 THERE ARE ANY OF THESE CLASSES OF CLAIMS AND THEY DO NOT VOTE TO  
20 ACCEPT THE PLAN, THE PLAN WILL NOT BE CONFIRMED.

21  
22 **B. Liquidation Analysis**

23 Another confirmation requirement is the "Best Interest Test", which requires a  
24 liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an  
25 impaired class and that claimant or interest holder does not vote to accept the Plan, then  
26 that claimant or interest holder must receive or retain under the Plan property of a value  
27 not less than the amount that such holder would receive or retain if the Debtor were  
28

liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The Plan Proponent maintains that this requirement is met here for the following reasons:

Below is a demonstration, in balance sheet format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or interest holder would receive under a Chapter 7 liquidation. (See Exhibit E for a detailed explanation of how the following assets are valued. This information is provided by the Debtor.

**ASSETS VALUE AT LIQUIDATION VALUES:**

**CURRENT ASSETS**

a.	Cash on hand . . . . .	\$520,000.00
b.	Accounts receivable . . . . .	\$30,000.00
c.	Inventories . . . . .	\$0.00
d.	Cash due from Ridgeline upon close . . . . .	\$2,635,000.00
e.	Note from Ridgeline due Jan 31, 2013 . . . . .	\$400,000.00
f.	Note from Ridgeline due Jan 2014 . . . . .	\$428,571.00
g.	Stock received from Ridgeline . . . . .	\$1,715,000.00
h.	Stock due from Ridgeline after close . . . . .	\$5,425,000.00
i.	Obligations assumed by Ridgeline . . . . .	\$2,200,000.00
TOTAL CURRENT ASSETS . . . . .		\$13,353,571.00

**FIXED ASSETS**

a.	Office furniture & equipment . . . . .	\$10,000.00
b.	Machinery and equipment . . . . .	\$200,635.00
c.	Vehicles . . . . .	\$54,000.00
d.	Supplies . . . . .	\$13,003.00

1	e.	Building & Land under offer (net) . . . . .	\$22,540,000.00
2			
3		TOTAL FIXED ASSETS . . . . .	\$22,817,639.00
4		OTHER ASSETS	
5	a.	Customer list . . . . .	\$0.00
6	b.	Other intangibles. . . . .	\$0.00
7		TOTAL OTHER ASSETS . . . . .	\$0.00
8		TOTAL ASSETS AT LIQUIDATION VALUE. . . . .	\$36,171,210.00
9		<b>Less:</b>	
10		Secured creditor's recovery . . . . .	\$10,191,000.00
11		<b>Less:</b>	
12		Remediation Expenses . . . . .	\$13,500,000.00
13		<b>Less:</b>	
14		Chapter 7 trustee fees and expenses . . . . .	\$200,000.00
15		<b>Less:</b>	
16		Chapter 11 administrative expenses. . . . .	\$200,000.00
17		<b>Less:</b>	
18		Priority claims,	
19		excluding administrative expense claims . . . . .	\$1,445,929.22
20		<b>Less:</b>	
21		Debtor's claimed exemptions . . . . .	\$0.00
22			
23	(1)	Balance for unsecured claims . . . . .	\$10,634,280.78
24	(2)	Total amount of unsecured claims . . . . .	\$3,500,000.00 <sup>1</sup>

PERCENTAGE OF THEIR CLAIMS WHICH UNSECURED CREDITORS WOULD  
RECEIVE OR RETAIN IN A CH. 7 LIQUIDATION : 100%

PERCENTAGE OF THEIR CLAIMS WHICH UNSECURED CREDITORS WILL RECEIVE  
OR RETAIN UNDER THIS PLAN: 100%

Below is a demonstration, in tabular format, that all creditors and interest holders  
will receive at least as much under the Plan as such creditor or holder would receive under  
a Chapter 7 liquidation.

Claims & Classes	Payout Percentage Under the Plan	Payout Percentage Under Chapter 7
Administrative Claims	100%	100%

<sup>1</sup> Estimate based upon estimate of allowed amount of claims.



1	Priority Tax Claims	100%	100%
2	Class 1	100%	100%
3	Class 2	100%	100%
4	Class 3	100%	100%
5	Class 4	100%	100%
6	Class 5	100%	100%
7	Class 6	100%	100%
8	Class 7	53.75%	100%
9	Class 8	100%	100%
10	Class 9	100%	100%
11	Class 10	100%	100%
12	Class 11	100%	100%
13	Class 12	100%	100%
14	Class 13	100%	100%
15	Class 14	N/A	N/A

Recovery percentages in Classes 13 and 14 reflect the Debtor's estimate of percentages paid on allowed claims.

### **C. Feasibility**

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Plan Proponent maintains that this aspect of feasibility is satisfied as illustrated here:

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Cash debtor will have on hand by Effective Date .....	\$8,638,000.00
To Pay: Administrative claims .....	\$200,000.00
To Pay: Statutory costs & charges .....	\$5,000.00
To Pay: Other Plan Payments due on Effective Date .....	\$4,945,929.22
Balance after paying these amounts .....	\$1,887,070.78

The sources of the cash Debtor will have on hand by the Effective Date, as shown above are:

\$ 520,000.00	Cash in DIP Account now
+ 3,035,000.00	Additional cash DIP will accumulate from Ridgeline between now and Effective Date <sup>2</sup>
+ 5,083,000.00	Additional cash net from close of sale of 38 acre parcels
+ 0.00	Borrowing
+ 0.00	Capital Contributions
+ 0.00	Other
\$ 8,638,000.00	Total

No borrowing is contemplated in effectuating the Plan.

The second aspect considers whether the Proponent will have enough cash over the life of the Plan to make the required Plan payments. The Debtor will have cash on-hand on the Effective Date to cover all of its anticipated payments required under the Plan

The Proponent has provided financial statements which include both historical and projected financial information. Please refer to Exhibit B for the relevant financial statements. YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR

\_\_\_\_\_

<sup>2</sup>Assumes that secured claims will be paid from escrow of sale of 38 acres and cash shown is net after payment of secured creditors.

1 FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE  
2 FINANCIAL STATEMENTS.

3 In summary, the Plan proposes to pay its allowed and estimated claims in full on or  
4 before the Effective Date. As Debtor's financial projections demonstrate, Debtor will have  
5 not less than \$8,500,000 in cash and stock on the Effective Date for payment of operating  
6 expenses, post-confirmation taxes, and allowed claims.. The Plan Proponent contends that  
7 Debtor's financial projections are feasible. Furthermore, as discussed earlier in the  
8 Disclosure Statement at Section II.E.4, Debtor has implemented procedures to pay its  
9 creditors in full and proceed to new ventures away from this site.

10  
11 **V.**

12 **EFFECT OF THE CONFIRMATION OF PLAN**

13 **A. Discharge**

14 This Plan provides that upon the Effective Date, the Debtor shall be discharged of  
15 liability for payment of debts incurred before confirmation of the Plan, to the extent  
16 specified in 11 U.S.C. § 1141. However, the discharge will not discharge any liability  
17 imposed by the Plan.

18  
19 **B. Revesting of Property in the Debtor**

20 Except as provided in the Plan, the confirmation of the Plan revests all of the  
21 property of the estate in the Debtor.

22  
23 **C. Modification of Plan**

24 The Proponent of the Plan may modify the Plan at any time before confirmation.  
25 However, the Court may require a new disclosure statement and/or revoting on the Plan.

26 The Proponent of the Plan may also seek to modify the Plan at any time after  
27 confirmation only if (1) the Plan has not been substantially consummated and (2) the Court  
28

1 authorizes the proposed modifications after notice and a hearing.

2  
3 **D. Post-Confirmation Status Report**

4 Within 120 days of the entry of the order confirming the Plan, Plan Proponent shall  
5 file a status report with the Court explaining what progress has been made toward  
6 consummation of the confirmed Plan. The status report shall be served on the United  
7 States Trustee, the twenty largest unsecured creditors, and those parties who have  
8 requested special notice. Further status reports shall be filed every 120 days and served  
9 on the same entities.

10  
11 **E. Quarterly Fees**

12 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of confirmation shall  
13 be paid to the United States Trustee on or before the effective date of the plan. Quarterly  
14 fees accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the United  
15 States Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree, or  
16 entry of an order of dismissal or conversion to chapter 7.

17  
18 **F. Post-Confirmation Conversion/Dismissal**

19 A creditor or party in interest may bring a motion to convert or dismiss the case  
20 under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan.  
21 If the Court orders, the case converted to Chapter 7 after the Plan is confirmed, then all  
22 property that had been property of the Chapter 11 estate, and that has not been disbursed  
23 pursuant to the Plan, will revert in the Chapter 7, estate. The automatic stay will be  
24 reimposed upon the revested property, but only to the extent that relief from stay was not  
25 previously authorized by the Court during this case.

26 The order confirming the Plan may also be revoked under very limited  
27 circumstances. The Court may revoke the order if the order of confirmation was procured  
28

1 by fraud and if the party in interest brings an adversary proceeding to revoke confirmation  
2 within 180 days after the entry of the order of confirmation.

3  
4 **G. Final Decree**

5 Once the estate has been fully administered as referred to in Bankruptcy Rule 3022,  
6 the Plan Proponent, or other party as the Court shall designate in the Plan Confirmation  
7 Order, shall file a motion with the Court to obtain a final decree to close the case.

8  
9 DATED: January 8, 2013

RICHARD T. BAUM and  
GLICKFELD, FIELDS & JACOBSON

10  
11 /s/ Richard T. Baum

12 RICHARD T. BAUM, Attorney for Debtor  
13 and Debtor-in-Possession LAKELAND  
DEVELOPMENT COMPANY

**DECLARATION OF VINCENT PAPA**

I, Vincent Papa, declare:

1. I am the Secretary and General Counsel of Debtor Lakeland Development Company. Together with Michael Egner, the Debtor's Chief Financial Officer, I am primarily responsible for the Debtors' day to day operations in connection with this bankruptcy case. I have personal knowledge of the facts set forth herein and if called and sworn as a witness I could and would testify competently thereto. I also have personal knowledge of the facts set forth in the above Disclosure Statement, and I believe that each of those facts are true.

2. The Debtor owns ten parcels of land comprising a total of approximately 55 acres located in Santa Fe Springs, California. The land was used as an oil refinery from the 1930's to about 1998. The historical record shows that during the 1960s, 1970s, and into the early 1980s, there were fire, explosions, and other catastrophic events at the refinery resulting in the release of petroleum-related constituents. As the result of these events, the soil and groundwater became contaminated. In 1997, the Regional Water Quality Control Board issued an administrative order against Powerine requiring the investigation and remediation of the contamination. Subsequently, the City of Santa Fe Springs filed suit against Powerine, and obtained an injunction requiring the investigation and remediation of the contamination. In 1998, the Debtor, then known as Cenco Refining Company, purchased the property from Powerine. In 2004, a judgment by stipulation was entered by the Los Angeles Superior Court requiring the remediation of the land.

3. During its ownership of the land, the Debtor attempted to find partners or purchasers for the land who had the financial wherewithal to purchase realty of this size

1 and to remediate the soil, as well as the technical expertise, either themselves or with  
2 partners, to perform the remediation events. A deal was reached, at one time, with Sares  
3 Regis Group, but that agreement fell apart and ended in litigation. In order to end that  
4 litigation, the Debtor gave Sares Regis a note for approximately \$2,500,000 secured by six  
5 parcels comprising approximately 38 acres of the land. The note was later assigned to  
6 12345 Lakeland LLC which commenced non-judicial foreclosure proceedings. The sale  
7 was set for May 7, 2012, and the Debtor filed its bankruptcy petition on May 4, 2012.

8  
9 4. The Debtor owned a waste water reclamation facility located on the parcels  
10 comprising a 17 acre tract. It entered into an agreement with its affiliate company,  
11 Lakeland Processing Company ("LPC") whereby operated the facility. It did so at a profit  
12 attracting interest from potential buyers. In April 2012, the Debtor and Ridgeline Energy  
13 Services, Inc., a Canadian company, entered into two agreements which were executory  
14 at the time of the filing of the Petition. The first was a Management Agreement whereby  
15 Ridgeline took over operation of the waste water facility. This enabled it to do due  
16 diligence while deciding whether to consummate the Asset Purchase Agreement. That  
17 latter agreement sold the waste water facility to Ridgeline, granted it a lease of the 17  
18 acres, and gave it an option to purchase the land. When Ridgeline indicated it wanted to  
19 proceed with the Asset Purchase Agreement, and to immediately exercise its option to  
20 purchase the land, the Debtor filed a motion with the court for approval of the assumption  
21 of the Asset Purchase Agreement and to enter into the lease, option and ultimate sale  
22 agreement. The underlying agreements were amended twice, but on September 20, 2012,  
23 the court held a hearing at which time it granted the motion. An Order Approving the  
24 Assumption was entered on September 26, 2012. The Debtor closed the agreement on  
25 January , 2013.

26  
27 5. At closing the Debtor will receive \$3,035,000.00 in cash, a promissory note for  
28

1 \$428,571.00 due and payable by January 31, 2014, and 4,183,422 shares of stock issued  
2 by Ridgeline, which at its present price of \$0.41 per share, is worth \$1,715,203.00. The  
3 stock can be sold six months after its issuance. Ridgeline will be responsible for the  
4 remediation of the toxins on the property, and to that end it will issue five tranches of stock  
5 having a value of not less than \$5,000,000 which will be held in escrow. The stock will be  
6 sold at least six months after its issuance, and the funds will be disbursed to pay the costs  
7 of the soil remediation and ground water monitoring. Ridgeline has 2 years to commence  
8 remediation efforts, and the stock may be held and not sold if it is determined that there  
9 is a likelihood that the price will rise.

10  
11 6. Before the bankruptcy was filed, the Debtor had entered into a loan-with-option-  
12 to-purchase agreement with Western Realco with regard to the 38 acre parcels. When the  
13 extended due diligence period passed without its decision to go forward with the  
14 agreement, the Debtor marketed the property and was approached by one of the parties  
15 to the Western Realco deal. When that possible transaction sputtered, the Debtor shifted  
16 attention to another party which is part of a billion-dollar investment and development  
17 enterprise. It received an offer to purchase the 38 acre parcels for \$23,000,000, with a 2%  
18 broker's commission, and a reduction of \$8,000,000 to fund the remediation of the  
19 contaminants. The Debtor entered into that agreement subject to the buyer's due  
20 diligence and resolution of the identity, capitalization and financial guarantees of the  
21 Special Purpose Enterprise which will be the buyer of the property. Meanwhile, the Debtor  
22 is moving ahead with a motion to set the procedures governing the sale, and a motion to  
23 approve the sale. It is expected that latter motion will be heard not later than May 1, 2013.  
24 The deal, if approved, would provide \$14,500,000 in cash which would be used, as set  
25 forth in the above Plan, to pay secured claims (including secured real property taxes),  
26 estimated to be approximately \$10,191,000. The balance is devoted to payment of the  
27 unsecured claims as set forth in the Plan. These payments would be made on the  
28



Effective Date of the Plan.

7. Attached as Exhibit 1 hereto is a listing of the personal property of the Debtor which will remain property of the Debtor after the close of the sales of the 17 acre parcels and the 38 acre parcels. The values set forth are my best estimates as to their net value considering that they must be removed from the property.

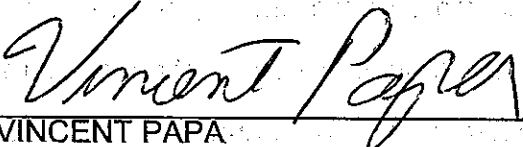
8. The Plan calls for a bonus of \$250,000 to be paid to the employees of the Debtor to be allocated by the officers of the Debtor in order to compensate them for the difficulties which they have endured while operating in bankruptcy and while not knowing how much longer their jobs will last. It is also designed to compensate for the performance success that this bankruptcy represents in that it promises a complete return to unsecured creditors. The bonus is payable to employees who were employed by the Debtor in the post-Petition period, and in amounts not less than \$2,000 nor more than \$90,000.

9. Powerine Oil Company maintained insurance on the property which it maintains provides coverage for the costs of remediating the contamination of the property. The insurers contest this. I am told by Powerine's counsel that if coverage exists and the insurers make payment of the claim, they become subrogated to the rights of Powerine against previous and subsequent owners of the property under state and federal environmental laws, and under common law. These rights are for equitable contribution, but are limited only to the extent that the actions of that owner contributed to the contamination or the costs of remediation. Inasmuch as the Debtor undertook no refining or other petroleum related activities during the time of its ownership, I do not believe that the Debtor will have any liability. As such, when the court comes to estimating the claims of the insurers, it will probably use a factor of 0%, or 1% at highest. The claims made by the insurers, ACE Property & Casualty Insurance Co. (Claim No. 36) and Central National

1 Insurance Co. of Omaha (Claim No. 37) include claims for defense and investigation costs.  
2 If there is coverage under the policies which they issued, there is no claim against  
3 Powerine or any successor for equitable indemnity. Hence the claims are very doubtful.  
4 In litigation before the Los Angeles Superior Court between Powerine and the insurers,  
5 Powerine's motion for summary judgment has been pending for almost two years and has  
6 not yet been scheduled for hearing by the court since the insurers claim that they have not  
7 conducted sufficient discovery and investigation to determine their liability.

8  
9 I declare under the penalty of perjury under the laws of the United States of America  
10 that the foregoing is true and correct.

11 Executed this 8th day of January 2013 at New York, New York.

12  
13   
14 VINCENT PAPA

**DECLARATION OF MICHAEL EGNER**

I, Michael Egner, declare:

1. I am the Chief Financial Officer of Debtor Lakeland Development Company. Together with Vincent Papa, the Debtor's Secretary and General Counsel, I am primarily responsible for the Debtors' day to day operations in connection with this bankruptcy case. I have personal knowledge of the facts set forth herein and if called and sworn as a witness I could and would testify competently thereto.

2. The financial affairs of the Debtor have been my responsibility for at least the last ten years. As Chief Financial Officer, I have maintained the Debtor's books and records in the ordinary course of business. I supervised the entry of items on the various ledgers, reviewed all such entries, and reviewed the financial statements that were generated based upon that data. Attached hereto is the Balance Sheet for the Debtor as of December 31, 2012, and the Profit & Loss Statement for the year ending December 31, 2012, both of which are true, correct and accurately reflect the financial condition of the Debtor as of that time. I do not foresee events coming which will deleteriously that financial condition.

3. As of December 31, 2012, the Debtor had cash in the bank of \$513,373.97. We have used the sum of \$520,000 in cash for convenience purposes.

I declare under the penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 8<sup>th</sup> day of January 2013 at Santa Fe Springs, California.

  
MICHAEL EGNER

**EXHIBIT A**

**LIST OF ALL ASSETS**

Gross Proceeds of expected sale of 38 acres pursuant to offer received and for which approval of sale will be sought . . . . .	\$23,000,000.00
Less expected costs of sale . . . . .	(460,000.00)
Less environmental remediation reduction. . . . .	(8,000,000.00)
Adjusted gross proceeds . . . . .	\$14,540,000.00
Proceeds of Ridgeline sale of the 17 acres:	
Cash due from Ridgeline upon close . . . . .	\$2,635,000.00
Note from Ridgeline due Jan 31, 2013 . . . . .	\$400,000.00
Note from Ridgeline due Jan 2014 . . . . .	\$428,571.00
Stock received from Ridgeline . . . . .	\$1,715,000.00
Stock due from Ridgeline after close . . . . .	\$5,425,000.00
Obligations assumed by Ridgeline . . . . .	\$2,200,000.00
Cash in Bank (12-31-12) . . . . .	\$513,373.97
Petty cash . . . . .	\$5,000.00
Vehicles (see attached list) . . . . .	\$54,000.00
Supplies (see attached list) . . . . .	\$13,003.00
Furniture (see attached list) . . . . .	\$10,000.00
Equipment (see attached list) . . . . .	\$200,635.00
<b>Total . . . . .</b>	<b>\$28,139,582.97</b>

CURRENT VALUE OF  
DEBTOR'S INTEREST  
IN PROPERTY, WITHOUT  
DEDUCTING ANY  
SECURED CLAIM  
OR EXEMPTION

**29. Machinery, fixtures, equipment, and supplies used in business.**

CURRENT VALUE OF  
DEBTOR'S INTEREST  
IN PROPERTY, WITHOUT  
DEDUCTING ANY  
SECURED CLAIM  
OR EXEMPTION

DESCRIPTION AND LOCATION OF PROPERTY

Surveyor's Transit, Lietz 550, sn 44640. Sato office	\$	500
Surveyor's Tripod. Sato office	\$	100
Surveyor's Rods, 3 each. Sato office	\$	100
Distance Measuring Wheel. Sato office	\$	25
Ridgid Wet/Dry 12 gallon Vacuum. Warehouse	\$	50
Husky 1.8 hp Compressor. Warehouse	\$	100
Schumacher 200 amp Battery Charger. Warehouse	\$	100
Ohaus D10L-00 100-lb Electronic Scale. Warehouse	\$	250
Chain Hoists, 4 each. Warehouse	\$	200
Machinist's Clamps, 4 each. Warehouse	\$	150

Flange Jacks, Williams No. 30, 6 each. Warehouse	\$	600
Handle Striking Wrenches, 1 1/2" - 3 1/8", 104 each. Warehouse	\$	4,000
Large Combination Wrenches, >2" size, 5 each. Warehouse	\$	150
Small Hand Tools, Various. Warehouse	\$	200
Pipe Vise, Ridgid BC-810. Warehouse	\$	100
Pipe Cutting and Threading Tools. Warehouse	\$	150
Pipe Wrenches. Warehouse	\$	100
Pipe Plugs, 12" - 20", 6 total. Warehouse	\$	150
Brady Labelizer Plus Pipe Label Printer. Warehouse	\$	200
RKI Eagle Combustible Gas/Oxygen Meter. Warehouse	\$	300
Air Hose, 3/4" x 50', 2 each. Warehouse	\$	100
Drum Truck. Warehouse	\$	100
Rolling Platform Ladders, 2 each. Warehouse	\$	300
10-ft Fiberglass Ladder. Warehouse	\$	50
Pallet Trucks, 2 each. Warehouse	\$	300
Howe-Richardson No. 5401 2,000 lb Mobile Floor Scale. Warehouse	\$	100
Marsh Model R 1-inch Stencil Cutting Machine. Warehouse	\$	400
Bicycles, 2 each. Warehouse	\$	100
Pedestal Fan, 1/2 hp, 3 each. Warehouse	\$	150
Electric Panels; Transformer, Dry Type. Substation P	\$	500
Transformer, 500 kVA. Substation P	\$	5,000
Ruger 500 lb Capacity Portable Hydraulic Crane. Electric Shop	\$	200
Ridgid 141 Conduit/Pipe Threader. Electric Shop	\$	300
Starrett 925 Heavy Duty Vise. Electric Shop	\$	200
Steel Work Tables, 2 each. Electric Shop	\$	400
Ladders, 4, 6, and 10 foot. Electric Shop	\$	150
Ladders, 8 and 20 foot Extension Type. Electric Shop	\$	100
Ladder, 8 foot Fiberglass. Electric Shop	\$	60
Vinyl Hose, 4" x 50', 3 each. Electric Shop	\$	200
Parts Drawers with Miscellaneous Hardware, 27 each. Electric Shop	\$	1,500
Various Electrician's Tools and Test Equipment. Electric Shop	\$	1,000
Steel Roll-Off Bins, 20-yd Capacity, 5 each. East Side	\$	4,000
Coleman Powermate 5,000 W Generator with 2 Light Stands. East Side	\$	350
Wacker Neuson PT3 Portable Gasoline Powered Pump. East Side	\$	1,500

Rolling Platform Ladder. East Side	\$	150
Heavy Duty Crane-Lifted Basket. East Side	\$	500
Gasket Rack. East Side	\$	100
Motor, 150 hp, TECO, sn 340-2, with Sulzer-Bingham 730 gpm Pump. East Side	\$	2,000
Pump, Pacific Pumps 4,375 gpm, sn 236-01. East Side	\$	500
Transformer, 12 kV - 4,160 V, HO-A. East Side	\$	500
Shipping Container, 24', sn 1196. East Side	\$	500
Stud Bolts. Inside Container	\$	1,000
Pipe Fittings. Inside Container	\$	600
Gaskets. Inside Container	\$	200
Poly Tank, White, 8,000 Gallon Capacity. Outside R.O. Bldg.	\$	2,000
Poly Tank, Black, 6,000 Gallon Capacity. West of R.O. Bldg.	\$	500
Nalco FuelTech Urea Injection Systems, 2 each. West of R.O. Bldg.	\$	200
Motor, 125 hp, Toshiba, sn 1262. West of R.O. Bldg.	\$	500
24-foot Open Top Steel Bin. East of Main Substation	\$	500
Steel Roll-Off Bin, 20-yd Capacity. East of Main Substation	\$	1,000
Shipping Containers, 2 each, 20'. South of Main Substation	\$	3,000
Stud Bolts. Inside Container	\$	1,000
Pipe Fittings. Inside Container	\$	600
Gaskets. Inside Container	\$	100
Steel Work Table 4 x 8'. South of Main Substation	\$	400
Switchgear. Main Substation	\$	20,000
Pedestal Fans, 1/2 hp, 4 each. Covered Outdoor Bay	\$	200
Ingersoll-Rand Portable Diesel Air Compressor, sn U77253. Covered Outdoor Bay	\$	2,000
Portable Power Distribution Center, 75 kVA. Covered Outdoor Bay	\$	3,000
Portable Power Distribution Center, 50 kVA. Covered Outdoor Bay	\$	1,000
Dry Type Transformer, 30 kVA, sn 503-4. Covered Outdoor Bay	\$	400
Rolling Platform Ladder. Covered Outdoor Bay	\$	150
Steel Roll-Off Bin, 20-yd Capacity. East of Tank 96066	\$	500
Everfilt LH48 Screen Filter, sn 19333. Drum Storage Area	\$	2,000
Aluminum Forklift Work Platform. Warehouse	\$	600
Vapor Control Vessel and Blower. Wastewater Solids Basin	\$	500
Pedestal Fan, 1/2 hp, 2 each. Wastewater Solids Basin	\$	100
Screw Conveyor, 10 ft, plus Motor. Wastewater Solids Basin	\$	1,000

Induction Motor, Siemens-Allis, 2,000 hp, sn 946-01-1. Outside Carpenter Shop	\$	10,000
Pump, Pneumatic Portable Type, Wilden, M-8. East of Biodiesel Unit	\$	300
Tank, UL-Type, Horizontal, Electric Traced and Insulated, est. 6,000 gal. East of Biodiesel Unit	\$	5,000
Pump, Viking, with 3 hp Motor, sn 3095. Tank 15	\$	500
Tank Heater, Chromalox, 15 kW Electric, sn 4-028. Tank 15	\$	3,000
Motors, 7.5 hp, 3 each, with 2 Pumps. Tank 15	\$	200
Tank Mixer, Lightnin, with 10 hp Motor. Tank 15	\$	1,000
Tank Heater, Chromalox, 24 kW Electric. Tank 50	\$	4,000
Tank Mixer, Lightnin, with 5 hp Motor. Tank 50	\$	1,000
Pump, Coker, with 3 hp Motor, sn 2214. Tank 50	\$	500
Truck Scale, Axle Type, GSE 560 with Display and Printer. Front Office	\$	5,000
Telephone System, 2 each. Front Office	\$	2,000
Transformer, 1,000 kVA, 2 each. South of Warehouse	\$	10,000
Switch, G&S, 600A. South of Warehouse	\$	1,000
Electrical Switchrack R-2. South of Warehouse	\$	500
Ladder, 8 foot Fiberglass. Landscape Storage Area	\$	100
Fire Hoses, One Lot on Pallet. Covered Outdoor Bay	\$	200
Transformer, 2,400-480 V Dry Type, GE. Covered Outdoor Bay	\$	2,000
Fume Hoods, 5 each. Lab	\$	1,000
Analytical Balance, Sartorius CP124S, sn 0745. Lab	\$	800
Balance Table. Lab	\$	150
Centrifuge, Walker Model 100, sn 2394. Lab	\$	500
Hydrometers, Approximately 80 each. Lab	\$	600
Flammable Storage Cabinets, 2 each. Lab	\$	150
Colorimeter, LaMotte Smart3, sn 243. Lab	\$	200
pH Meter, ATI, sn 620. Lab	\$	150
Centrifuge, Damon/IEC, sn 6272. Lab	\$	500
Laboratory Glassware, Various Types, 1 lot. Lab	\$	1,000
Miscellaneous Laboratory Equipment, 1 lot. Lab	\$	1,000
Dry Type Transformer, Acme, 30 kVA. Lab Electric Room	\$	400
Fire Hydrants, Approximately 25 each. Installed	\$	2,500
Tank 43009, 48' h x 77' d	\$	22,000
Tank 34008, 38' h x 77' d	\$	20,000
Tank 10050, 40' h x 42' d	\$	10,000



Tank 17001, 40' h x 55' d	\$	15,000
Tank 5015, 40' h x 30' d	\$	5,000
Tank, Caustic	\$	1,500
Subtotal	\$	200,635

# FURNITURE INVENTORY

FURNITURE TYPE	ADMIN BLDG / GATE #4	MAINT BLDG / SHOPS	BLUE ROOM	CARPENTER SHOP	TOTAL AMOUNT
A/C UNIT PORTABLE	0	3	0	0	3
BOOKCASE LARGE	21	26	2	3	52
BOOKCASE SMALL	6	25	0	2	33
CABINET FILE FIRE PROOF	78	3	0	0	81
CABINET FILE LARGE	47	80	0	14	141
CABINET FILE SMALL	9	25	2	1	37
CABINET STORAGE LARGE	5	17	0	5	27
CABINET STORAGE SMALL	4	19	0	3	26
CARDENZA	9	9	0	0	18
CHAIR	50	112	2	26	190
COMPUTER WITH COMPONENTS	9	12	0	0	21
COPIER	4	15	0	0	19
COUCH	4	0	0	0	4
DESK	20	29	5	7	61
LOCKER	71	9	17	25	122
MICROWAVE	2	7	0	0	9
PRINTER	6	20	0	0	26
REFRIGERATOR LARGE	1	4	0	0	5
REFRIGERATOR SMALL	3	5	0	0	8
SAFE	3	1	0	0	4
SHREDDER MACHINES	2	0	0	0	2
TABLE CONFERENCE LARGE	1	1	0	0	2
TABLE CONFERENCE SMALL	1	2	0	0	3
TABLE DRAFTING	0	6	0	0	6
TABLE LARGE	8	7	4	1	20
TABLE SMALL	13	24	0	3	40
TROPHY CASE GLASS	1	0	0	0	1
TYPEWRITER	10	3	0	0	13
WATER DISPENSOR	2	2	1	0	5

VALUE: \$10,000.00

# SUPPLIES LIST

DESCRIPTION	QUANTITY	U/M	EST CURRENT VALUE
BAILING WIRE	6	RLS	18.00
CLAMPS MISC	1	LOT	100.00
CLAMPS REPAIR	19	EA	300.00
COMPRESSOR PARTS	1	LOT	75.00
CONSUMABLES (water,paper,etc)	1	LOT	250.00
COOPER TUBING	1	LOT	250.00
CUTTING WHEELS	1	LOT	100.00
DIES	1	LOT	100.00
FITTINGS CAMLOCK	45	EA	225.00
FITTINGS CHICAGO	23	EA	75.00
FITTINGS FIRE HOSE	1	LOT	750.00
FITTINGS PIPE	1	LOT	1,500.00
FITTINGS SWAGELOK	1	LOT	250.00
FITTINGS WELD	1	LOT	250.00
FLANGES	81	EA	400.00
GASKETS PAPER	1	LOT	100.00
GASKETS RUBBER	1	LOT	100.00
HOSES	1	LOT	200.00
OIL ABSORBANT	4	EA	10.00
OILS (motor,wd 40,atf,etc)	1	LOT	10.00
PLATE BLINDS	19	EA	100.00
PLUGS DRUM	1	LOT	15.00
PLUGS EXCHANGER	1	LOT	100.00
PLUGS PIPE	1	LOT	150.00
PUMP PARTS SEALS	19	EA	250.00
PUMP PARTS WILDEN	1	LOT	4,000.00
STRAINERS "Y"	5	EA	100.00
STRAINERS BASKET	5	EA	50.00

**SUPPLIES LIST**

DESCRIPTION	QUANTITY	U/M	EST CURRENT VALUE
SUPPLIES ELECTRICAL	1	LOT	100.00
SUPPLIES INSTRUMENT	1	LOT	200.00
SUPPLIES LAB	1	LOT	100.00
SUPPLIES SAFETY	1	LOT	250.00
TAGS,LABELS AND SIGNS	1	LOT	75.00
TAPE PIPE	5	RLS	50.00
TOOLS	1	LOT	2,000.00
VALVES (check,ball,gate,relief)	1	LOT	250.00
WELD O LETS	16	EA	150.00

**\$13,003.00**

## **VEHICLE AND EQUIPMENT LIST**

YEAR	LICENSE PLATE #	VEHICLE ID NUMBER	VEHICLE / EQUIP MAKE	VEHICLE / EQUIP DESCRIPTION	EST CURRENT VALUE
1997	7E03743	2GCEC19W41104786	CHEVROLET	WHITE SILVERADO TRUCK	1,500.00
1990	4B67413	1FDNF70K8LVA01379	FORD F700	WHITE STAKEBED TRUCK	12,000.00
2005	7R64843	1GTEC14V65Z122356	GMC SIERRA	NEW TRUCK	10,000.00
1995	7D06631	1M1AA13Y1SW054335	MACK	GREEN VACUUM TRUCK	20,000.00
2004	5UZL505	5TDZA22C24S168796	TOYOTA	SIENNA VAN	12,000.00
				<b>TOTAL</b>	<b>\$ 54,000.00</b>

**EXHIBIT E**

**LIQUIDATION ANALYSIS**

**ASSETS VALUE AT LIQUIDATION VALUES:**

**CURRENT ASSETS**

a.	Cash on hand . . . . .	\$520,000.00
b.	Accounts receivable . . . . .	\$30,000.00
c.	Inventories . . . . .	\$0.00
d.	Cash due from Ridgeline upon close . . . . .	\$2,635,000.00
e.	Note from Ridgeline due Jan 31, 2013 . . . . .	\$400,000.00
f.	Note from Ridgeline . . . . .	\$428,571.00
g.	Stock received from Ridgeline . . . . .	\$1,715,000.00
h.	Stock due from Ridgeline after close . . . . .	\$5,425,000.00
i.	Obligations assumed by Ridgeline . . . . .	\$2,200,000.00

**TOTAL CURRENT ASSETS . . . . . \$13,853,571.00**

**FIXED ASSETS**

a.	Office furniture & equipment . . . . .	\$10,000.00
b.	Machinery and equipment . . . . .	\$200,635.00
c.	Vehicles . . . . .	\$54,000.00
d.	Supplies . . . . .	\$13,003.00
e.	Building & Land under offer (net) . . . . .	\$22,540,000.00

**TOTAL FIXED ASSETS . . . . . \$22,817,639.00**

**OTHER ASSETS**

a.	Customer list . . . . .	\$0.00
b.	Other intangibles . . . . .	\$0.00

**TOTAL OTHER ASSETS . . . . . \$0.00**

**TOTAL ASSETS AT LIQUIDATION VALUE. . . . . \$36,271,210.00**

**Less:**

Secured creditor's recovery . . . . . \$10,191,000.00

**Less:**

Remediation Expenses . . . . . \$13,500,000.00

**Less:**

Chapter 7 trustee fees and expenses . . . . . \$200,000.00

**Less:**

Chapter 11 administrative expenses. . . . . \$200,000.00

**Less:**

Priority claims,  
excluding administrative expense claims ..... \$1,445,929.22

**Less:**

Debtor's claimed exemptions ..... \$0.00

(1) Balance for unsecured claims ..... \$9,934,280.78

(2) Total amount of unsecured claims ..... \$3,500,000.00<sup>3</sup>

PERCENTAGE OF THEIR CLAIMS WHICH UNSECURED CREDITORS WOULD  
RECEIVE OR RETAIN IN A CH. 7 LIQUIDATION : 100%

PERCENTAGE OF THEIR CLAIMS WHICH UNSECURED CREDITORS WILL  
RECEIVE OR RETAIN UNDER THIS PLAN: 100%

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<sup>3</sup> Estimate based upon estimate of allowed amount of claims.

**EXHIBIT F**

**LIST OF ADMINISTRATIVE EXPENSE CLAIMS**

Bankruptcy General Counsel Fees and Costs:

Name	Allowed to date	Estimated	Total Amount	Paid	Total Due
Richard T. Baum	\$86,336.33			\$86,336.33	
Glickfeld Fields & Jacobson	\$79,988.00			\$79,988.00	
H. Henry Eshraghian		\$1,250.00			



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**EXHIBIT G**

**LIST OF PRIORITY UNSECURED CLAIMS**

[List to be provided]

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**EXHIBIT H**

**LIST OF GENERAL UNSECURED CLAIMS**

[List to be provided]

**EXHIBIT I**

**LIST OF EQUITY INTERESTS**

Energy Merchant Holding Corp.: Holds 100% of the single class of Debtor's stock.

Energy Merchant Corp.: Holds 100% of the single class of Energy Merchant Holding Corp.'s stock.

**EXHIBIT J**

**LIST OF GOVERNMENTAL POLICE POWER CLAIMS**

Regional Water Quality Control Board, Los Angeles Region

State of California Water Resources Control Board

Community Development Commission of  
the City of Santa Fe Springs