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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF WYOMING**

In re: )  
DENNIS MEYER DANZIK, )  
 ) Case No. 16-20002  
 ) CHAPTER 11  
Debtor. )

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**PROPOSED CHAPTER 11 DISCLOSURE STATEMENT  
ACCOMPANYING DEBTOR’S PROPOSED ORIGINAL PLAN OF  
REORGANIZATION DATED AUGUST 4<sup>th</sup>, 2016**

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The Debtor Dennis, Meyer Danzik, provides this Disclosure Statement to all of his known creditors and interest holders in connection with his Chapter 11 plan.

**Purpose of Disclosure Statement.** Pursuant to §1125 of the Bankruptcy Code (11 U.S.C. §1125) the Debtor submits a Disclosure Statement to his creditors and other parties in interest with adequate information so they will be able to make an informed judgment about the acceptability of a plan. The Disclosure Statement should contain sufficient information to allow a hypothetical reasonable investor typical of the holders of claims in the classes impaired under the plan to make an informed judgment so as to accept or reject the plan.

**Background of the Debtor.** Dennis Myer Danzik was born in March of 1958, the ninth

child of parents of a blended family in Portsmouth, Virginia. His father was an engineer that specialized in ship building at the US Naval Base located in Norfolk, Virginia.

Dennis's father then invested in and operated shoe stores in Ohio where Dennis grew up from around age 3 to 11. The Debtor moved to Cody, Wyoming with his mother, at age eleven (11) after his father's death, and has lived there despite allegations to the contrary, for many of his adult years. The Danzik's bought a home in Cody in the summer of 2011. Currently his family winters in Arizona. He took a degree in Industrial Engineering in May of 1985 from Alberdeen; he did a fellowship in at the University of Exeter in Environmental Studies, ending in October of 1997, and completed his executive education in Product Development and Technology in July of 2009 from the Sloan School of Management at the Massachusetts Institute of Technology. He married a Cody girl and has raised two daughters; one, a 2013 graduate of Arizona State University, and the younger a veterinary sciences major at the University of Wyoming in Laramie.

The Debtor's first professional employment was in 1980 as an enumerator, then statistician for the United States Department of Commerce which he left the following year for his first tooling design gig in 1981. He has been mechanically inclined all his life. Currently he is one of the few people in the country capable of the design and implementation of industrial waste water management equipment and devices that use energy developed from the process. Current EPA regulations lend strength to this endeavor. Oil and gas cycles are critical to the overall waste water activity and the current downturn in that industry has led to branching out into food processing waste water treatment as well as small refineries all of which generate dirty water.

The Debtor is also one of the leading experts in the application of radial engine technology for natural gas consumption for mechanical and electrical energy, which the Debtor has spent over two years in development and now has commercial applications being contracted.

The Debtor's hobby, classic cars, will triple his investment in liquidation under the proposed plan. His commitment is to sell them all.

***Factors precipitating the Chapter 11 filing.*** As CEO of a Canadian publicly traded engineering and environmental company the Debtor was economically comfortable, although, his failure to timely file United States tax returns was slowing sneaking up on him, when in February of 2014 he was exposed to the Renewable Diesel Refinery in Carthage, Missouri. After a 60 day all to brief period of due diligence, Mr. Danzik's company made the worst decision of his business career when it agreed to purchase the refinery for \$30,000,000 U.S. RDX Technologies Corporation paid \$10,000,000 in cash and stock and signed a promissory note for the balance of \$20,000,000 payable \$100,000 monthly, plus calling for the value of the 2012 Fuel Blender's Credits to be paid to the sellers as paid to the Refinery from the United States Department of Treasury for renewable diesel production during the seller's tenure.

Fortunately, the short due diligence period allowed for the transaction caused the parties to include a provision in the Unit Purchase Agreement that contractually allowed any and all payments to the sellers to stop if the refinery failed to perform. Failed performance was suspect as early as June in 2013, less than 60 days after RDX purchased the Refinery. Due to mounting customer complaints, RDX, as was its right, notified the

sellers and ceased payments in August of 2013. It was known to a certainty that the Refinery was not refining by April of 2014, when several of the Refinery's employees stepped forward and admitted that the Refinery was a fraud, and that RDX had been duped. Due to contractual obligations RDX had to continue producing substandard fuel at a loss from April of 2014 to November of 2014 for two asphalt companies in Missouri. RDX ceased filing for Blender's Credits and Renewable Identification Number Credits (RINS) in April of 2014. This caused RDX to suffer a more than \$ 2.00 per Gallon immediate loss on every Gallon sold. Production finally stopped for good in November of 2014. In April of 2013, GEMCO (a party seller) sued CWT and RDX for losses alleged to its opportunity of ownership in CWT (another party seller) and RDX and Mr. Danzik. Mr. Danzik also personally guaranteed an RDX operating loan in 2013, and again in 2014. The operating loan for operations was from Sigma Fund, LLC for \$3,000,000. The refinery failure provides defenses to the CWT claims, but not so to the \$3,000,000 Sigma debt. Fortunately, Sigma is secured by real estate. Unfortunately, the Sigma real estate is part of a 58-acre cleanup from a refinery that operated for over 60 years in Santa Fe Springs, California. The completion of which is requisite to the 1.97-acre tract which is Sigma's collateral being sold. More than any other single factor the fraudulent refinery caused RDX's failure which brought down the Debtor.

***Reorganization in Chapter 11—Actions taken to improve operations.*** For the most part RDX has failed to reorganize. It will do subcontracting work in its field of expertise largely to fund ongoing litigation primarily for the fraud and failure of the Refinery. Its principle civil claim is venued, by agreement, in Alberta Canada. The lawsuit, which is

ongoing with hearings and depositions scheduled, involves the ten million dollar down payment, stock that Mr. Danzik borrowed for the transaction, operating losses to RDX, indemnification claims by RDX's customers, officers, directors, and the destruction of RDX Technologies Corporation. Mr. Danzik is a direct beneficiary of the fraud claims in the inducement refinery claims. In addition, his RDX employment agreement requires it to hold him harmless from lawful acts he took on its behalf as CEO. Certainly his costs and fees in all of the GEMCO, CWT, Sigma, South Coast and resulting chapter 11 fall into this area of his potential recovery. Since he has funded his defenses to date, his plan pays over to his first priority then general creditors any recovery on all his claims including those for indemnification from RDX based on the Debtor's employment contract with that company. The Debtor is rebuilding his contract base from scratch in waste water treatment as well as pump, engine, and fire suppression design, manufacture and field testing.

**Post Confirmation Operations:** Since the Debtor proposes turning over post confirmation earnings to various creditors under the terms of a plan, it is necessary to predict and budget these earnings. This cannot be done with certainty and since the Debtor is not in a position to access operating lending, these projections need be conservative. Attached hereto as **Debtor's Exhibit B** are cash flow projections taking into account the declining IRS payments, home mortgage commitment, guaranteed unsecured monthly payment and living expenses of the Danzik family. These estimates are from the Debtor and no other source.

**Non-exempt Assets with Petition Date (January 4, 2016) with Liquidation Value**

**(debtor's estimates of value unless otherwise indicated):**

Personal Property

2005 Bentley Arnage	\$51,000 (Debtor's estimate)	
2012 GMC Arcadia	\$18,000 (Kelly Blue Book)	
2008 KTM 690 Enduro	\$5,500	
2005 Jaguar VDP	\$9,000	
1974 Giannini Acoustic	\$550.00	
2011 "Huckabee" signed Behinger electric guitar	\$6,500.00	
2010 Fender Telecaster	\$400.00	
2011 Crestwood "CMA" signed acoustic	\$1,200.00	
Cir. 1940 Giannini Mandolin	\$300.00	
1977 Batmobile-car 003 Lincoln Continental	\$250,000.00	These two vehicles are collateral with the Debtor's home on the Rofe note. Vehicle 1
1989 Batmobile-car 004 Chevrolet Caprice	\$180,000.00	
1974 Ford Torino	\$22,000.00	Vehicle 2
2010 PACAM Cargo Trailer	\$1,500	
2009 Cargomate Trailers (some Damage)	\$2,500	
Barretta 9mm pistol	\$500	
Ruger Single six 22	\$100	

Winchester 30-30 rifle	\$650
Colt Mark IV .45 Cal pistol	\$600
Cash on hand	\$400
Total	\$550,700
Less security agmts.	<u>~ \$102,559.16</u>
Available for creditor	
Pay down	\$448,140.84

Real Estate

1334 Sunset Blvd. South Cody, WY	\$1,400,000 (this is entireties property And only available for those Creditors of Mr. Danzik who are also creditors of Mrs. Danzik
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Claims: Attached here to as **Debtor's Exhibit A** is a listing of the proven and scheduled claims of the Debtor indicating where claim objections are pending.

Please contact counsel for the Debtor if you wish to review a more detailed list of the assets (the actual schedules filed with the court). There is one highly contested claim by one of the Debtor's claimants currently being litigated against the Debtor's wife.

Otherwise the marital home is held in a Wyoming tenancy by the entireties.

**Liabilities.**

**Secured Claims:** On the petition date, the Debtor had six (6) secured creditors who have been classified by the Debtor's Chapter 11 Plan as follows:

Class one—Richard S. Rofe, with a loan secured by two show cars (the Bat Mobiles) and the Debtor and his wife's home in Cody, Wyoming. This claim is impaired as it has not been paid periodically. This claim will be paid in full as soon as practical. It is in the amounts of \$750,000 which approximates a 50% debt to equity ratio. It will receive a blended three hundred and sixty-month payment, while the Debtor does everything within his abilities to replace this friendly financing with an alternative. The monthly payment at four percent interest will be approximately \$3,704.47.

Class two—Builtmore Loan secured by a note and a security agreement on 1974 Ford Torino which is impaired. The claimant's collateral will be sold at the highest price attainable within six months of confirmation and net proceeds paid the claimant. And deficiency will be treated as class nine claim. This class is impaired.

Class three—TD Auto finance. Debtor's counsel is in touch with counsel for this claimant and expects an acceptance from this class of the current plan treatment. Perhaps this treatment will be slightly modified giving the claimant some options if the auction sale is not acceptable to the claimant. Basically the collateral will be sold and the claimant paid with proceeds. The Debtor estimates a two to one equity ratio to debt so payment in full is probable with a contribution thereafter to the IRS of the balance of the sale proceeds. This class is impaired.

Class four— TD Auto finance has a second claim. No Proof of Claim was filed but the Debtor does not contest this scheduled claim so it will be paid as is claim number three. The Debtor has offered the same concessions to this class as were offered to class four. This is an impaired class 8. If the Blue Book value exceeds petition date debt and



exemptions, the Debtor will make a single payment to the IRS in the amount of the non-exempt equity in the vehicle to allow its retention as primary transportation. This class, too, is impaired.

Class five—Title Max this class is overly secured by a vehicle that will sell promptly. This class is impaired. Auction bid protection and other accommodations are available to this class and can be obtained by contacting Debtor's counsel.

Class six—Sigma Fund has real estate collateral that does not belong to the Debtor. The real estate is liquid and will sell as soon as the EPA cleanup is complete on the 18 acres next to it. The owners of the larger tract are working diligently on the cleanup, although, the process is now somewhat behind the original schedule. The listing agent has promised an offer as soon as the “no further clean up certificate” is signed. He believes it will be somewhere over \$30 a square foot for the 1.97 acres. If acceptable to Sigma that should come close to a payoff. This class is impaired.

Class seven—This is a non-voting class treated pursuant to 11 U.S.C. 1129.

Class eight—Priority taxes. For confirmation this class needs to be paid within the sixty months after filing the petition, January 2016. With a September confirmation, eight of the sixty months will be based, leaving fifty-two months with which to make payments. The code does not require it, but normally the IRS insists on monthly payments. The Debtor proposes 1/52<sup>nd</sup> of the declining balance of this claim be paid each month. This will take the full 52 remaining months, but result in a complete pay down. The Debtor proposes the application of all non-exempt sales apply to this claim. If the chapter 11 case were dismissed, this claimant would immediately lien up all

personal property and effectively mandate this treatment. The amount of this claim is still being determined. Many year's returns have been filed without applicable deductions, and two years are being finished up by the Debtor's CPA's as this draft is being created. This treatment of this claim is believed to meet the statutory required treatment of this claim and no vote is necessary.

Class nine—General Unsecured claims. The want to be large claimants have filed two claims for the same sum. Surely that will be disallowed. The Debtor contests any liability on both of these claims. Both have been granted stay relief to allow the New York Court to conclude litigation pending there. Unfortunately, that litigation is limited in scope and does not reach the full gambit of the parties' claims against each other. To date that process has occurred all on motions. The Debtor believes that neither RDX or he, has filed an actual Answer to the original complaint. The Debtor will ask the bankruptcy court to estimate these claims for plan voting purposes and await any distribution until a final resolution of the claims is judicially determined. Pro-rations will be escrowed during payout of all contested claims. This class is impaired.

***Chapter 7 Liquidation Analysis.*** Given the size of the IRS claim it is not likely that a Chapter 7 Trustee would participate in liquidating the Debtor's assets. In the event of a liquidation under Chapter 7, it is anticipated that the unsecured claims would not receive payment at all. A Chapter 7 Trustee is not funded to prosecute the Debtor's potential civil claims and they could therefore be completely discounted. In Chapter 7, the selling of show cars, would occur under the auspicious of the Internal Revenue Serves and it is not likely the IRS would have its priority claim paid thereby. The Debtor reserves the option

of liquidating in the event of a post-petition default.

The Debtor anticipates making distributions under the plan within approximately one (1) month after confirmation. Both the Chapter 7 process would take years if it occurred but since it projects a zero payout timing is not an issue. The Debtor's payout projects to pay unsecured claims a substantial pay down guaranteed to be \$180,000 with significant upside potential based on pending litigation.

The potential for an unsecured distribution occurs with the inclusion of the post-petition Debtor's income as an estate asset. That occurs only in Chapter 11. 11 U.S.C. 1129(a)(15)(B) spells out that a sixty month commitment is "fair and equitable" over an objecting class of claims. The Debtor proposes exactly that, to open the possibility of confirmation over an objecting class.

***Alternatives to Reorganization.*** As manager of the Debtor's interests, Mr. Danzik intends to reorganize by selling the non-exempt property and committing substantial personal earnings to a plan payout. He has hired and had approved by the Bankruptcy Court competent professionals to assist in doing this. The only other option is a Chapter 7 conversion which could involve deep discounts in liquidation and probably would not pay unsecured creditors. It is assumed foreclosure would be an unlikely choice to return anything to unsecured creditors.

***Risk Factors.*** The Debtor is very dependent on his existing health since his employment is the primary basis for reorganization. Vehicle sales are probably best accomplished by an economically motivated owner when compared with the effort of a creditor with a personal guarantee. Mr. Danzik files timely and complete monthly reports which should

provide fair warning of the case's direction.

***Existing Management and Proposed Compensation.*** The Debtor is proposing a plan that calls for his personal living expenses to come from earnings and all disposable income to be committed to the repayment of creditors' claims. Creditors will be paid from personal property sales, results of pending litigation, and future earnings of the Debtor.

***Executory Contracts (Leases).*** The Debtor does not believe that he has any executory contract to assume.

***Pending Litigation.*** There were a number of pending law suits when the bankruptcy case was filed. There is one in New York primarily dealing with a little over five million dollars of Blenders Credits where the Debtor and RDX are cross claim defendants. There is one pending in Canada where the Debtor has sued for over \$100 million dollars against the New York Plaintiff's for the fraudulent sale of a "Refinery." The forfeited down payment is twice the sums sought in New York. If the Debtor is successful in Canada, there will probably be criminal investigations of the Defendants which has no doubt been a motivator of the principles in GEMCO and CWT in the New York litigation and this Chapter 11 proceeding. Mr. Danzik has sued a former co-worker in Defamation in the Wyoming Federal District Court where the claims are for large dollars probably beyond the reach of the Defendant.

***Tax Consequences.*** The Debtor will not incur any tax liabilities as a result of the plan confirmation. There will no doubt be tax consequences from the sale of the vehicles. You are urged to confer with your own tax advisor regarding the tax aspects of the plan.

Logically there will be favorable tax consequences from the commitment of current

income to pay former business debt.

***Preference and other related litigation.*** The plan contemplates a contested confirmation. The huge downside for the CWT Parties and GEMCO parties leave little room for doubt. The Debtor does not intend to commence any litigation after confirmation other than possible claim objections. The Debtor will expand the currently pending adversaries concerning dischargeability and discharge to include indemnification claims based on his employment contract, against RDX Technologies Corporation. RDX may raise similar claims in those proceedings based on guarantees in the Unit Purchase Agreement. The Debtor reserves the right to pursue such actions within the applicable statute of limitations.

***Voting Procedures.*** After the approval of this Disclosure Statement, the Debtor will mail a voting ballot with the Plan and the Approved Disclosure Statement, which “impaired” claims are entitled use to vote on the acceptance of the plan. A claim is impaired if the principal, interest, length of time for payment, or a combination of these is changed. The holder of an unimpaired claim is conclusively presumed to have accepted the plan and the solicitation of acceptances from holders of the unimpaired claims is not required and will not be undertaken. Under the Debtor’s Plan, all unsecured claims are impaired as well as the one claim of Mr. Rofe. All creditors entitled to vote on the plan may cast their vote by completing, dating, and signing the Ballot included with this disclosure statement and mailing it to: The Law Offices of Ken McCartney PC, P.O. Box 1364, 1401 Airport Parkway, Suite 200, Cheyenne, WY 82003.

IN ORDER TO BE COUNTED, THE COMPLETED BALLOT MUST BE RECEIVED

NO LATER THAN \_\_\_\_\_. A BALLOT DOES NOT CONSTITUTE A VALID PROOF OF CLAIM IN THE DANZIK' CASE.

***Confirmation of the Plan.*** Following the approval of this Disclosure Statement, the United States Bankruptcy Court for the District of Wyoming (Honorable Cathleen D. Parker presiding) will hold a hearing to determine whether or not the reorganization plan should be confirmed. At the confirmation hearing, the court must determine whether or not the plan complies with 11 U.S.C. §1129. Among other things, the court must determine whether or not the plan has been accepted by each impaired class. Under 11 U.S.C. §1126(c), an impaired claim is deemed to have accepted the plan if at least 2/3s in amount and 1/2 in number of all allowed claims of class members actually voting have voted in favor of the plan. An impaired class is deemed to have accepted the plan if at least 2/3s in amount of the allowed interests have accepted the plan. Further, under 11 U.S.C. §1129(a)(7)(A)(ii) the court must find that each member of an impaired class will receive or retain more than if the Debtor was liquidated. This is known as the “best interest of creditors” test.

***Confirmation of the Plan without the creditor's consent—Cram Down.*** The plan may be confirmed even if it is not accepted by all impaired classes, if the court finds that the requirements of 11 U.S.C. §1129 are satisfied and certain other conditions are met. If the plan is not accepted by the impaired creditors or classes, the Debtor will rely on the “cram down provisions” of 11 U.S.C. §1129(b) and seek confirmation of the plan.

Generally, the Debtor must show that the plan does not discriminate unfairly and that the plan is fair and equitable with respect to each class of claims or interests that is impaired

under and has not accepted the plan. In order to be fair and equitable, as required by 11 U.S.C. §1129(b) of the Bankruptcy Code, the plan must provide that creditors and interest holders in non-consenting, impaired classes will either retain or receive on account of their claims or interests, property of a value, as of the effective date of the plan at least equal to the value of such claims or interests, or if they receive less than full value, no class or junior priority will receive or retain anything on account of such junior claim. The plan must also comply with the absolute priority rule if the creditors reject the plan. These are complex statutory provisions and this summary is not intended to be a complete statement of the law.

***Disclaimers.*** NO REPRESENTATIONS ABOUT THE DEBTOR, PARTICULARLY ABOUT THE DEBTOR'S FUTURE OPERATIONS OR THE VALUE OF HIS PROPERTY, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE AN ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY A CREDITOR. ANY ADDITIONAL REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR OR TO THE UNITED STATES TRUSTEE (308 West 21st Street, Room 203, Cheyenne, WY 82001, 307-772-2790).

The information contained in this disclosure statement has not been subject to a certified audit. The Debtor may not warrant or represent that all information in this disclosure statement is complete and accurate, although every reasonable effort has been made to

provide complete and accurate information. Approval of the disclosure statement is not equivalent to a recommendation by or a finding by the court that the Debtor's plan should be confirmed. You are urged to confer with your own counsel and a tax advisor about the plan and disclosure statement.

Dated this 24<sup>th</sup> day of August, 2016..

Respectfully submitted,  
The Debtor

/s/ Dennis M. Danzik

Represented by:

/s/ Ken McCartney

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### **CERTIFICATE OF SERVICE**

It is anticipated that counsel will receive an order of the Court setting a hearing on the adequacy of the proposed disclosure statement and directing the Plan filed herewith and this Disclosure Statement be served on all interested parties with a copy of the Order. No service other than that which occurs automatically, electronically is, therefore, made at this time.

#### **ESHIBIT B**

Cash flow projections for the Debtor, his family, and his businesses are in progress and will be filed no later than 5 business days prior to a hearing on the adequacy of this disclosure statement.