

LAW OFFICES OF STEPHEN R. WADE, P.C.  
350 W. Fourth Street  
Claremont, CA 91711  
PHONE (909)985-6500  
FAX (909) 399-9900

STEPHEN R. WADE  
California Bar No: 79219  
W. DEREK MAY  
California Bar No: 246327

ATTORNEY FOR DEBTOR

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
RIVERSIDE DIVISION

In re:

CASE NO. 6:10-bk-48739-SC

CHAPTER 11

CARLTON GLOBAL RESOURCES,  
LLC

**REDLINED-SECOND AMENDED  
DISCLOSURE STATEMENT DESCRIBING  
DEBTOR'S SECOND AMENDED CHAPTER  
11 PLAN OF REORGANIZATION**

Debtor.

DATE: February 5, 2013  
TIME: 1:30 p.m.  
PLACE: United States Bankruptcy Court  
3420 Twelfth Street  
Riverside, CA 92501-3819  
CTRM: 126

Carlton Global Resources, LLC, Debtor and Debtor in Possession (hereinafter referred to as the  
"Debtor") files the following Second Amended Disclosure Statement in support of its Second Amended  
Plan of Reorganization filed on February 11, 2013.

I.

INTRODUCTION

On December 1, 2010, Debtor commenced this 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 (hereinafter the "Plan").

Contemporaneous with the filing of this Second Amended Disclosure Statement, the Debtor has filed its Second Amended Plan of Reorganization. A copy of the Second Amended Plan is attached hereto as Exhibit "A". All references to the "Plan" herein are to the Second Amended Plan of Reorganization filed concurrently herewith. All references to the "Disclosure Statement" herein are to this Second Amended Disclosure Statement.

A. Purpose of This Document

The Code requires that the party proposing the Plan prepare and file with the Bankruptcy Court ("Court") a document called a "disclosure statement", describing the proposed plan. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

The Code requires a disclosure statement to contain "adequate information". In other words, the disclosure statement must contain information of a kind and in sufficient detail to enable the parties who are affected by the plan to intelligently vote for or against the plan or object to the plan.

The allegations and conclusions set forth in this Statement are, unless otherwise noted, those of the Debtor. The Court has not yet determined their accuracy, but may do so at the confirmation hearing.

READ THIS DISCLOSURE STATEMENT CAREFULLY AND FIND OUT THE FOLLOWING:

- (1) HOW THE PLAN WILL AFFECT YOUR CLAIM OR INTEREST,
  - (2) WHAT RIGHTS YOU HAVE WITH RESPECT TO VOTING FOR OR AGAINST THE PLAN,
  - (3) WHAT RIGHTS YOU HAVE WITH RESPECT TO OBJECTING TO THE PLAN,
- AND

(4) HOW AND WHEN TO VOTE FOR OR AGAINST THE PLAN.

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

**B. Voting Procedure and 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 ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

**1. Time and Place of the Confirmation Hearing**

The hearing to determine whether the Court will confirm the Plan will take place on May 7, 2013, in Courtroom 5C at 411 W. Fourth Street, Santa Ana, California.

**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 Stephen R. Wade, 350 West Fourth Street, Claremont, CA 91711, or by fax to (909) 399-9900.

**Your ballot must be received on or before 5:00 p.m. on , or it will not be counted.**

**3. Deadline For Objecting to the Confirmation of the Plan or Disclosure Statement**

Objections to the confirmation of the Plan must be filed with the Court and served upon Stephen R. Wade, 350 West Fourth Street, Claremont, CA 91711 on or before April 17, 2013.

**4. Bar Date For filing Claims**

The Court has established a bar date for filing of claims in this case of May 16, 2011.

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

Any interested party desiring further information about the Plan should contact Stephen R. Wade, 350 West Fourth Street, Claremont, CA 91711 Phone (909) 985-6500; Fax (909) 399-9900; e-mail srw@srwadelaw.com.

1 **C. Disclaimer**

2 The financial data relied upon in formulating the Plan is based on the Debtor's books and  
3 records. The Plan Proponent represents that everything stated in the Disclosure Statement is true to the  
4 Proponent's best knowledge. The Court has not yet determined whether or not the Plan is confirmable  
5 and makes no recommendation as to whether or not you should support or oppose the Plan.

6  
7 **II.**

8 **BACKGROUND**

9 **A. Description and History of the Debtor and Its Business:**

10 The Debtor is a Delaware limited liability company in good standing and authorized to do  
11 business in the State of California. Trans-Western Materials, Inc. and Pacific-Western Materials, LLC  
12 are members of the Debtor. Trans-Western Materials, Inc. holds a 57.5% membership interest in the  
13 Debtor and Pacific-Western Materials, LLC holds a 42.5% interest in the Debtor. The Debtor is a  
14 Debtor in Possession and no trustee has been appointed.

15 The Debtor was formed in November 2004 for the purpose of acquiring and operating mining  
16 operations in the State of California. The Debtor entered into a purchase agreement with Galtar, LLC  
17 (hereinafter "Galtar"), to purchase a minerals processing mill on approximately 320 acres of land in  
18 Kern County, with APN Numbers 0542-141-19-0-000 and 0542-141-19-1-0000 and an address  
19 commonly known as Dunn Mill, 55515 Dunn Road, Dunn, CA 92338 ("Dunn Mill Property") for a  
20 purchase price of \$3,000,000. Galtar refused to consummate the transaction voluntarily and in order to  
21 complete the purchase, the Debtor was forced to institute an action against Galtar for specific  
22 performance and other relief. As a result of this action, Galtar agreed to close escrow on the acquisition  
23 of the Dunn Mill Property and the Debtor acquired title thereto on June 7, 2007. At close of escrow,  
24 Galtar took back a note secured by a first priority deed of trust on the Dunn Mill Property in the original  
25 principal amount of \$2,400,000. (Hereinafter the "Galtar Note" and "Galtar Deed of Trust"). Galtar also  
26 received a lease from the Debtor on a portion of the Dunn Mill Property with an option to purchase said  
27 property. (hereinafter the "Galtar Lease/Option").

28 The Debtor was formed by Trans-Western Materials, Inc. (hereinafter "Trans-Western"),

1 together with investment from Main Street Mezzanine LP and Laminar Direct Capital GP, Inc.  
2 (Hereinafter the "Investors"). A dispute arose between the principals of Trans-Western, including its  
3 general partner, Marshall Pettit, and the Investors resulting in the withdrawal of Pettit from operations  
4 of the Dunn Mill Property. Litigation arose between Trans-Western and the Investors which resulted  
5 in a settlement in 2009 wherein, inter alia, the Investors withdrew from their interest in the Debtor and  
6 assigned such interest to Pacific Western Materials LLC. (Hereinafter the "Trans-Western Settlement").

7 The Debtor's primary assets consist of two separate pieces of real property. One piece of real  
8 property, contains a mill on approximately 320 acres of land in Kern County, with APN Numbers 0542-  
9 141-19-0-000 and 0542-141-19-1-0000 and an address commonly known as Dunn Mill, 55515 Dunn  
10 Road, Dunn, CA 92338 ("Dunn Mill Property"). The Dunn Mill Property is encumbered primarily by  
11 a deed of trust held by Galtar, LLC in the alleged amount of approximately \$3.3 million.

12 In addition, as of the date of filing, the Dunn Mill Property was encumbered by a Deed of Trust  
13 in favor of Main Street Capital in the amount of \$24,000,000. (Hereinafter the "Main Street Deed of  
14 Trust"). This obligation arose out of the terms of the Trans-Western Settlement, however, according to  
15 the terms of that Settlement, the Deed of Trust was to be reconveyed. In accordance with that  
16 Settlement, on November 6, 2012, the Main Street Deed of Trust was reconveyed by the Trustee by  
17 document recorded in the Office of the County Recorder of the County of San Bernardino as document  
18 number 2012-0460556.

19 Finally, the Dunn Mill Property is encumbered by a Deed of Trust in favor of Trans-Western  
20 Materials, Inc. In the principal amount of \$215,589. In addition there is accrued interest at the rate of  
21 11% per annum with a total due at this time of approximately \$130,431. Trans-Western Materials is an  
22 insider of the Debtor.

23 The Debtor values the Dunn Mill Property at approximately \$25,800,000, pursuant to an  
24 appraisal dated as of December 2009. The Debtor is in the process of preparing a new appraisal which  
25 it should have available at the confirmation hearing.

26 The other piece of real property, contains mines located in Boron, in Kern County, and consists  
27 of approximately 450 acres identified as APN #'s 232-230-41; 232-230-42; 232-230-44 and 232-230-56  
28 and commonly know as 23876 Rosewood Blvd., Boron, CA. (Hereinafter the "Boron Property"). The

1 Boron Property is encumbered by a note secured by a deed of held by DWARFCO Productions, Inc.  
2 (Hereinafter "DWARFCO") in the original principal sum of \$1,153,000. The Debtor values the Boron  
3 Property at approximately \$4,000,000.

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

5 The Debtor's officers and members are set forth in Exhibit B to this Disclosure Statement. The  
6 Debtor has no affiliated companies.

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

8 The Debtor is managed by its President, Marshall Pettit.

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

10 **A. The Clouds On Title**

11 On or about April 4, 2009, Cadence Industries, LLC and Hillcrest Investments Ltd., as  
12 Plaintiffs in San Bernardino Superior Court, Case No. CIV CS-800594 (hereinafter the  
13 "Hillcrest/Cadence Action") against Galtar, LLC. as Defendant, caused to be recorded with the County  
14 Recorder of the San Bernardino County, a Notice of Pendency of action in that Action purportedly  
15 affecting title to the Dunn Mill Property as document number 2009-0141214 (the Hillcrest/Cadence Lis  
16 Pendens").

17 On or about August 11, 2008, Robert Ford, individually, as Plaintiff in Clark County, Nevada  
18 District Court, case number A569151 (hereinafter the "Ford Action") against Galtar LLC, GMB, LLC,  
19 Gus Merhi aka Ghassan Merhi as Defendants, (hereinafter collectively the "Galtar Entities") caused to  
20 be recorded with the County Recorder for the County of San Bernardino a Notice of Pendency of Action  
21 in the Ford Action purportedly affecting title to the Dunn Mill Property as document number 2008-  
22 0365705, (hereinafter the "Ford Lis Pendens");

23 Due to the clouds on title from the above lis pendens' filed as a result of litigation between  
24 Galtar and third parties claiming that Galtar had sold the Dunn Mill Property to them, the Debtor was  
25 unable to obtain investment or refinance funds to recommence operations and/or to pay the Galtar Note.  
26 As a result, the Debtor defaulted on payments under the Galtar Note in May, 2012 and Galtar filed a  
27 Notice of Default and Election to Sell on August 6, 2010, and thereafter noticed a Trustee's Sale of the  
28 Dunn Mill Property. The Debtor filed Chapter 11 to stop that foreclosure, to litigate its claims against

1 Galtar and others, and to quiet title to Dunn Mill Property releasing the liens of the lis pendens' and  
2 thereafter to obtain investment capital and/or refinancing of the Galtar Note as necessary to reinstate or  
3 satisfy that obligation.

4 **E. Significant Post-Petition Events**

5 **1. Bankruptcy Proceedings**

6 The following is a list of significant events that have occurred during this case:

7 a. Initial Filing Documents. The case was commenced through the filing of a voluntary  
8 petition on December 1, 2010. The Schedules and Statement of Affairs were filed on December 15,  
9 2010.

10 b. United States Trustee Requirement. The Debtor has complied with the requirements of  
11 the United States Trustee (hereinafter the "OUST") for debtors in possession by filing the initial "7-day  
12 package". The 341a examination of the Debtor has been conducted and concluded. The Debtor is  
13 currently in compliance with all requirements of the OUST.

14 c. Employment of Professionals: The Debtor filed its notice of application to employ the  
15 Law Offices of Stephen R. Wade as its counsel on December 20, 2010. The Court approved this  
16 employment effective December 1, 2010, by Order entered on March 29, 2010.

17 d. Committee of Unsecured Creditors: No Committee of Unsecured Creditors has been  
18 formed in the case.

19 e. Adversary Proceedings and Motions.

20 Several Adversary proceedings have been brought in the case. The only one not dismissed by  
21 the Court on jurisdictional grounds and significant to the Debtor's reorganization was an action brought  
22 by the Debtor against Robert Ford and Cadence Industries, Clarence Wagaaner and Hillcrest, Galtar  
23 LLC and Gus Mehri as defendants, Adversary Case No 6:11-ap-01112. (Hereinafter the "Adversary  
24 Proceeding"). The Complaint in this matter sought declaratory relief that certain liens as reflected in the  
25 section hereof entitled "Clouds on Title" should be stricken from the record and for damages against all  
26 defendants for slander of title. This Adversary Proceeding was filed on February 10, 2011.

27 At the time of trial, the Debtor settled the adversary matter against Defendants Ford, Cadence,  
28 Wagaaner and Hillcrest. (Hereinafter the "Settling Defendants") The Settlement Agreement, a copy of

1 which is attached as Exhibit "C", provides that the Settling Defendants will cause the Clouds on Title  
2 as well as any other liens upon property of the Debtor to be released.

3 The Settlement further provides that the Galtar Lease Option, which was assigned to Ford  
4 pursuant to the Judgment in Clark County District Court case number A569151, (hereinafter the "Ford  
5 Judgment") will be cancelled by Ford. It further provides that within six (6) months of the date of  
6 exercise of an option to purchase the Galtar Note, which option was granted to Ford pursuant to the  
7 terms of the Clark County Judgment, the Debtor shall pay to Ford the sum of \$2,500,000 for the  
8 purchase of the Galtar Note.

9 After the Settlement was reached, executed by Ford, Cadence and counsel for them and for  
10 Waganaar and Hillcrest, and consented to by their counsel in open court, the Settling Parties defaulted  
11 in their obligations under the Settlement. Waganaar and Hillcrest executed the Settlement, but their  
12 counsel refused to provide same to the Debtor. Further, Ford refused to execute a Memorandum of  
13 Cancellation of the Galtar Lease/Option.

14 The Debtor filed a motion for approval of the Settlement Agreement, and for an Order  
15 enforcing the terms thereof. The hearing on that motion was set for February 5, 2013. At that hearing,  
16 the Court approved the Settlement and found it binding upon all parties thereto. The Court declined to  
17 make any finding cancelling the Lease/Option or that the Settlement was binding upon any person not  
18 a party to the Settlement Agreement, including but not limited to Galtar, Inc., and/or Mehri.

19 At trial on the adversary proceeding against Galtar and Merhi, the Court issued judgment for  
20 the Defendants and awarded approximately \$1,900 in costs of suit.

21 **2. Actual and Projected Recovery of Preferential or Fraudulent Transfers**

22 The Debtor has reviewed its records and does not believe there are any fraudulent conveyance  
23 actions under 11 U.S.C. 548 or preference recovery actions under 11 U.S.C. 547 which can or should  
24 be brought in the case. All payments made by the Debtor prior to the filing were in the ordinary course  
25 of its business affairs.

26 **3. Summary of Post Petition Operations and Procedures Implemented to Resolve**  
27 **Financial Problems**

28 As a result of the Clouds on Title from Ford and Hillcrest, together with the resulting default



1 in payments to Galtar, the Debtor has been unable to sell, refinance or otherwise obtain funds necessary  
2 to operate the Dunn Mill. During the pendency of the case, the Debtor has utilized cash contributions  
3 from the principals of the Debtor to pay OUST fees.

4 When the case was filed, and as a result of the Insider Litigation which stalled the development  
5 and operation of the Dunn Mill pre-petition, the condition of the Dunn Mill at filing was that it was  
6 almost totally inoperative. In order to provide for funds necessary to maintain the Dunn Mill and bring  
7 it to operational capacity, the Debtor reached an agreement with a related entity, ABM Potash, LLC  
8 (hereinafter "ABM Potash") for it to make the improvements necessary for the operation of the Dunn  
9 Mill, including payment of security, insurance, parts and labor associated therewith.

10 At confirmation of the Plan, the Debtor intends to enter into a Lease Agreement with ABM  
11 Potash wherein it will lease the Dunn Mill and the 40 acres it encompasses to ABM Potash under a triple  
12 net lease, with a monthly lease payment of \$35,000 per month for a term of five (5) years, with options  
13 to renew. This will form the basis for the payment of Plan payments to the Class 1, 3a and 4a claims,  
14 in the event the Debtor does not choose to pay these claims in full on the Effective Date.

15 Additionally, as a result of the Settlement Agreement with Ford in the Adversary Proceeding,  
16 the Debtor will obtain a cancellation of the Galtar Lease/Option on the remaining 280 acres of the Dunn  
17 Mill. The Debtor is now free to enter into an agreement for the mining of that property with a third  
18 party. The Debtor is currently in negotiations with such parties regarding such lease. The Debtor's  
19 performance under the Plan does not rely on any income from such a lease.

20 Finally, as a result of the Settlement Agreement with Ford and Hillcrest, the Debtor has  
21 obtained releases of the Clouds on Title represented by the lis pendens' filed on the Dunn Mill Property.  
22 This will give the Debtor the ability to either refinance or sell the Dunn Mill Property which gives it  
23 an additional option to satisfy the secured obligations thereon.

#### 24 **4. Proposed Post Confirmation Activities**

25 The Debtor proposes to enter into a Lease Agreement with ABM Potash to lease the Dunn  
26 Mill to them under the terms of a five year lease, with options to renew and with ABM responsible for  
27 payment of all maintenance, taxes and insurance on the Mill and paying the sum of \$35,000 per month  
28 to the Debtor. A Term Sheet including these terms and other is attached as Exhibit "D". The Lease will

1 be executed upon confirmation of this Plan.

2 Additionally, the Debtor is in the process of obtaining new financing on the Dunn Mill  
3 Property. If that financing is successful and in a position to close and fund prior to the Effective Date  
4 of the Plan, the Debtor would utilize that funding to pay all claims secured by the Dunn Mill Property  
5 in full.

6 Finally, the Debtor intends to lease the mining rights on the adjacent 280 acres to a third party  
7 to obtain additional income.

8 **5. Financial Data**

9 a. Historic Financial Data:

10 The Debtor has not had significant operational income in the recent past such as to provide  
11 meaningful Historic Financial Data.

12 b. Projected Financial Data:

13 Attached hereto as Exhibit "E" is a proforma for the Debtor's post confirmation activities. It  
14 relies upon the lease with ABM Potash for the funding reflected therein.

15  
16 **III**

17 **SUMMARY OF THE PLAN OF REORGANIZATION**

18 **A. DESIGNATION OF CLASSES OF CLAIMS AND TREATMENT:**

19 The Plan designates ten (10) Classes of claims and interests and three Unclassified claims,  
20 Type 1, Type 2, and Type 3. The following is a brief description of each class and unclassified  
21 claim together with a description of its treatment under the Plan.

22 **1) Class 1 Claim of Galtar LLC.**

23 **a. Galtar Obligation**

24 Galtar LLC, (hereinafter "Galtar") holds a secured claim arising from a promissory  
25 note dated as of May 30, 2007 in the original principal sum of \$2,400,000. (Hereinafter the  
26 "Galtar Note"). The Galtar Note is secured by a Deed of Trust on the Dunn Mill Property  
27 dated as of May 30, 2007, and recorded with the County Recorder of the County of San  
28 Bernardino on June 7, 2007 as document number 2007 0342739. (Hereinafter the "Galtar Deed

1 of Trust”) The Galtar Note provides for interest at the rate of 8.75% per annum, with a  
2 provision for a “default” rate of interest at an additional 2% per annum. The Galtar Note calls  
3 for payments of \$19,325.45 per month, principal and interest fully amortized over one hundred  
4 and twenty months commencing on ending on April 1, 2017.

5 **b. Galtar Payoff**

6 Galtar filed a proof of claim on May 5, 2011, Claim Number 8. A copy of that claim  
7 is attached as Exhibit “F”. (hereinafter the “Galtar Proof of Claim”). That claim indicates that  
8 the Debtor was in arrears for the payment due on the Galtar Note in May, 2010 and onward.  
9 The Debtor concedes that it has not made any payments on the Galtar Note since that date. The  
10 Galtar Proof of Claim recites that as of December 31, 2010 the Galtar Note had a principal  
11 balance of \$2,345,555, and accrued interest of an additional \$184,207, for a total amount owed  
12 of \$2,529,762, together with certain unspecified additional charges.

13 The Debtor calculates the secured claim of Galtar through March 31, 2013 as follows:

|    |                                |                    |
|----|--------------------------------|--------------------|
| 15 | Principal Balance              | \$2,345,555        |
| 16 | Accrued Int. @ 8.75% per annum |                    |
| 17 | through March 31, 2013         | \$598,605          |
| 18 | Late Charges @ 5%              | \$33,819           |
| 19 | Trustee Fees                   | \$5,629            |
| 20 | Attorney Fees (allowable)      | \$25,000           |
| 21 | <u>Total</u>                   | <u>\$3,008,608</u> |

22 In response to an informal request by the Debtor to Galtar in October, 2012, Galtar  
23 asserted that the payoff amount on the Galtar Note amounted to a principal of \$2,345,555 plus  
24 accrued interest through October 31, 2012 of \$609,355, plus unstated additional charges. A  
25 copy of that is attached as Exhibit “G”.

26 **c. Galtar Note Cure**

27 In response to the same informal response to a request by the Debtor, Galtar provided  
28 an analysis of the “cure” for the Galtar Note. A copy of that is attached as Exhibit “G”. It

provides a total "cure" amount of \$911,628.77 as of October 22, 2012. This figure is broken down as follows:

| <u>Category</u>                         | <u>Amount</u>       | <u>Interest on Amt.</u> |
|-----------------------------------------|---------------------|-------------------------|
| Missed Payments May '10 through Oct '12 | \$597,763.50        | \$80,329.45             |
| Late Charges @5%                        | \$28,988            | \$4,025.12              |
| Insurance                               | \$22,324.72         | \$84,556.65             |
| Attny Fees CA                           | \$105,437.65        | \$14,168.18             |
| Attny Fees NV                           | \$35,374.59         | \$4,753.46              |
| Trustee Fees                            | \$5,628.97          | \$352.98                |
| Security                                | \$66,000            | \$4,555.31              |
| Propane                                 | \$298.00            | \$72.08                 |
| <u>Totals</u>                           | <u>\$843,815.53</u> | <u>\$112,813.24</u>     |

Therefore, under these calculations, it appears that Galtar contends that the amount necessary to reinstate, ("Cure") the Galtar Note as of October 22, 2012 is in the total sum of \$956,628.77. In their Cure calculation of October 22, 2012, Galtar lists this total amount at \$911,628. There is no explanation for the discrepancy.

The Debtor disputes the amount provided by Galtar for a Cure in several respects. First, it includes \$122,813.24 in "interest" on missed payments, late charges, insurance advances, attorney and trustee fees, security and propane. There is no provision in the Galtar Note for charging interest on any of these amounts.

Moreover, the Debtor disputes the Galtar's entitlement to a recovery for providing Insurance, since the Debtor maintained the required insurance on the Property at all times and provided proof thereof when requested by Galtar. The Debtor disputes the entitlement to all or a large portion of the attorney fees totaling \$140,081.24. The only amount of attorney fees to which Galtar may be entitled to under the Galtar Note are for "reasonable attorney fees"

1 incurred,:

2 "in connection with the exercise, preservation or enforcement of its rights, powers  
3 and remedies under the terms of the Note, the Deed of Trust or Security Agreement"  
4 (Galtar Note Paragraph 10)

5 The amount claimed as attorney fees, on its face, includes fees to an attorney in  
6 Nevada. The Debtor believes that these fees were incurred in connection with litigation  
7 between Galtar and Robert Ford concerning matters not involving the enforcement of the  
8 Galtar Note or Deed of Trust. Similarly, the Debtor believes that a large portion of the attorney  
9 fees in California were incurred in connection with the Adversary Proceeding brought by the  
10 Debtor against Galtar and Mehri. This action did not concern the enforcement of the Note, and  
11 alleged tortious actions unrelated to the Note. The Court in the Adversary Proceeding did not  
12 award Galtar attorney fees in that case.

13 The Debtor has provided for on-premises security at the Dunn Mill property and  
14 disputes either the need for, or the allegation that such security was provided by Galtar. The  
15 Debtor does not dispute the charges for trustee's fees or for \$298 for propane.

16 Based upon the foregoing disputed items, the Debtor believes that the amount  
17 necessary to cure the Galtar Note is in the sum of \$614,679 as of October 31, 2012 and will  
18 increase to \$716,138 as of March 31, 2013.

19 **d. Treatment of Galtar's Claim**

20 The Plan provides that the allowed Class 1 secured claim of Galtar will be paid in  
21 full, with interest at the non-default contract rate in one of two manners. Either, 1) the entire  
22 claim will be paid in full on the Effective Date, or, alternatively that, 2) the Debtor will cure  
23 all allowed arrears under the Galtar Note at the Effective Date. The Debtor shall make a  
24 binding election as to the treatment of the Galtar Claim at the time of the confirmation hearing.  
25 In the event the Debtor chooses to cure the Galtar Note on the Effective Date, the Plan  
26 provides that the Debtor will make all payments due under the Galtar Note, in the amount of  
27 \$19,325.45 per month, in accordance with the terms of the Galtar Note, and in the event it fails  
28 to do so, Galtar may commence its remedies under the Note, the Deed of Trust or at law. The

lien status of Class 1 is unimpaired by the Plan.

2) **Class 2 Allowed Secured Claim of DWARFCO**

DWARFCO (hereinafter "DWARFCO") holds a secured claim arising from a promissory note dated as of January 18, 2008 in the original principal sum of \$1,153,000. (Hereinafter the "DWARFCO Note"). The DWARFCO Note is secured by a Deed of Trust on the Boron Property dated as of January 18, 2008, and recorded with the County Recorder of the County of Kern on January 18, 2008 as document number 0208009126.

The Plan provides that the allowed Class 2 secured claim of DWARFCO will be paid in full, with interest at the contract rate within one year of the Effective Date. The lien status of Class 2 is unimpaired by the Plan.

In the event of a default in payments to Class 2, it will have the right to exercise its rights at law resulting therefrom.

3) **Class 3 Allowed Secured Claims of Kern County**

Kern County is the holder of a secured claim upon the Boron Property as a result of property taxes thereon which are unpaid, both pre-petition and post-petition. The Plan divides the Class 3 Secured Claim of Kern County in to two subclasses, as follows:

a. **Class 3a the Allowed Pre-petition Secured Claim of Kern County**

Kern County holds a secured claim for real property taxes incurred pre-petition in the sum of \$42,195.63, plus interest at the rate of 18% per annum from December 1, 2010 to the date of confirmation. That sum is estimated by the Debtor to total approximately \$59,284.

The Plan provides that this sum shall be paid in full, with interest at the rate of eighteen percent (18%) per annum in equal monthly payments over thirty six (36) months commencing on the first day of the calendar month after the Effective Date and continuing until paid in full. The Debtor estimates that the monthly payment to Class 3a will be approximately \$2,144 per month. Alternatively, the Debtor may choose to pay this claim, in full, at the Effective Date

Class 3a shall retain its lien rights unimpaired and in the event of a default in payments to Class 3a, it will have the right to exercise its rights at law resulting therefrom.

b. **Class 3b Allowed Post-Petition Secured Claim of Kern County**

Kern County holds a secured claim for real property taxes incurred post-petition for tax years 2011/2012 and 2012/2013. These tax claims are in the approximate total sum of \$24,516, plus interest at the rate of 18% per annum from their due dates. The Debtor estimates the total owing, including accrued interest at approximately \$28,928 as of March 31, 2013.

The Plan provides that this Class 3b Claim will be paid in full on the Effective Date of the Plan. In the event the Class 3b Claim of Kern County is not paid on the Effective Date, it shall have the right to file a motion to declare the confirmed Plan in default and seek dismissal or conversion of the case as allowed by law.

4) **Class 4 Allowed Secured Claims of San Bernardino County**

San Bernardino County is the holder of a secured claim upon the Dunn Mill Property as a result of property taxes thereon, both pre-petition and post-petition. The Plan divides the Class 4 Secured Claim of San Bernardino County in to two subclasses as follows:

a. **Class 4a the Allowed Pre-petition Secured Claim of San Bernardino County**

San Bernardino County holds a secured claim for real property taxes incurred pre-petition in the sum of \$36,017.22, plus interest at the rate of 18% per annum from December 1, 2010 to the date of confirmation. That sum is estimated by the Debtor to total approximately \$50,424.

The Plan provides that this sum shall be paid in full, with interest at the rate of eighteen percent (18%) per annum in equal monthly payments over thirty six (36) months commencing on the first day of the calendar month after the Effective Date and continuing until paid in full. The Debtor estimates that the monthly payment to Class 4a will be approximately \$1,823 per month. Alternatively, the Debtor may choose to pay this claim, in full, at the Effective Date.

Class 4a shall retain its lien rights unimpaired and in the event of a default in payments to Class 4a, it will have the right to exercise its rights at law resulting therefrom

b. **Class 4b Allowed Post-Petition Secured Claim of San Bernardino  
County**

San Bernardino County holds a secured claim for real property taxes incurred post-petition for tax years 2011/2012 and 2012/2013. These tax claims are in the approximate total sum of \$22,000, plus interest at the rate of 18% per annum from their due dates. The Debtor estimates the total owing, including accrued interest at approximately \$25,000 as of March 31, 2013.

The Plan provides that this Class 4b Claim will be paid in full on the Effective Date of the Plan. In the event the Class 4b Claim of San Bernardino County is not paid on the Effective Date, it shall have the right to file a motion to declare the confirmed Plan in default and seek dismissal or conversion of the case as allowed by law.

5) **Class 5 Allowed Secured Claim of the United States of America Bureau of Land  
Management**

The United States of America Bureau of Land Management (hereinafter the "BLM") is the holder of a secured claim arising from an agreement with the BLM for the Debtor to perform land reclamation for its mine in Boron, California. This claim is held together with the secured claims of Class 6 the CDC, and Class 7 Kern County and secures performance of the same obligations for mining reclamation. This claim is secured by certain certificates of deposit with Union Bank, and the Bank of America in the approximate total sum of \$210,000.

The Plan provides that this claim shall be unimpaired with the collateral to remain in place subject to the lien of the BLM.

6) **Class 6 Allowed Secured Claim of the State of California Department of  
Conservation Office of Mine Reclamation.**

The State of California Department of Conservation Office of Mine Reclamation, (hereinafter the "CDC") is the holder of a secured claim arising from an agreement to perform land reclamation for its mine in Boron, California. This claim is held together with the secured claims of Class 5 the BLM, and Class 7 the Kern County and secures performance of the same obligations for mining reclamation. This claim is secured by certain certificates of deposit with Union Bank and the Bank of America, in



1 the approximate total sum of \$210,000.

2 The Plan provides that this claim shall be unimpaired with the collateral to remain in place  
3 subject to the lien of the CDC.

4 **7) Class 7 Allowed Secured Claim of the Kern County Reclamation Department**

5 The Kern County Reclamation Department, (hereinafter the "Kern County RD") is the holder  
6 of a secured claim arising from the Debtor's obligations to reclaim mined property in Boron, CA. This  
7 claim is held together with the secured claims of Class 5 the BLM, and Class 6 the CDC and secures  
8 performance of the same obligations for mining reclamation. It is likewise secured by certain certificates  
9 of deposit with Union Bank and Bank of America in the approximate sum of \$210,000.

10 The Plan provides that this claim shall be unimpaired with the collateral to remain in place  
11 subject to the lien of the Kern County RD.

12 **8) Class 8 Allowed Secured Claim of Trans-Western Materials**

13 Trans-Western Materials LLC is the holder of a promissory note date dated as of June 7, 2007,  
14 in the original principal sum of \$215,589 (the "Trans-Western Note"). The Trans-Western Note is  
15 secured by a Deed of Trust on the Dunn Mill Property recorded with the County Recorder of the County  
16 of San Bernardino. (Hereinafter the "Trans-Western Deed of Trust). The approximate balance due on  
17 the Trans-Western Note, including principal, accrued interest and costs as of this date is approximately  
18 \$346,020.

19 The Plan provides that Trans-Western will be paid in full with interest at the contract rate  
20 within five (5) years of the Effective Date. Alternatively, the Debtor may choose to pay this claim, in  
21 full, at the Effective Date. Trans-Western Materials will retain its lien unimpaired.

22 **9) Class 9 Allowed Claims of Unsecured Creditors**

23 Class 9 is divided into two sub-classes. The first, Class 9a consists of the allowed general  
24 unsecured claims of the Debtor, including claims resulting from the rejection of any executory contracts  
25 and any secured claims determined to be unsecured under 11 U.S.C. 506, which claims are held by non-  
26 insiders of the Debtor.

27 The second, Class 9b consists of the allowed general unsecured claims against the Debtor,  
28 including claims resulting from the rejection of any executory contracts and any secured claims

determined to be unsecured under 11 U.S.C. 506, held by insiders of the Debtor.

Attached hereto as Exhibit "H" is a listing of the unsecured creditors as scheduled by the Debtor as well as any claims filed in the case to date. It shows total claims filed and/or scheduled in the case. It shows non-insider Class 9a claims totaling \$208,181.

The Plan provides that these allowed Class 9a unsecured claims will be paid in full, with interest at the rate of 7% per annum, within twelve (12) months after the Effective Date.

Exhibit "H" also contains a listing of the unsecured insider creditors as scheduled by the Debtor as well as claims filed by insiders of the Debtor. These claims total \$3,424,656.

The Plan provides that these insider unsecured creditors claims will be subordinated to the Class 9a non-insider claims and paid, in full, with interest at 7% per annum within five (5) years of the Effective Date.

**10) Class 10 The Allowed Equity Interests of the Debtor**

Class 10 consists of the equity interest(s) of the Debtor. The Debtor is a limited liability company and the rights of the members thereof are not modified by this Plan.

**11) Type 1 the Allowed Costs and Expenses of Administration Except the Law Offices of Stephen R. Wade.**

All allowed costs and expenses of administration under section 507(a)(1) of the Code, except the claim of the Law Offices of Stephen R. Wade P.C, attorney for the Debtor, will be paid in full on confirmation. The Debtor believes these claims should include only the U.S. Trustees' fees for the last quarter prior to confirmation which are estimated at \$1,500.

**12) Type 2 the Allowed Administrative Claim of the Law Offices of Stephen R. Wade**

The allowed administrative claim of the Law Offices of Stephen R. Wade, attorney for the Debtor, are estimated not to exceed \$150,000 less a credit for the retainer in the case of \$50,000. Said sum will be paid in full, without interest, within thirty (30) days after approval by the Court or such other date as is agreed upon by the Debtor and Type 2 Allowed Claim holder.

**13) Type 3 the Allowed Priority Claims of Taxing Authorities**

The Debtor has one priority tax claim under 11 U.S.C. 507(a)(8) from the California Franchise Tax Board in the sum of 12,911.35. Said claim will be treated in the manner proscribed by 11 U.S.C.

1 1129(a)(9)(C). It will be paid, with interest at the rate of 4.5% over sixty (60) months after the entry  
2 of the Order for Relief in this case. It is estimated that the payments to Type 3 Claimant shall be in the  
3 approximate sum of \$330 per month.

4  
5 **IV.**

6 **CONFIRMATION PROCEDURE**

7 ANY PERSON CONCERNED WITH CONFIRMATION OF THIS PLAN MAY WISH TO  
8 CONSULT WITH THEIR OWN ATTORNEY BECAUSE THE LAW ON CONFIRMING A PLAN  
9 OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the  
10 purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well  
11 as certain deadlines for filing claims. The Proponent CANNOT and DOES NOT represent that the  
12 discussion contained below is a complete summary of the law on this topic.

13 Many requirements must be met before the Court can confirm a plan. Some of the  
14 requirements discussed in this document include acceptance of the Plan, whether the Plan pays creditors  
15 at least as much as creditors would receive in a chapter 7 liquidation, and whether the Plan is feasible.  
16 These requirements are not the only requirements for confirmation. For example, one requirement that  
17 is not discussed is the requirement that the plan must be proposed in good faith.

18 **A. Voting and Objecting**

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

20 Any party in interest may object to the confirmation of the Plan. As explained in further detail  
21 below, entities who may not have a right to vote (e.g., entities who belong to an unimpaired class) may  
22 still have a right to object to the confirmation of the Plan.

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

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

26 **a. What Is an Allowed Claim/Interest**

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

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

4 A creditor or interest holder may have an allowed claim or interest even if a proof of claim  
5 or interest was not timely filed if (1) it is scheduled on the Debtor's schedules and such claim is not  
6 scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim.  
7 An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

8 **b. What Is an Impaired Claim/Interest**

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

13 In this case, the Proponent believes that Classes 2, 3a, 4a, 8, and 9a & 9b are impaired.  
14 However, Classes 8 and 9b are held by insiders of the Debtor and are therefor not allowed to vote. The  
15 remaining impaired classes, 2, 3a, 4a and 9a are impaired and entitled to vote. Parties who dispute the  
16 Proponent's characterization of their claim or interest as being impaired or unimpaired may file an  
17 objection to the Plan contending that the Proponent has incorrectly characterized the class.

18 **3. Who Is Not Entitled to Vote**

19 The following four types of claims are not entitled to vote: (1) claims that have been  
20 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code sections  
21 507(a)(1), (a)(2), and (a)(7); and (4) claims in classes that do not receive or retain any value under the  
22 plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have  
23 accepted the plan. Claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(8) are  
24 not entitled to vote because such claims are not placed in classes and they are required to receive certain  
25 treatment specified by the Code. Claims in classes that do not receive or retain any value under the plan  
26 do not vote because such classes are deemed to have rejected the plan. EVEN IF YOUR CLAIM IS OF  
27 THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE  
28 CONFIRMATION OF THE PLAN.

1           **4.       Votes Necessary to Confirm the Plan**

2           If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired  
3 class has accepted the Plan without counting the votes of any insiders within that class and (2) all  
4 impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram  
5 down" as discussed later.

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

7           A class of claims is considered to have accepted the Plan when more than one-half ( $\frac{1}{2}$ ) in  
8 number and at least two-thirds ( $\frac{2}{3}$ ) in dollar amount of the claims which actually voted, voted in favor  
9 of the Plan. A class of interests is considered to have "accepted" the Plan when at least two-thirds ( $\frac{2}{3}$ )  
10 in amount of the interest-holders of such class which actually voted, voted to accept the Plan.

11  
12                   **b.       Treatment of Non-accepting Classes**

13           As noted above, even if not all impaired classes accept the proposed Plan, the Court may  
14 nonetheless confirm the Plan if at least one impaired class accepts the Plan and the Non-accepting  
15 classes are treated in the manner required by the Code. The process by which non-accepting classes are  
16 forced to be bound by the terms of a plan is commonly referred to as "cram-down." The Code allows  
17 the Plan to be "crammed down" on non-accepting classes of claims or interests if the Plan meets the  
18 requirements of 11 U.S.C. §§ 1129(a)(1) through (a)(7) and §§ 1129(a)(9) through (a)(13) and if the  
19 Plan does not "discriminate unfairly" and is "fair and equitable" as those terms are defined in 11 U.S.C.  
20 § 1129(b).

21           In order to confirm a Plan over the objection of a non-accepting class, the Debtor must meet  
22 the standards of the "Absolute Priority Rule". That rule requires that no creditor of junior status receive  
23 anything of value under the Plan unless all creditors of senior status are paid in full. In this case, the  
24 Debtor proposes to pay all creditors in full under the Plan and therefore satisfies the Absolute Priority  
25 Rule requirement

26                   **c.       Request for Confirmation Despite Nonacceptance by Impaired**  
27                           **Class(es)**

28           The party proposing this Plan will ask the Court to confirm the Plan by cram-down on any

1 impaired class which does not vote to accept the Plan.

2 **B. Liquidation Analysis**

3 **1. Best Interests Test**

4 Another confirmation requirement is the "Best Interest Test" which requires a liquidation  
5 analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that  
6 claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must  
7 receive or retain an amount under the Plan not less than the amount that such holder would receive or  
8 retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

9 In a chapter 7 case, the Debtor's assets are usually sold by a chapter 7 trustee. Secured  
10 creditors are paid first from the sales proceeds of properties securing their liens. Administrative claims  
11 are paid next, including Trustee's fees, professional fees, costs of the liquidation and any State or  
12 Federal income tax liability resulting from the sale of the assets. Next, unsecured creditors are paid from  
13 any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same  
14 priority share in proportion to the amount of their allowed claim in relationship to the amount of total  
15 allowed unsecured claims ("pro rata"). Finally, equity interest holders receive the balance, if any, that  
16 remains after all creditors are paid.

17 **2. Liquidation of Assets in Chapter 7**

18 For the Court to be able to confirm the Plan, the Court must find that all creditors and interest  
19 holders who do not accept the Plan will receive at least as much under the Plan as such holders would  
20 receive under a chapter 7 liquidation. Here, if the matter was converted to Chapter 7, the Trustee could  
21 choose to operate the Dunn Mill and attempt to sell it as a going concern. It is unlikely that the Trustee  
22 would continue to operate the business as a going concern, but instead, because of the large amount of  
23 equity in the real and personal property, would sell the assets of the estate. The Debtor believes that in  
24 that case, all creditors would be paid in full, and a substantial overage would remain for the equity  
25 holders of the estate.

26 The following is a discussion of the Debtor's current assets and the Debtor's estimate of their  
27 liquidation values:

28 a. Fixtures and Equipment. Attached as Exhibit "I", is a listing of the Debtor's machinery

1 and equipment. The Debtor estimates the current liquidation value of this collateral at no less than  
2 \$7,000,000. The Debtor has requested an appraisal of the equipment and will provide evidence of it  
3 current value at the confirmation hearing. In the event of a liquidation of this collateral, there would be  
4 costs associated with such disposition, including broker or auctioneers fees and costs.

5 b. Inventory. The Debtor maintains no inventory.

6 c. Accounts Receivable. The Debtor has no accounts receivable from its ongoing  
7 operations.

8 d. Real Property

9 i. Dunn Mill Property.

10 The Debtor values the Dunn Mill Property at \$24,800,000, based upon an  
11 appraisal completed in 2009. The Debtor has requested an appraisal of the Dunn Mill  
12 Property and will present evidence of its current fair market value at the confirmation  
13 hearing. After deduction for costs of sale, and all secured claims thereon, including  
14 real property taxes, there would be approximately \$19,000,000 in net funds available  
15 to the estate.

16 ii. Boron Property.

17 The Debtor values the Boron Property at \$4,000,000. After deduction for  
18 costs of sale, and all secured claims thereon, including real property taxes, there  
19 would be approximately \$2,000,000 in net funds available to the estate.

20 Based on the foregoing analysis, the Debtor believes that the following constitutes its best  
21 determination of the net liquidation value of all of the above assets:

|    |    |                      |              |
|----|----|----------------------|--------------|
| 22 | a  | Fixtures & Equipment | \$7,000,000  |
| 23 | b. | Real Property        | \$19,000,000 |
| 24 |    | <u>TOTAL</u>         | \$26,000,000 |

25 There are approximately \$ 3,600,000 in priority, administrative and unsecured claims in the  
26 case, including the claims of insiders. Even assuming administrative costs in the Chapter 7 of 10%, there  
27 would still be sufficient funds available to pay all creditors in full.

28 3. Projected Payout Comparison under Chapter 11 Plan

Under the Chapter 11 Plan of Reorganization, the Debtor proposes to pay the Chapter 11 costs of administration in full, as well as the secured claims and priority tax claims as well as the allowed general unsecured claims, in full.

**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. In this case, the Debtor expects that it will need to have funds available to pay the following sums on the Effective Date:

|    |                                          |                                 |
|----|------------------------------------------|---------------------------------|
| a. | Cure of arrears on Class 1 Secured Claim | \$716,0000 to \$950,000         |
| b. | Class 3b Secured Claim of Kern Co.       | \$29,000                        |
| c. | Class 4b Secured Claim of S.B. Co.       | \$25,000                        |
| d. | Type 1, and Type 2 Administrative Claims | \$105,000                       |
|    | <u>TOTAL</u>                             | <u>\$875,000 to \$1,109,000</u> |

The Debtor intends to procure these funds by one of two means. The first would be by means of a capital contribution from its equity holders and/or third party investors in this amount. If the Debtor elects to proceed in this manner, at the confirmation, the Debtor will supply a binding subscription agreement(s) and proof of funds on hand to pay these sums.

Alternatively, the Debtor will procure these funds from a new loan secured by its personal property, (i.e. the equipment at the Dunn Mill.) The Debtor is in negotiations with an asset based lender to acquire up to \$1,500,000 in financing on its equipment to facilitate the payments required on the Effective Date. The terms of that loan would be for a period of up to one year, bear interest at the rate of 18% per annum, and be secured by the Debtor's Dunn Mill equipment. If the Debtor elects to fund such a loan together with, or in lieu of the equity contribution above, it will supply proof of a binding



1 commitment to fund such a loan at confirmation.

2 The Plan calls for two possible treatments for Classes 1, 3a, 4a and 8. The first option would  
3 pay these claim, in full, on the Effective Date, from the proceeds of a new loan on the Dunn Mill  
4 Property. In that event, that new loan would be serviced by the Debtor from the proceeds of the Lease  
5 with ABM Potash. In the other treatment, the Class 1 Claim would be cured and payments continue  
6 under the original terms of the Galtar Note and the Class 3a, 4a and 8 would be paid, over time as  
7 provided in the Plan. In either case, the second question regarding the Plan's feasibility is whether there  
8 will be a sufficient stream of payments generated by the operation of the business after confirmation to  
9 fund any required payments under the Plan.

10 Below are the projected monthly payments required of the Debtor post-confirmation in the  
11 event the Claims are not paid in full on the Effective Date.

|    |                                      |                        |
|----|--------------------------------------|------------------------|
| 13 | Class 1 Secured Claim of Galtar      | \$19,325.45            |
| 14 | Class 3 Secured Claim of Kern County | \$2,143                |
| 15 | Class 4 Secured Claim of SB County   | \$1,823                |
| 16 | Type III Priority Tax Claim          | \$335                  |
| 17 | <b><u>Total</u></b>                  | <b><u>\$23,626</u></b> |

18 The prospective payment to a new lender with interest at the rate of 6.5% amortized over  
19 twenty (20) years on a new loan of approximately \$3,500,000, the amount necessary to pay the secured  
20 claims of Class 1, 3a, 4a and 8, would be approximately \$25,582 per month.

21 As stated above, the Debtor intends to rely upon a pending lease for the Dunn Mill Property  
22 with ABM Potash, LLC, (hereinafter "ABM Potash") a privately held company. ABM Potash was  
23 organized by Advanced Bio-Mineral Technologies, LLC, and its principals, together with Jerry and  
24 Warren Tyler. ABM intends to enter into a Lease of the Dunn Mill property in order to operate it to  
25 produce and process bio-mineral based agrochemical, bio-waste remediation, and hydrocarbon  
26 remediation products for sale in the domestic and international markets. A copy of the "Term Sheet" for  
27 such proposed Lease is attached hereto as Exhibit D. The Lease provides for a lease payment of \$35,000  
28 per month commencing thirty (30) days after its execution and requires the Lessee to pay property taxes,

1 insurance and maintenance of the property.

2 Further, attached hereto as Exhibit "J" is an Executive Summary of ABM Potash, including  
3 information concerning its principals, their experience and financial capacity, and their pro-forma  
4 operational plan for the Dunn Mill. It should be noted that Marshall Pettit, an insider of the Debtor, is  
5 President and co-founder of ABM Potash and will maintain an equity interest in the Company.

6 ABM Potash has been provided access to the Dunn Mill by the Debtor since approximately  
7 February, 2012 for the purpose of evaluating, repairing and maintaining the Dunn Mill, at its sole cost  
8 and expense. ABM Potash has spent in excess of \$1,00,000 in this regard, and has begun producing  
9 sample products at the Dunn Mill. Such funds were expended by ABM Potash without any obligation  
10 of the Debtor to repay or reimburse the Debtor for any part thereof.

11 **D. Risks**

12 The principal risk of not consummating the Plan is that the income generated by the Lease of  
13 the Dunn Mill will not support the payments to creditors under the Plan. The Debtor intends to rely upon  
14 the proceeds of payments under the lease with ABM in the sum of \$35,000 per month to fund the  
15 payments under the Plan to Class 1, 3b and 4b Secured Claimants. In addition, the Debtor will have to  
16 pay approximately \$250,000 to the Class 9a general unsecured creditors. The principals of the Debtor  
17 will make such capital contributions as are necessary to fund such payments. Therefore the Debtor  
18 contends that it will have available funds in amounts necessary to sustain the payments under the Plan  
19 as it is currently constituted and that confirmation of the Plan is not likely to result in a liquidation upon  
20 default.

21 **E. Means of Effectuating the Plan**

22 The Debtors intend to effectuate the Plan through payments generated from profits from the  
23 operation of the Debtor's business together with capital contributions from the principals of the Debtor.

24 **F. Disbursements.**

25 The Debtor will make all disbursements to creditors under the Plan and there will be no  
26 Disbursing Agent appointed.

27 **G. Compensation to the Principals of the Debtor**

28 The Debtor's President has not and will not be compensated for his services after confirmation

of the Plan

**H. Executory Contracts**

The Debtor will assume all executory contract in effect as of the date of Confirmation.

**V.**

**EFFECT OF CONFIRMATION OF PLAN**

**A. Discharge**

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

**B. Modification of Plan**

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

The Proponent of the Plan may also seek to modify the Plan at any time after confirmation so long as the Plan has not been substantially consummated and if the Court authorizes the proposed modifications after notice and a hearing.

**C. Post-Confirmation Conversion/Dismissal**

A creditor or party in interest may bring a motion to convert or dismiss the case under §1112(7) after the Plan is confirmed if there is a default in performing the Plan.

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if and only if the order of confirmation was procured by fraud and if a party in interest brings a motion to revoke confirmation within 180 days after the entry of the order of confirmation.

**D. Tax Consequences of Plan**

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN TAX ADVISERS FOR MORE INFORMATION THEREON.

1 The following disclosure of possible tax consequences is intended solely for the purpose of  
2 alerting readers about possible tax issues this Plan may present to the Debtor. The Proponent CANNOT  
3 and DOES NOT represent that the tax consequences contained below are the only tax consequences of  
4 the Plan because the Tax Code embodies many complicated rules which may make it difficult to state  
5 completely and accurately all the tax implications of any action. The following are the tax consequences  
6 which the Plan will have on the Debtor's tax liability.

7 1. Relief of Obligations to Taxing Authorities. The Plan provides for payment in full over  
8 time of the Debtor's pre-petition tax liability to certain taxing authorities, including the Internal Revenue  
9 Service, the California Board of Equalization, the Employment Development Department and the  
10 Franchise Tax Board. These obligations are not discharged until payment in full is made under the Plan  
11 The taxing agencies will retain all statutory liens until such claims are paid in full.

12 2. Debt Forgiveness Income. Although the Plan will provide for release of certain  
13 obligations of the Debtor pursuant to the discharge entered at confirmation, such release of obligations  
14 does not constitute "debt forgiveness income" to the Debtor under relevant income tax laws. Rather, the  
15 Debtor will be required to offset such releases against any Net Operating Loss ("NOL") on its books  
16 as of the confirmation date and to reduce the basis in certain of its property for purposes of capital gains  
17 treatment in subsequent sales of those assets. The Debtor does not have any NOL at the present time and  
18 does not intend to sell any of its assets so as to trigger any capital gains liability and thus does not  
19 believe that there are any adverse tax impacts from this treatment.,

20 **E. Re-vesting of Property in the Reorganized Debtor**

The confirmation of the Plan re-vests all property of the estate in the reorganized Debtor.

21 **F. Post-Confirmation Status Report**

22 The Debtor shall file post-confirmation status reports beginning one hundred and twenty (120)  
23 days after the Effective Date and each one hundred and twenty days thereafter in conformance with the  
24 Local Rules of the Central District of California.

25 **G. Final Decree**

26 Once the Plan has been substantially consummated, the Plan Proponent shall file a motion with  
27 the Court to obtain a final decree to close the case.  
28

February 11, 2013

CARLTON GLOBAL RESOURCES, LLC

By: Trans-Western Materials, LLC

By: Original Version Signed  
Marshall Pettit, Managing Member and President

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
350 W. Fourth Street, Claremont, CA 91711

A true and correct copy of the foregoing documents entitled (*specify*): **REDLINED SECOND AMENDED DISCLOSURE STATEMENT DESCRIBING DEBTOR'S SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (date) **February 11, 2013**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Bruce A Emard bemard@kmtg.com
- Jason M Lamb jlamb@twlf.net
- William D May laurel@srwadelaw.com
- Kelly L Morrison kelly.l.morrison@usdoj.gov
- Martha E Romero Romero@mromerolawfirm.com
- United States Trustee (RS) ustregion16.rs.ecf@usdoj.gov
- Stephen R Wade laurel@srwadelaw.com
- Andrew F Whatnall awhatnall@daca4.com

☐ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (date) **February 11, 2013**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Hon. Scott C. Clarkson  
U.S. Bankruptcy Court  
411 West Fourth Street, Suite 5130  
Santa Ana, CA 92701-4593

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (date) **February 11, 2013**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

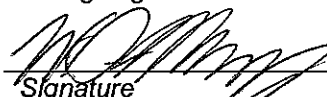
I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

2-11-2013

W. Derek May

Date

Printed Name

  
Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

**ADDITIONAL PARTIES SERVED VIA E-MAIL**

**County of Kern**  
**c/o Jerri S. Bradley**  
**Theresa A. Goldner**  
County Counsel State of California,  
1115 Truxtun Ave 4<sup>th</sup> Floor  
Bakersfield, CA 93301  
E-mail: [jbradley@co.kern.ca.us](mailto:jbradley@co.kern.ca.us)

**Steven G Gibbs**  
**Attorney for:**  
**Cadence Industries, LLC**  
**Hillcrest Investments LTD.**  
**Clarence Wagnaar**  
**Robert Ford**  
2204 Truxtun Ave.  
Bakersfield, CA 93301  
E-mail: [lawgibbs@pacbell.net](mailto:lawgibbs@pacbell.net)

**Richard Taxe**  
10535 Vestone Way  
Los Angeles, CA 90077  
E-mail: [taxe63@gmail.com](mailto:taxe63@gmail.com)