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and Camp Bird Colorado, Inc.*

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

In re:

**FEDERAL RESOURCES CORPORATION
and CAMP BIRD COLORADO, INC.,**

Debtors.

Jointly Administered Under
Bankruptcy Case No. 14-33427

Chapter 11
Honorable Kevin R. Anderson

THIS DOCUMENT RELATES TO:

- In re Federal Resources Corporation
- In re Camp Bird Colorado, Inc.
- Both Debtors

**DEBTORS' WITHDRAWAL OF OBJECTION TO CALDERA'S MOTION TO
APPOINT A TRUSTEE**

The Debtors, through counsel, hereby withdraw (the “**Withdrawal**”) *The Debtors’ Response to (A) Caldera Mineral Resources, LLC and Caldera Holdings, LLC’s Emergency Motion for the Appointment of a Chapter 11 Trustee Pursuant to 11. U.S.C. § 1104, and (B) The United States’ Response to the Motion, Dkt No. 287* (the “**Debtors’ Objection**”) and do not oppose the Court’s immediate appointment of a Chapter 11

trustee in these cases, without any admission of cause for any such appointment. In support of this Withdrawal, the Debtors state as follows:

1. As set forth in the Debtors' Objection, the Debtors have acted diligently and in good faith in negotiating a confirmable plan and exploring avenues to bring revenue to the bankruptcy estates for the repayment of creditors.

2. Counsel for the Debtors has engaged in numerous discussions with counsel for the creditors and parties in interest throughout this case. The Debtors objective in this case has been to sell their assets for highest prices available, resolve claim disputes, and use the proceeds from sales and claim prosecutions to pay valid claims. All of management's actions have been directed, and continue to be directed, toward these goals.

3. The Debtors solicited and recently received detailed comments from the Department of Justice and the United States Trustee on the proposed amended Plan and Disclosure Statement, and the Debtors have been incorporating those comments as necessary to create a confirmable plan.

4. The Debtors have explored possibilities of selling or leasing their principal assets, which consist of patented gold mining claims and related land located in Ouray, Colorado (the "**Camp Bird Mine**") and a 100% ownership interest in Camp Bird Tunnel, Mining and Transportation Company, which owns approximately 1,500 acre feet per year of deeded water rights (the "**Water Rights**"). As the Court is aware, on December 28, 2014, the Debtors entered into that certain *Lease and Option to Purchase* (the "**Water Lease**") with Mr. Ciardo, which granted Mr. Ciardo the exclusive right to use the water at the Camp Bird Mine until February 28, 2015. Subsequently, in March 2015, the Debtors negotiated a first amendment to the Water Lease that was subject to certain preconditions, including, importantly, prior Court approval. The financial pre-conditions were never

fulfilled by Mr. Ciardo, and the Debtors never sought Court approval of the amended lease.

5. Thereafter, on November 27, 2015, the Debtors and Mr. Ciardo signed a Lease and Option to Purchase Agreement (the “**Amended Water Lease**”), that was, *according to its terms*, not effective unless this Court approved it. In the Tenth Circuit, contracts that are subject to bankruptcy court approval are unenforceable and ineffective. *See In re Broadmoor Place Inv., L.P.*, 994 F. 2d 744, 745 n.1 (10th Cir. 1993)(“While [appellant] calls its collective signed instruments here a contract, this is a misnomer since there can be no contract in this situation without Bankruptcy Court approval”), *cert. denied*, 510 U.S. 1071 (1994) and *In re Crowder*, 397 B.R. 544, 2008 WL 4228382 (B.A.P. 10th Cir. Sept. 17, 2008). As the Court is aware, the Debtors have never sought approval of the Amended Water Lease and, therefore, such amended lease remains, as it always has been, a mere proposed contract which is completely unenforceable and ineffective.

6. It was never the intent or desire of the Debtors to violate the Controlled Substances Act or become engaged in an enterprise involving the cultivation of cannabis, even indirectly, unless and until the Court authorized such a transaction after full disclosure. The Debtors also understood that the law in this area was evolving and unsettled, especially with regard to an indirect or remote use of a debtor’s property for the cultivation of cannabis in a State where such activity is legal under State law. The Debtors also knew that the Court could not issue an advisory opinion on this subject without an actual proposed transaction to consider. Thus, the Debtors entered into the Amended Water Lease so that if, after conducting further research on the question, it could be used as a vehicle to test the limits of a debtor’s authority under the Bankruptcy

Code should that research indicate that such a transaction was either permissible or possible.

7. On December 14, 2015, the Parties to the Equipment sale, and to the Lease and Option to Purchase, entered into a new sale agreement (the “**Amended Sale Agreement**” dated December 14, 2015) for the purpose of clarifying to all the parties, and especially to the Court, the potential legal issues underlying court approval of the Lease and Option to Purchase. The Amended Sale Agreement states in part: “Within a reasonable time after execution of this Agreement, the Debtors will file a motion with the Bankruptcy Court requesting authority to enter into the Lease / Option ... and, thereafter, to seek approval of the Lease at a subsequent hearing....In connection with the Lease, the parties acknowledge and agree that (a) any signatures on the Lease are not, and shall not be, effective until the Bankruptcy Court grants authority to the Debtor to enter into the Lease, and that (b) any and all prior authorizations, approvals or permissions granted by the Debtors in connection with, or in relation to, either the Personal Property or the Lease are withdrawn and ineffective.”

8. After conducting further research the Debtors concluded that Court approval of such a transaction would be remote at best, and, therefore, never sought Court approval of the Amended Water Lease. The Debtors conclusions in this regard were confirmed by the Court’s remarks at the hearing on January 19, 2016.

9. Furthermore, the possible agreements with Mr. Ciardo, even if approved by the Court, were not the principal focus of the Debtors’ reorganization efforts. Instead, those efforts focused on monetizing the Camp Bird Mine and the associated water rights through a much larger sale of these assets.

10. Unfortunately, the Debtors’ principal adversaries, Caldera Mineral Resources, LLC and Caldera Holdings, LLC (collectively, “**Caldera**”) who are debtors to

this estate with disputed unliquidated claims, have seized upon these prospective, ineffective and unenforceable transactions with Mr. Ciardo as apparent evidence that the Debtors' management is untrustworthy and should be replaced by a Chapter 11 trustee. The United States of America, which also holds a disputed, unliquidated claim, has joined in the replacement effort. The Debtors' management believes that contesting the trustee motion will only further distract the Court and the parties from the important issues in this proceeding, namely, the resolution of disputes between the Debtors and Caldera and the monetizing of the Debtors' assets. The Debtors' management also believes that these activities will waste administrative resources to the detriment of creditors with valid claims. Since the Debtors always have been interested only in achieving the best outcome for their creditors with valid claims, they will not stand in the way of the appointment of a Trustee in these cases.

11. The Debtors have sent letters to Richard Ciardo, Ronald Goldberg and Steven Dodd to reiterate to them that there are no effective agreements with any of them and the Debtors that have been approved by this Court and that the aforementioned individuals, and their affiliates, have no authority to use the Camp Bird Mine, or any other property of the estate. The Debtors have sent a similar explanatory letter to Ouray County notifying the county that Mr. Ciardo, Mr. Goldberg, Mr. Dodd and Elevated, LLC lack authority to be present at the Camp Bird Mine or to be involved in any activities in connection with the Camp Bird Mine. In the letter to the Land Department, the Debtors also have officially withdrawn any authority or apparent authority of these entities to use the Debtors' property for any purpose.

12. As set forth in greater detail in the Debtors' Objection, the Debtors have also diligently attempted to bring value to the estates by selling the Debtors' equipment (the "**Equipment**") located at the Camp Bird Mine and have objected to claims as

necessary to preserve the value of estate assets. This Court has continued without date the auction of the Equipment and the hearing on the Debtors' sale motion. The Debtors have taken all necessary steps to cancel the auction, including providing notice of the continuance to independent third parties who have expressed interest in attending the auction and bidding on the Equipment.

13. Despite the Debtors diligent and good faith efforts to manage the estates to bring value to creditors, the disapproval of various disputed creditors to the direction of these bankruptcy cases leads the Debtors to now file this Withdrawal. As they always have been, the Debtors remain committed to acting in the best interests of the creditors of their estates.

14. It still is the belief of the Debtors that the appointment of a Trustee is counterproductive with respect to the complicated nature of the disputed claims and the pending appeal of the Idaho Judgment. To the Debtors, it appears that these creditors with disputed claims think that they will obtain more favorable outcomes on the resolution of their disputes if a trustee is appointed. The Debtors, however, will not oppose the immediate appointment of a Chapter 11 trustee in these cases.

15. Therefore, the Debtors file this Withdrawal in hope that, by not contesting the appointment of a Chapter 11 trustee, the Debtors will have helped their estates by avoiding further delay and expense, which, in turn, will lead to the fair, expeditious and economical resolution of disputes and the payment of valid claims.

16. The Debtors' management intends to cooperate with whoever is appointed as the Chapter 11 Trustee in these cases, should the Court appoint such a person, so that the best interests of creditors with valid claims is advanced and the highest recovery reasonably possible is achieved for both those creditors and the equity holders of these estates.

17. The Debtors hereby withdraw the Debtors' Objection and do not oppose the immediate appointment of a Chapter 11 trustee in these cases. The Debtor's only request that, should the Court appoint a Chapter 11 trustee, they be consulted by the United States Trustee on the selection of the person to serve as the trustee in these cases, although the Debtors understand that the ultimate appointment of the Trustee is within the sole discretion of the United States Trustee.

Dated this 26th day of January, 2016.

Snell & Wilmer LLP

/s/ David E. Leta

David E. Leta

Troy J. Aramburu

Jeff D. Tuttle

Attorneys for Debtors

Debtors' Authorization:

Federal Resources Corporation and Camp Bird Colorado, Inc.

By: _____
Scott A. Butters, President and CEO

By: _____
Bentley J. Blum, controlling shareholder of Federal Resources Corporation

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Dated this 26th day of January, 2016.

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By: Scott A Butters

Scott A. Butters, President and CEO

By: B/Be

Bentley J. Blum, controlling shareholder of Federal Resources Corporation

CERTIFICATE OF SERVICE

Electronic Service (CM/ECF) – I hereby certify that on the 26th day of January, 2016, I electronically filed the foregoing document with the United States Bankruptcy Court for the District of Utah by using the Court’s CM/ECF system. I further certify that the parties of record in this case, as identified below, are listed as registered CM/ECF users and will be served through the CM/ECF system:

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Mail Service – I further certify that on the 26th day of January, 2016, I caused the foregoing document to be sent by first class United States mail, postage fully prepaid, to the following at the addresses set for the below:

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