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Attorneys for the Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

In re: KOREA TECHNOLOGY INDUSTRY AMERICA, INC. et al., Debtors.	Bankruptcy Case No. 11-32259 Jointly Administered Chapter 11 Honorable R. Kimball Mosier [FILED ELECTRONICALLY]

DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT PLAN OF REORGANIZATION OF DEBTORS KOREA TECHNOLOGY INDUSTRY AMERICA, INC., UINTAH BASIN RESOURCES, LLC, AND CROWN ASPHALT RIDGE, L.L.C. DATED JULY 25, 2012

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THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS BEING DISTRIBUTED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE FIRST AMENDED CHAPTER 11 JOINT PLAN OF REORGANIZATION FOR KOREA TECHNOLOGY INDUSTRY AMERICA, INC., UINTAH BASIN RESOURCES, LLC, AND CROWN ASPHALT RIDGE, LLC, DATED JULY 25, 2012 (THE "PLAN"). THE INFORMATION IN THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO SOLICITATION OF VOTES TO ACCEPT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE").

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ ALL OF THIS DISCLOSURE STATEMENT AND THE PLAN BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. A COPY OF THE PLAN IS ANNEXED TO THIS DISCLOSURE STATEMENT AS **EXHIBIT 1**. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THIS DISCLOSURE STATEMENT, AND THE PLAN SUPPLEMENT (AS DEFINED BELOW). THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT WILL BE CORRECT AT ANY LATER DATE. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN WILL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "**BANKRUPTCY RULES**") AND NOT NECESSARILY IN ACCORDANCE WITH OTHER NON-BANKRUPTCY LAW.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, OR AS A STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY BANKRUPTCY OR NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY (OTHER THAN IN CONNECTION WITH APPROVAL OF THIS DISCLOSURE STATEMENT OR CONFIRMATION OF THE PLAN), NOR WILL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS IN THESE JOINTLY ADMINISTERED CASES.

I. INTRODUCTION

A. Narrative Summary of the Debtors' Plans of Reorganization

Korea Technology Industry America, Inc. ("KTIA"), Uintah Basin Resources, LLC ("UBR"), and Crown Asphalt Ridge, L.L.C. ("CAR"), debtors and debtors in possession in the above captioned cases (collectively, the "Debtors"), filed petitions under Chapter 11 of the Bankruptcy Code on August 22, 2011 (the "Petition Date"). The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against or Interests in the Debtors. The Debtors have prepared this Disclosure Statement to be able to solicit votes with respect to the Plan,[1] filed with the United States Bankruptcy Court for the District of Utah, Central Division (the "Bankruptcy Court").

The Plan is a joint plan for each of the Debtors. The Plan, however, does not propose a substantive consolidation of the Debtors.

Generally, the Plan provides for the following means to satisfy the claims of creditors: (1)(a) closing of the Sale of substantially all of the assets of the Debtors to Rutter and Wilbanks Corporation (the "Purchaser" or "R&W"), the purchaser under an asset purchase agreement (the "Asset Purchase Agreement") approved by the Court, or (b) the closing of a sale of substantially all of the assets of the Debtors in an "Alternative Sale" or pursuant to an Auction; (2) sales of tar sands and products made from tar sands, including "PMOSA," a paving product which utilizes run-of-mine tar sands ore from the Debtors' mine as the asphalt binder and "dry froth," which is a product to be produced at the Debtors' tar sands Processing Facility, all for use in paving for road construction purposes, and (3) distribution of the proceeds of sale to holders of Allowed Claims and Interests. The sale to R&W, if it closes, will provide sufficient sale proceeds to satisfy all Allowed creditors' Claims in full and an Alternative Sale or an Auction might also provide sufficient proceeds. If the Sale to R&W closes the Reorganized Debtor will have conveyed to it a mineral royalty going forward and the equity Interests in one of the Debtors, CAR, will be sold to R&W. Such a conveyance and/or sale of the equity in CAR may also be made to a purchaser under an Alternative the Purchaser. UBR and its parent Utah Hydrocarbon, Inc. ("UHI"), which is not a debtor in bankruptcy, will be merged or consolidated into the reorganized KTIA, defined in the Plan as "Reorganized Debtor."

B. Purpose, Limitations and Structure of this Disclosure Statement

The purpose of this Disclosure Statement is to provide the holders of Claims and Interests with adequate information to make an informed decision as to whether to accept or reject the Plan. This Disclosure Statement may not be relied upon for any other purpose, and nothing contained in this Disclosure Statement shall constitute an admission of any fact or liability by any party, or be admissible in any other case or any bankruptcy or non-bankruptcy proceeding

[1] Unless otherwise defined, all capitalized terms contained in this disclosure statement shall have the meanings ascribed to them in the Plan.

involving any of the Debtors or any other party, or be deemed conclusive advice on the tax or other legal effects of the Plan.

On July 26, 2012, after notice and a hearing, the Bankruptcy Court issued an order (the "Disclosure Statement Order") approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the Debtors' creditors to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. The Bankruptcy Court approved a prior version of a disclosure statement as containing adequate information. The Debtors then reached agreement with several of their major secured creditors to modify the plan that this previous form of disclosure statement related to. Because the changes were sufficiently material, the Debtors filed their new form of plan (the current Plan) and this Disclosure Statement.

The statements contained in this Disclosure Statement generally are made as of the date hereof, unless another time is specified, and delivery of this Disclosure Statement after that date does not mean that the information set forth in this Disclosure Statement remains unchanged since the date of this Disclosure Statement or the date of the materials relied upon in preparation of this Disclosure Statement. The Debtors have prepared the information contained in this Disclosure Statement in good faith, based upon the information available to them. No audit of the financial information contained in this Disclosure Statement has been conducted. Moreover, certain of the statements contained in this Disclosure Statement, by their nature, are forward-looking and contain estimates, assumptions and projections, and there can be no assurance that these forward-looking statements will turn out to be true.

The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. The Plan is a legally binding agreement and should be read in its entirety. No one should rely on a summary of the Plan in determining whether to accept or reject the Plan. Each holder of an impaired Claim or Interest should read, consider and carefully analyze the terms and provisions of the Plan as well as the information contained in this Disclosure Statement and the other documents provided herewith.

The Disclosure Statement describes:

- background information of the Debtors, their prepetition businesses and finances, and the events leading to the filing of these cases (Section II);
- significant developments during these cases (Section III);
- the Debtors' proposed Plan (Section IV);
- the procedures and requirements for confirming the Plan (Section V);

- certain federal income tax consequences of the Plan (Section VI);
- certain risk factors to consider before voting on the Plan (Section VII);
- alternatives to confirmation and consummation of the Plan (Section VIII); and
- the Debtors' recommendation that holders of impaired Claims and Interests vote to accept the Plan (Section IX).

In addition, attached as Exhibits 1 through 8 to this Disclosure Statement are copies of the following documents:

Disclosure Statement Exhibit 1	The Plan
Disclosure Statement Exhibit 2	Bankruptcy Court Order entered January 11, 2012 Approving the Modified Asset Purchase Agreement Dated December 23, 2011, and Bankruptcy Court Orders July 12, 2012, Extending the Due Diligence Period and Closing Date under the Asset Purchase Agreement and Approving Modifications to the Asset Purchase Agreement
Disclosure Statement Exhibit 3	Asset Purchase Agreement Dated December 23, 2011 between the Debtors and Rutter & Wilbanks Corporation
Disclosure Statement Exhibit 4	Examiner's Preliminary Report Dated October 31, 2011
Disclosure Statement Exhibit 5	Examiner's Final Report Dated December 5, 2011
Disclosure Statement Exhibit 6	Claims Chart
Disclosure Statement Exhibit 7	Schedule of Assumed Executory Contracts and Unexpired Leases
Disclosure Statement Exhibit 8	Liquidation Analysis Chart

All of the exhibits listed should be attached to this Disclosure Statement and should have been served on you with this Disclosure Statement. The Debtors will supplement Exhibit 7 to the Disclosure Statement, the Schedule of Assumed Executory Contracts and Unexpired Leases listing more Executory Contracts and Unexpired Leases at least one week prior to the hearing on Confirmation of the Plan. If any of the exhibits identified above were not attached to the Disclosure Statement served on you, you may obtain copies by sending a written request to the Debtors' counsel at the following address:

Steven J. McCardell, Esq.
smccardell@djplaw.com
Kenneth L. Cannon II, Esq.
kcannon@djplaw.com
DURHAM JONES & PINEGAR, P.C.
111 East Broadway, Suite 900
P. O. Box 4050
Salt Lake City, UT 84110-4050
Telephone: (801) 415-3000
Facsimile: (801) 415-3500

Furthermore, if you have any questions about the packet of materials that you have received, you may contact the attorneys listed above by email or by phone.

C. Voting on the Plan

The Disclosure Statement Order (as defined below) also approved procedures governing the solicitation of votes on the Plan by holders of Claims against the Debtors, and Interests in the Debtors.

1. Classes Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of Allowed Claims or Interests that are members of a Class that is (a) impaired under section 1124 of the Bankruptcy Code (an "Impaired Class") and (b) not deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code, are entitled to vote to accept or reject the Plan. Classes of Claims or Interests that are unimpaired under section 1124 of the Bankruptcy Code are deemed to have accepted the Plan and are not entitled to vote. Classes of Claims or Interests in which the holders of Claims or Interests will receive no recovery under the Plan are deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

Under the Plan, all Classes of Claims and Interests are impaired except Class 6 (the Allowed Secured Claim of the Utah Division of Oil, Gas and Mining) and, to the extent Claims and Interests in those impaired Classes are Allowed, the holders of those Claims or Interests may receive distributions under the Plan. As a result, holders of Claims or Interests in those Classes are entitled to vote to accept or reject the Plan.

Only holders of record of Claims or Interests as of July 25, 2012 (the "Record Date"), the date of the entry of the order approving this Disclosure Statement (the "Disclosure Statement Order"), and the record date fixed by the Bankruptcy Court, that otherwise are entitled to vote under the Plan, will receive a Ballot and may vote on the Plan. If you are entitled to vote, a Ballot accompanies this Disclosure Statement for your use in voting on the Plan.

A Ballot which may be used to vote for the acceptance or rejection of the Plan has been sent with this Disclosure Statement to the holders of Claims and Interests that are entitled to vote to accept or reject the Plan.

If you are a holder of a Claim or Interest entitled to vote on the Plan and you did not receive a Ballot with this Disclosure Statement, you received a damaged Ballot or lost your Ballot, or you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please contact Steven J. McCardell, Esq.; smccardell@djplaw.com; or Kenneth L. Cannon II, Esq.; kcannon@djplaw.com; Durham Jones & Pinegar, P.C.; 111 East Broadway, Suite 900; P.O. Box 4050; Salt Lake City, UT 84110-4050; Telephone: (801) 415-3000; Facsimile: (801) 415-3500.

2. Tabulation of Votes

Pursuant to the Bankruptcy Code, a Class of Claims will be deemed to have accepted a plan of reorganization if, of the class members that actually vote on the plan, at least two-thirds in amount, and more than one-half in number, vote to accept it. Thus, Classes 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, and 12 (and all subclasses therein) will be deemed to have accepted the Plan if the members of each Class that vote to accept the Plan hold more than one-half of the total number, and more than two-thirds of the total dollar amount, of all Claims in that Class for which a Ballot was properly submitted. If a Class has only one creditor, that creditor's vote will determine whether that Class is an accepting Class. A class of Interests will be deemed to have accepted a plan of reorganization if, of the class members that actually vote on the plan, at least two-thirds in amount voted to accept it. Thus, Class 13 (and all subclasses therein) will be deemed to have accepted the Plan if holders of interests vote to accept the Plan by at least two-thirds in amount of those actually voting. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the vote was not cast in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code or in accordance with the Disclosure Statement Order. If a holder of a Claim or Interest does not properly submit a Ballot, or that holder's vote is disregarded in accordance with the previous sentence, the number and amount of that holder's Claim or Interest will not be included in deciding whether Class members voted to accept or reject the Plan. See Section V for a more detailed description of the requirements for confirmation of the Plan.

If one or more of the Classes of Claims or Interest entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, without further notice to you. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of a plan by one or more impaired classes of Claims or Interests. Under that section, a plan may be confirmed if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class. Holders of Claims and Interests should assume that, if one or more of the Classes of Claims or Interests entitled to vote on the Plan reject the Plan, the Debtors will amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, at the currently scheduled Confirmation Hearing. Any such amendment could include cancellation of the Interest.

See Section V for a more detailed description of the requirements for confirmation of a plan that has been rejected by one or more classes.

3. Voting Instructions

If you are entitled to vote on the Plan, a Ballot is enclosed with this Disclosure Statement. If you hold a Claim or Interest in more than one Class and you are entitled to vote a Claim and Interest in more than one Class, you will receive separate Ballots for each Claim or Interest, which must be used for each separate Class of Claims and Interests. Please refer to the Disclosure Statement Order, which is enclosed with this Disclosure Statement if you are entitled to vote, for more specific instructions on voting on the Plan.

Please vote and return your Ballot(s) to:

Steven J. McCardell, Esq.
smccardell@djplaw.com
Kenneth L. Cannon II, Esq.
kcannon@djplaw.com
Durham Jones & Pinegar, P.C.
111 East Broadway, Suite 900
P O Box 4050
Salt Lake City, UT 84110-4050
Telephone: (801) 415-3000
Facsimile: (801) 415-3500

Furthermore, if you have any questions about the packet of materials that you have received, you may contact the attorneys listed above by email or by phone.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY NO LATER THAN 4:30 P.M., MDT, ON FRIDAY, AUGUST 31, 2012. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR THAT INDICATES BOTH ACCEPTANCE AND REJECTION OF THE PLAN, SHALL BE DEEMED TO ACCEPT THE PLAN.

THE DEBTORS RECOMMEND THAT YOU VOTE IN FAVOR OF CONFIRMATION OF THE PLAN.

D. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will commence on Tuesday, September 11, 2012, beginning at 2:00 p.m., MDT, before the Honorable R. Kimball Mosier, United States Bankruptcy Judge, in Room 369 (on the Third Floor) of the United States Bankruptcy Court for the District of Utah, 350 South Main Street, Salt Lake City, UT 84101. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before Friday, August 31, 2012, at

4:30 p.m., MDT, in the manner described below in Section V of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

II. GENERAL INFORMATION ABOUT THE DEBTORS

A. Organizational and Ownership Information

KTIA is a Delaware corporation. It is a wholly-owned subsidiary of Korea Technology Industry Co., Ltd. ("KTIL"). KTIL has not filed a Chapter 11 petition. Incorporated in 1972, KTIL is headquartered in Seoul, Korea and was a publicly-traded company listed on the KRX (Korea Exchange) but was suspended in January 2010 and delisted from the Exchange shortly thereafter.

As part of certain financing described below, Western Energy Partners, LLC ("Western") holds a Warrant to Purchase Common Stock of KTIA (the "Warrant"), pursuant to which 2,500,000 shares of KTIA common stock may be purchased for an exercise price set in the Warrant, through 5:00 p.m. on February 19, 2012.

KTIA's officers and directors are: Sung I. Lee, President and Director, and Soung J. Kim, Chief Operating Officer. On the Petition Date, Yeoup Ryu was KTIA's Chief Compliance Officer and Secretary. As of September 1, 2011, Mr. Ryu was no longer with KTIA.

KTIA also serves as a holding company for the following direct or indirect subsidiaries in the United States, only two of which, UBR and CAR have filed Chapter 11 petitions. KTIA's subsidiaries are the following:

UHI, a Delaware corporation, which is wholly-owned by KTIA. UHI was established for the sole purpose of acquiring all the shares of UBR (formerly, Wembco, Inc.). UHI does not have creditors or assets other than its Interest in UBR, of which it is the sole member, and UHI is not a debtor in bankruptcy. UHI's officers and directors are: Sung I. Lee, President and Director; and Soung J. Kim, Treasurer. On the Petition Date, Yeoup Ryu was Secretary. As of September 1, Mr. Ryu is no longer with UHI.

Oilsand Technology Industry, LLC ("OTI"), a Delaware limited liability company, which is wholly-owned by KTIA. OTI's business purpose was participation in a joint venture with Black Sands Holdings to develop a solvent-based oil extraction technology from Utah tar sands.

Oilsand Technology Industry, Utah, LLC ("OTIU"), a Utah limited liability company, which is wholly-owned by KTIA. OTIU's business purpose was to acquire additional mining reserves.

KD-OIL, Inc., a Delaware corporation ("KD-OIL"), which is owned in part (47.25%) by KTIA. KD-OIL's purpose was participation in a joint venture with Hicel, Co., Ltd., a Korean company, to develop an improved water treatment system and to acquire additional mining reserves. KD-OIL currently holds one SITLA (State of Utah School and Institutional Trust Lands Administration) lease in Utah in the PR Springs Area.

Uintah Basin Resources, LLC ("UBR"), a Delaware limited liability company, which is wholly-owned by UHI. UBR's sole member and manager is UHI.

Crown Asphalt Ridge, L.L.C., ("CAR"), a Utah limited liability company. CAR's sole member is UBR. CAR's manager is UHI.

The Debtors currently maintain their corporate offices at 1245 East Brickyard Road, Suite 110, Brickyard Tower, Salt Lake City, Utah 84106.

B. Description and History of Debtors' Business

The business of the Debtors has been the development of oil sands reserves on property near Vernal, Utah, referred to as "Asphalt Ridge."

The Asphalt Ridge property has a lengthy history prior to the involvement of the Debtors. In 1951 the W.M. Barnes Company, a California Corporation ("Barnes") headquartered in Pasadena California acquired an interest in tar sands reserves at Asphalt Ridge. Numerous other companies became involved with Barnes in an investment for exploiting the heavy oil (called "bitumen") potential of tar sands. Several technologies were developed, including a kerosene/water technology pioneered and tested by Barnes. The bitumen was analyzed and blue prints for a refinery were developed to produce asphalt, diesel fuels, gasoline and other motor fuels, aviation fuels, and resins. During the 1960's Barnes needed money and entered into an agreement with its co-venture participant at Asphalt Ridge, Sohio Natural Resources Company ("Sohio"). Barnes committed its undivided property interests at Asphalt Ridge as collateral for a loan. Barnes was arranging for another loan from Prudential Investment Company, with Nathan Shippee as its President, to pay off the Sohio loan. Sohio refused the offer of money and declared the Barnes interest at Asphalt Ridge forfeited. Over a decade of litigation ensued with several visits to the Utah Supreme Court. Finally a trial concluded, and Barnes prevailed (the trial court ruled that the loan and collateral was a mortgage, and that Sohio failed to strictly follow statutory foreclosure procedures). Thereafter, the case was again on appeal by Sohio to the Utah Supreme Court. During the course of the litigation, Barnes changed its name to Wembco, Inc., a California corporation ("Wembco").

In the 1980s Wembco employed the law firm of Pruitt & Gushee (and Thomas W. Bachtell ("Mr. Bachtell"), who at that time, practiced law with the Pruitt & Gushee firm) to assist in resolving the Sohio litigation. After several months of negotiation, in a voluntary land partition settlement Wembco acquired from Sohio fee simple title to Asphalt Ridge, consisting of the South A and D tracts (respectively, the "South A Tract" and the "D Tract," comprising

approximately 760 acres, collectively, the "Fee Lands"), a 160-acre unpatented association placer mining claim, and a Bituminous Sands Lease issued by the State of Utah at Asphalt Ridge.

At the time of the partition conveyance, Wembco conveyed royalty interests (the "Royalty Interests") in the Fee Lands, unpatented mining claim, and lease it acquired to its previous lawyers and to a creditor, as a compromise and settlement to pay prior debts owed to them. These Royalty Interests total 44% of future land owner royalties, 29% of which was granted for a term of 30 years to the lawyers (Pace, Klimt, Parsons and Bjorklund) and 15% of which was granted in perpetuity to the creditor (Seltzer). Wembco retained the right to lease the lands on behalf of itself and all Royalty Interest owners subject to a stated fiduciary duty in exercising that right.

Thereafter, also in the 1980's, Wembco leased the South A Tract (which contained an existing and open tar sands mine) to a company interested in providing road paving materials to local governments and contractors. At that time Uintah County also had the non-exclusive right to mine on a small portion of the South A Tract as a result of a reservation made in a tax deed many years earlier. After several years the company failed, the lease expired, and shortly thereafter the County mined out the tar sands ore on its small tract. Wembco then determined that the Bituminous Sands lease was not commercially viable and it was allowed to expire.

In 1990, Dr. Park Guymon patented a solvent and water/surfactant process for removal of bitumen from tar sands (the "Guymon Technology") which it licensed to Buena Ventura Resources Corporation, a Utah corporation ("BVRC"). Mr. Bachtell was the Chief Executive Officer of BVRC.

In 1991, Wembco leased the Fee Lands and the unpatented mining claim to BVRC for 10 years to exploit the Guymon Technology. The lease form is a version of the lease that exists today (providing for a minimum annual royalty and a 10% "net production royalty"). The lease terms were agreed to and accepted by all third party owners of Royalty Interests.

In 1993, BVRC became a wholly owned subsidiary of Crown Energy Corporation ("CEC"). Mr. Bachtell remained as CEO of BVRC and was a director of CEC. Jay Mealy was CEO of CEC.

In 1994, Swaco Geolograph (now owned by Halliburton) field tested the Guymon Technology at the South A Tract. Swaco Geolograph recommended commercialization of the Guymon Technology.

In 1995, Jim Middleton, former President of ARCO and Vice Chairman of Atlantic Richfield Company, became the Chairman of the Board of CEC. Joint venture negotiations commenced with several large companies, including Enron and Michigan Power Company.

In 1996, BVRC entered into an agreement with Air Village Hills Homeowners Association to address issues important to nearby homeowners about expanding oil sands operations at the South A Tract. The agreement remains in effect today and is incorporated in the

current Conditional Use Permit issued by Uintah County for the CAR project. The homeowners supported the permit applications of BVRC to expand the mine and construct an oil separation plant. BVRC also entered into an agreement with Uintah County to allow the County to mine tar sands on a portion of the South A Tract adjacent to the County's prior mining activity. The Uintah County Commissioners also fully supported the permit applications of BVRC.

In 1997, upon becoming CEO of his law firm, Mr. Bachtell resigned from CEC and BVRC. CEC brought in investors and partners to construct an oil separation plant utilizing the Guymon Technology. The principal partner of CEC was Michigan Power Company ("MPC"). MPC became active at Asphalt Ridge through several of its companies including MCN Energy Group, Inc. and MCNIC Pipeline & Processing Company. CEC was designated as the operating manager of CAR which was formed as a jointly owned entity of CEC and MPC to construct and operate the oil separation plant. At about this time, BVRC was allowed to expire as a legal entity and CAR assumed all operations.

In 1998 and 1999, the oil separation facility utilizing the Guymon Technology was constructed at a cost of approximately $23 million. The process was tested and failed due to severe oil-in-water emulsions. MPC assumed management of CAR from CEC and began testing the "Clark Hot Water Process" utilizing Asphalt Ridge oil sands at the South A Tract. Mr. Burk Adams was employed as a process engineering consultant to co-manage the test along with MPC's engineer, Mr. Phil Coleman.

In 2000, field testing of the Clark Hot Water Process was successfully concluded by CAR at a cost of approximately $5.3 million. A water clarification system was simultaneously developed and successfully tested to recycle the water for conservation purposes and to eliminate the need for tailings ponds. The new hot water oil separation technology is called the "Modified Hot Water Process." At the time, oil/asphalt prices were deemed too low to retrofit the existing oil separation facility with the Modified Hot Water Process technology. MPC and CEC were also in litigation with CEntry, the general contractor for the plant, and also against each other by this time.

In 2001, a new lease was issued by Wembco to CAR for three years covering the Fee Lands and the unpatented mining claim. Except for the lease term being reduced to three years, the new lease is only slightly modified from the original BVRC lease. MPC continued study efforts to retrofit the existing facility to utilize the Modified Hot Water Process. MPC also began to solicit offers from third parties for the purchase of the entire project.

In 2002 and 2003, MPC and CEC settled their disputes, CEC withdrew from the entire project, and MPC assumed full control of the venture assets, including full ownership of CAR. MPC was merged into Detroit Edison Company ("DEC"). DEC became active at Asphalt Ridge through various companies including DTE Enterprises, Inc. and DTE Gas Storage, Pipelines and Processing Company. Efforts were continued to sell the oil sands project. DEC inadvertently allowed the unpatented mining claim covered in the Wembco/CAR lease to terminate by failing to timely pay the required annual fee to the U.S. Bureau of Land Management. The mining claim could not be revived.

In 2004, DEC asked Wembco to again issue a new lease so that it could market the oil sands project. Wembco refused and a conflict developed over the loss of the unpatented mining claim.

In 2005, Wembco acquired all membership interests of CAR from DEC in full settlement of all claims and disputes. DEC conducted a Phase I & II environmental audit to create a data baseline for its departure from the project. Mr. Bachtell became the Manager of CAR.

Wembco began to market the Fee Lands and CAR. An entity named 3R Co., LLC assisted in the property maintenance costs and sales efforts. Oil prices started to increase and there was a great deal of interest in Utah tar sands.

In 2006, a Canadian company, Flair Petroleum, deposited earnest money to purchase Wembco, CAR, and all of Wembco's oil sands assets. Wembco then settled a dispute with Nathan Shippee (a former potential lender of money to W.M. Barnes Company). Mr. Shippee sued Wembco but lost his entire claim on summary judgment. Mr. Shippee then appealed. The matter was settled by the conveyance of a 2% net production payment covering the fee lands to him with a cap of $1,800,000 plus interest, and a balloon payment of any balance due to be made in August of 2011. The production payment was secured by a Trust Deed on the Fee Land. Flair Petroleum then defaulted under its Purchase Agreement with Wembco and the sale did not close. This right to this production payment is now held by Raven Mining Company, LLC. This obligation will be satisfied pursuant to the Plan.

In 2007, Wembco, and its 16 shareholders individually, entered into an Option for a Purchase and Sale Agreement, with KTIA for the acquisition of all shares of stock in Wembco, thus allowing KTIA to acquire all of the Fee Lands and CAR.

In April 2008, the Wembco/KTIA transaction closed. Mr. Jajun Koo was the Senior Vice President in charge of all U.S. operations of KTIA/CAR. Before the closing officially occurred, Wembco issued a new lease to CAR effective May 1, 2008, principally to confirm the royalty rate and terms. KTIA then commenced engineering and construction operations primarily through CAR. Mr. Hyunjoo Ryu was the lead process engineer (he is the primary inventor of the solvent based oil separation technology to be utilized by KTIA). REDD Engineering became the general contractor and Burk Adams was again employed as an engineering consultant to retrofit the facility and plant to utilize the solvent based oil separation technology. The former Wembco shareholders also formed Raven Mining Company, LLC, and directed that part of the purchase proceeds from KTIA be paid to Nathan Shippee for transfer of the production payment to Raven. Raven continues to hold a claim for the production payment and full payment of principal and accrued interest totaling approximately $2.5 million was due on August 15, 2011.

After the closing, Wembco was merged into UBR, a wholly-owned subsidiary of UHI. UHI became the Manager of CAR. As set forth above, CAR is wholly owned by UBR, which is wholly owned by UHI, which is wholly owned by KTIA, which is wholly owned by KTIL. As a result of the merger with Wembco, UBR then owned the fee land. UHI was the Manager of

CAR and CAR remained as the lessee, under that certain Oil, Gas and Minerals Lease dated May 1, 2008 and recorded with the Uintah County Recorder.

Mr. Bachtell later became the Vice Chairman of KTIA and the Co-Manager of CAR (with UHI) through his company Innovative Fuel Solutions, LLC. In November 2008, KTIL and the Debtors decided not to pursue the solvent based oil extraction technology and decided to pursue the CAR-owned Modified Hot Water Process on the South A Tract later. Part of the solvent extraction process was to be integrated with the Modified Hot Water Process for froth treatment. This solvent froth treatment technology was then called the "AST" project (Advanced Solvent Technology). Hyunjoo Ryu resigned as lead process engineer and returned to Korea.

C. Environmental and Regulatory Status

A large-scale mining permit for the South A Tract is in good standing. All other permits involved with the oil separation process were updated and renewed by KTIA in 2008, but will eventually require some modification to accommodate current plans to expand the production capacity of the facility. No federal government permits are required. CAR has filed applications for new ground water and air permits, which are currently pending before Utah State Department of Environmental Quality agencies.

Multiple third-party environmental audits have been conducted at the mine and facility by KTIA, and also by former owners and lenders since 2005 through 2010, including ground water testing. No adverse environmental issues are reported or known to exist.

D. Business Prospects for the Debtors' Assets

UBR owns approximately 760 acres of core drilled land in fee simple absolute, consisting of the South A Tract and D Tract and CAR holds lease rights in that land and associated mining property.

The Debtors believe that, with appropriate capital investments, the project can succeed in becoming the first commercially-successful old sand production facility in the USA.

Based upon core drilling and reserve analysis of 480 acres of the 760 acres by Bechtel Engineering in 1981 and re-assessed by Sohio in 1983, approximately 60 million barrels of heavy oil (bitumen) are contained in "proven" surface mineable reserves. An operating mine with over 500,000 barrels of bitumen contained in exposed ore is located on South A Tract, which is the optimal starting point due to high oil saturation, low overburden stripping ratio, and excellent pay thickness of ore body. New core samples are currently being assessed for purposes of updating the projected reserves in the South A Tract and to aid in the preparation of a new mine plan for the extraction of the tar sands ore thereon.

Permits for the mining are in good standing and, after multiple environmental audits, no adverse environmental issues are reported or known to exist.

The "Modified Hot Water Process" used to separate oil from tar sands was successfully field tested in 2000 at the mine at a cost of $5.3 million. The technology is a modification of the hot water system extraction process currently used in Canada except that water is recycled to effectively address and prevent the environmental concerns associated with the creation of tailings ponds and to reduce makeup water requirements. According to the CANMET Technology Research Center, "success of a modified Clark or water-based extraction process for the Asphalt Ridge tar sands is unique and demonstrates that even Utah oil sands can be successfully processed" and that the results of the Asphalt Ridge pilot success "offers lessons for tailings handling in the surface mining of oil sands in Alberta." All proprietary test, engineering reports and operational data will follow ownership of the project.

In 1999, approximately $23 million was expended to construct a solvent/surfactant 2,000 barrel per day facility to produce bitumen and recover 1,000 barrels of solvent. This process proved unsuccessful primarily due to severe emulsion issues created by the surfactants. This caused the operator to then test and confirm the commercial viability of the Modified Hot Water Process (see paragraph 34). Low oil prices at the time stalled the immediate refurbishing of the facility. Since KTIA's acquisition in 2008, approximately $39 million of additional capital was expended to enhance the process, refurbish the entire facility, reconfigure and expand existing infrastructure, and re-construct the mine site.

Over a period of time, the Debtors prepared a business plan and projections which they and creditors provided to potential purchasers of the Debtors' Assets. A version of this business plan and projections dated June 2011, which is voluminous, is attached as Exhibit A to the Examiner's Preliminary Report filed in the Debtors' chapter 11 cases. Because of its size, the business plan is not attached to the copy of the Examiner's Preliminary Report, which is attached to this Disclosure Statement as **Exhibit 4**. If you wish to view documents such as the business plan filed with the Court, these may be inspected and copied at the office of the Clerk of the Bankruptcy Court during normal business hours or downloaded from the Bankruptcy Court's web site, using a PACER account, at the following site: https://ecf.utb.uscourts.gov. Please note that prior registration with the PACER Service Center and payment of a fee may be required to access such documents through the Bankruptcy Court's website. Parties may sign up for a PACER account by visiting the PACER website at http://pacer.psc.uscourts.gov or by calling (800) 676-6856. A copy may also be obtained from the Debtors' counsel.

Video presentations concerning the Debtors' project, processes, and facilities can be viewed at the following URLs. A presentation video with a narration can be viewed online at the following URL: http://www.youtube.com/watch?v=s6QwqbISViM. A short video showing operations can be viewed online at the following URL: http://www.youtube.com/watch?v=O3ng3osS4mI&feature=related. A new presentation video can be viewed online at the following URL: https://docs.google.com/open?id=0BwMH68ezIm85SkQwbGozUVVRdU9Xbmw5c3JNWHlCUQ.

E. The Prepetition Debt

1. Raven Mining

Prior to KTIA's acquisition of the stock in Wembco, as discussed above in Section IIB, Wembco had conveyed to Mr. Nathan Shippee an interest in production in a document dated August 15, 2006 and entitled "Conveyance of Payment Out of Production" (the "Production Payment Conveyance"). The Production Payment Conveyance provided, among other things, that Wembco granted to Mr. Shippee a payment out of production of 2% of Net Returns (the "Production Payment") (as defined in an exhibit attached to the Production Payment Conveyance) for all minerals (as defined in an exhibit attached to the Production Payment Conveyance) mined, removed, and sold from certain real property described in the Production Payment in Uintah County, Utah, Township 4 South, Range 20 (a portion of Section 30, all of Section 31, and a portion of Section 32) and 21 (a portion of Section 23 and a portion of Section 24) East, SLM.

The Production Payment Conveyance provided that Mr. Shippee would be entitled to receive $1.8 million plus accrued interest and other permitted charges and fees. Non-default interest, to be compounded annually, was defined in the Production Payment to mean the lesser of the Prime Rate established in the Wall Street Journal on August 15, 2007 or eight and one-half percent.

Section 5 of the Production Payment Conveyance provided: "At the time there is either a direct or indirect sale, merger, or material change of ownership of Grantor [Wembco] or Grantor directly or indirectly sells, exchanges or transfers the Subject Lands (collectively hereinafter a "Sale"), Grantor shall cause One Million Eight Hundred Thousand Dollars ($1,800,000.00) (the "Sale Obligation") to be paid to Grantee [originally Mr. Shippee, now Raven], from funds escrowed or paid at the Sale, as consideration for Grantee's transfer of the Production Payment, or of the ownership interest in a single purpose limited liability company that is an assignee of Grantee holding the Production Payment ("Grantee's LLC"), to Grantor's designee. Simultaneously with the receipt of the $1,800,000.00, Grantee shall assign 100% of the Production Payment, or of the ownership interest in Grantee's LLC, to Grantor's designee at Grantor's election. Grantor shall immediately provide Grantee with a copy of the escrow instructions for any Sale (the "Escrow Instructions"), and from any amendments thereto, which shall require the $1,800,000.00 to be escrowed from the Sale Proceeds and paid to Grantee. Grantor's payment of the $1,800,000.00 obligation to Grantee and Grantee's transfer of the Production Payment to Grantor's designee shall not reduce or offset the total amount of the assigned Production Payment as set forth in Sections 1 and 3 hereto. If Grantor defaults on its obligation to have the $1,800,000.00 Sale Obligation paid to Grantee at the closing of any Sale, then Grantor itself will have an obligation to pay the $1,800,000.00 Sale Obligation, payment shall be due immediately following the Sale, and interest shall accrue from the time of Sale at the default rate of 18% per annum on the $1,800,000.00 Sale Obligation to Grantee."

Section 5 of the Production Payment Conveyance provided that in any event all amounts due had to be paid in full before August 15, 2011, failing which default interest of 18%

per annum would accrue, compounded annually, until paid, with penalties, attorneys' fees and costs.

As set forth above in Section IIB, in conjunction with KTIA's purchase of the stock of Wembco, the former Wembco shareholders formed Raven Mining Company, LLC ("Raven"), and directed that part of the purchase proceeds from KTIA be paid to Mr. Shippee for transfer of the production payment to Raven. Specifically, the former Wembco shareholders effectively purchased Mr. Shippe's production payment. The price for this purchase from Mr. Shippee was approximately $1.9 million ($1.8 million plus accrued interest). In order to pay this amount to Mr. Shippe, the Wembco shareholders directed that KTIA pay the $1.9 million, which was a portion of KTIA's purchase price for Wembco's assets, directly to Mr. Shippe. Accordingly, Mr. Shippee was fully paid and the Wembco shareholders formed Raven to become the new owner of the production payment, which is secured by a first-position deed of trust against real property now owned by UBR.

As a result of these transactions, the Debtors believe that Raven continues to hold a claim for the production payment and full payment of principal and accrued interest totaling approximately $2.5 million was due on August 15, 2011.

Under the Plan, all defaults to Raven under the Production Payment Conveyance the maturity of obligations to Raven will be extended until the date of payment, all defaults on obligations to Raven will be waived and cured pursuant to section 1123(a)(5)(G) of the Bankruptcy Code and all non-default and non-penalty amounts will be paid to Raven following the Sale of the Debtors' Assets in full and in cash.

Raven has filed an amended proof of claim in which it asserts that, as a consequence of KTIA's purchase of the stock of Wembco, the Sale Obligation was triggered and not paid and, therefore, default interest at 18% ran from the date of that purchase, increasing the amount due and owing to Raven. The Debtors believe, however, that the reason Raven has not earlier asserted that it is entitled to default interest from this early date is that Raven did not want to receive the $1.8 million payment of the Sale Obligation at the time of KTIA's purchase and intended to waive and, in fact, waived any right to receive advance payment of the $1.8 million payment. Specifically, the Debtors understand that Raven's principals were concerned about spendthrift family members and did not want these family members to receive cash at that time. Further, the Debtors believe that Raven's principals were satisfied that the non-default interest rate available on the Production Payment was greater than the amount reasonably available to them at the time. Finally, the Debtors understand and assert that, as a consequence of its intentional waiver, Raven never sought to enforce any right to receive the Sale Obligation until submitting its claim in connection with the Debtors' bankruptcy cases, when they perceived an opportunity to change their position and seek a windfall at the expense of creditors.

In any event, and regardless of the outcome of these legal arguments, the Debtors believe that the waiver and cure provisions of the Plan in the context of a sale to R&W, when coupled with payment in full and in cash of all non-default amounts following the Sale of the Debtors' Assets, moot any arguments that Raven may have had to default interest based on any

alleged default. The same arguments regarding waiver and cure will also apply if sufficient proceeds from an Alternative Sale or an Auction are received for the sale of the Debtors' Assets to provide the same treatment of Raven's Claim.

Under the Plan, unless the Debtors and Raven reach a settlement of this dispute, the Debtors will reserve sufficient funds to pay disputed amounts.

2. Western Energy Partners, LLC

In February 2009, Western Energy Partners ("Western") loaned $6 million, evidenced by a Mortgage Note executed by UBR and CAR; a guaranty executed by KTIA; a Deed of Trust, Assignment of Leases, Rents and Contracts, Security Agreement and Fixture Filing; and an Environmental Indemnity Agreement executed by UBR, CAR, and KTIA. Western obtained a Warrant to purchase common stock of KTIA, on certain terms and conditions. The Western loan was used to pay vendors in full to that date, and to pay for construction and engineering activities for the Modified Hot Water Process.

In December 2009, Western loaned an additional $4 million, evidenced by a Loan Modification Agreement; Amendment to Deed of Trust Assignment of Leases, Rents and Contracts, Security Agreement and Fixture Filing; Amendment to Mortgage Note; Amendment to Guaranty; Amendment to Environmental Indemnity Agreement; and Amendment to Borrower's Certificate.

The Western promissory note provides, among other things, for a late charge of five percent (5%) of the amount of a delinquent payment. The Western promissory note also provides, among other things, that if there occurs an Event of Default (as defined in the note) then unpaid principal bears interest at the non-default rate of twenty percent (20%) per annum plus twenty four percent (24%) per annum compounded monthly. Accordingly, the default rate under the Western promissory note may be as high as 44% per annum, compounded monthly.

Pursuant to the Western/Elgin Agreement, the Debtors will pay Western $18,500,000 plus interest at the rate of 10% from the Petition Date until the Western Claim is paid in full. Western will retain its liens in the same priority that they held before the Petition Date until Western's Allowed Secured Claim is paid in full, or until there is no remaining collateral to which liens can attach.

Western has agreed to accept the Plan so long as its Allowed Claim is treated as set forth in the Western/Elgin Agreement.

3. Elgin Services Company, Inc. and Other Mechanic's Lien Claimants

Elgin Services Company, Inc. ("Elgin") holds the Claim against the Debtors previously held by Roberts & Schaefer Company ("R&S"), which served as the general contractor for the Debtors in the Modified Hot Water Process from April 2009 on. As described below, when operations of the Debtors ceased operations in 2010, the Debtors were unable to pay many of the operating obligations owed to contractors and subcontractors. R&S and its

subcontractors as well as a number of other contractors and suppliers were left unpaid for services and materials provided to the Debtors. R&S filed a mechanic's lien for itself and its subcontractors while other contractors, subcontractors, and suppliers also filed mechanic's liens against some or all of the Debtors' Assets.

The Debtors understand that Elgin was the prior parent company of R&S and that Elgin sold R&S to another company. As part of that transaction, Elgin either received an assignment of R&S's rights with respect to Claims and mechanic's liens against the Debtors or indemnified R&S against loss with respect to its Claims against the Debtors. In any event, Elgin filed a proof of claim against CAR for itself and subcontractors.

Pursuant to the Western/Elgin Agreement, the Debtors will pay Elgin $12,070,316.11 plus interest at the rate of 10% from the Petition Date until paid in full. Because Elgin's Clam includes certain subcontractor Claims, it is subject to reduction or increase based on the Allowed amount of certain subcontractors' claims and whether certain subcontractors, whose Claims are included in Elgin's Claim but who have also filed their own proofs of claim, are treated as part of Elgin's Claim or their own. Elgin will retain its liens in the same priority that they held before the Petition Date until Elgin's Allowed Secured Claim is paid in full, or until there is no remaining collateral to which liens can attach.

F. Events Leading to Commencement of Debtors' Chapter 11 Cases

In February 2009, KTIL experienced financial problems caused by a surge in foreign exchange rates that resulted in severe budget shortfalls and was not in a position to provide sufficient and timely financing for the Debtors.

In February 2009, as noted above, Western loaned $6 million, which was used to pay vendors in full to that date, and to commence new construction and engineering activities for the Modified Hot Water Process.

In April 2009, CAR entered into an agreement with Roberts & Schaefer to become the general contractor of the Modified Hot Water Process. Mr. Burk Adams became the lead process engineer and REDD Engineering was retained for process engineering support.

In September 2009, Mr. Soung J. Kim replaced Mr. Jajun Koo as project manager for KTIA. Mr. Koo resigned and returned to Korea. Mr. Yeoup Ryu became chief officer of KTIA in the U.S. for all administrative and regulatory compliance matters. Dry froth was determined to be a marketable product, and measures were taken to also engineer and construct a dry froth production circuit.

In December 2009, as noted above, Western loaned an additional $4 million. Past due bills were paid but there remained outstanding balances for many creditors.

KTIL was unable to continue the project due to intervention by the Korean government resulting from KTIL's failure to meet annual financial audit requirements. As part of the governmental intervention, Mr. Moon Lee, who held the positions of Chief Executive Officer

with KTIL and its subsidiaries, was sentenced to a term in a Korean prison and has been incarcerated since June 2010. Mr. Lee no longer holds these positions with KTIL and holds no further decision making authority with respect to KTIL, KTIA, or its subsidiaries.

Mr. Lee's brother Sung I. Lee became Chief Executive Officer and Director of KTIA. Shortly after the Petition Date, certain creditors inquired whether Mr. Moon Lee retains any further decision making authority with respect to KTIL, KTIA, or its subsidiaries. Mr. Sung I. Lee has confirmed to Mr. Soung J. Kim that, although he speaks with his brother from time to time, Mr. Moon Lee has no further decision making authority with respect to KTIL, KTIA, or its subsidiaries.

In January 2010, CAR completed construction and began the commissioning of ore handling and froth manufacturing portions of the facility. The Debtors had expected to receive additional funds from KTIL in January 2010, but, for the reasons noted above, the funds were not received. The testing of the wet froth circuit could not continue due to the loss of funding from KTIL. The Debtors estimate that, at this time, full dry froth production (Phase 1) was only 8 weeks away.

Mr. Kim and Mr. Ryu determined that they would remain in the U.S. to work toward a resolution. With the assistance of Mr. Bachtell, Mr. Kim and Mr. Ryu continued to seek an appropriate resolution. The Debtors continued to provide security for the Asphalt Ridge property until December 2010.

As a result of lack of resources, and non-payment by the Debtors, a number of liens and lawsuits were filed by creditors. On February 23, 2010, Western commenced a trust deed private foreclosure of the real property (including all improvements and all mineral interests) owned by UBR and leased to CAR by recording a statutory Notice of Default and Election to Sell and by providing notice of default. Western accelerated the entire unpaid balance of the principal obligation of UBR, CAR, and KTIA to Western, together with interest, fees, and expenses.

The Mortgage Note executed by UBR and CAR in favor of Western includes a number of terms, including (a) non-default interest at the rate of 20% per annum and (b) default interest at the rate of an additional 24% per annum, compounded monthly. Accordingly, Western asserted in litigation pending in the Eighth Judicial District Court in and for Uintah County, State of Utah (Case No. 110800149), among other things, that it is entitled to receive (x) non-default interest of 20% per annum compounded monthly, (y) a late charge equal to 5%, and (z) default interest of 44% (20% plus 24%), compounded monthly. In addition, Western has asserted that it is entitled to recover a $150,000 capital advance made to Tar Sands Holding, LLC (described below), and numerous consulting, service, security, legal, and other fees and expenses.

Effective November 12, 2010, KTIA, UHI, UBR, and CAR entered into an "Agreement for Conveyance of Tar Sands Property and Assets" (the "Conveyance Agreement") with A&L, which was a newly-formed Utah limited liability company formed by a group of creditors of the Debtors.

The Conveyance Agreement provided, among other things, that its so-called "Signatory Creditors" would be Western, Christofferson, Gavilan, Roberts, Industrial Piping Products, Inc. ("Industrial"), and BH, Inc.

The Conveyance Agreement described the representatives of the initial signatory creditors of the Debtors as follows: "Western Energy (Brent A. Andrewsen and Robert S. Prince); (b) Roberts & Schaefer (Bob Franco); (c) Christofferson Welding (Mark L. Poulsen); (d) "BHI" (Brian J. Babcock); and (e) Gavilan Petroleum (Thomas W. Bachtell)."

The Conveyance Agreement further provided, among other things, that contemporaneously with the signing and delivery of the Conveyance Agreement, UBR would execute a quit claim deed to the Mining Property to A&L, which deed would convey to A&L all right, title, and interest of UBR in the Mining Property, subject only to prior encumbrances (the "Quit Claim Deed").

The Conveyance Agreement further provided, among other things, that, contemporaneously with the signing and delivery of the Conveyance Agreement, CAR would sign an Assignment of Oil, Gas and Minerals Lease and Bill of Sale conveying interests in property as set forth therein (the "Assignment and Bill of Sale").

The Conveyance Agreement further provided, among other things, that the Quit Claim Deed and the Assignment and Bill of Sale were to be delivered to Joseph R. Goodman, Jr., as "Escrow Agent." The Conveyance Agreement further provided, among other things, that unless by 5:00 p.m., Mountain Standard Time, on November 30, 2010 (18 days from the effective date of the Conveyance Agreement), all undisputed amounts of debt listed in an exhibit to the Conveyance Agreement, plus any agreed or statutorily-imposed interest or charges, including attorneys fees and costs, were paid (and unless otherwise agreed by the respective creditor in writing) then the Quit Claim Deed and Assignment and Bill of Sale would be delivered to Acquisition & Liquidation, LLC. In addition, the Quit Claim Deed and Assignment and Bill of Sale could be released earlier upon certain designated events.

However, the Conveyance Agreement nowhere provided that, upon transfer of properties pursuant to the Quit Claim Deed and Assignment and Bill of Sale, that any claims against the Debtors would be satisfied, discharged, or reduced (even though the Quit Claim Deed was referred to in Section 1.1 as a "Deed in Lieu") or that any consideration would be provided to the Debtors for these transfers. At Section 4.1, the Conveyance Agreement provided that "no monetary contribution to Grantors [KTIA, UHI, UBR, and CAR] is contemplated or required hereunder."

On or about November 12, 2010, UBR executed the Quit Claim Deed and CAR executed the Assignment and Bill of Sale. On December 30, 2010, the Quit Claim Deed was recorded in Book 1218 beginning at Page 691, as Entry Number 2010011189, in the records of Uintah County, Utah. The Quit Claim Deed transferred all of the interests of UBR as set forth in the Quit Claim Deed.

In January 2011, A&L filed notice that it had changed its name to Tar Sands Holdings, LLC ("TSH"). On February 24, 2011, a quit claim deed transferring the interests of A&L as set forth in the quit claim deed to TSH was recorded in Book 1224 beginning at Page 707, as Entry Number 2011001419, in the records of Uintah County, Utah.

Prior to the Petition Date, the Debtors, with the input of creditors, evaluated and conducted substantial work toward several possible transactions for the sale of the Debtors' business and Assets. One of these potential transactions involved Metalmark Capital. Another potential transaction involved a consortium of potential participants, including Daewoo Shipbuilding. For various reasons, these transactions were not consummated prior to the Petition Date.

Immediately prior to the commencement of the Debtors' bankruptcy cases, TSH controlled the Debtors' assets and sales of tar sands. Not having these funds with which to operate or provide funding for their chapter 11 filings, the Debtors borrowed funds at substantial interest cost, including funds borrowed from Gavilan used to pay the initial retainers of counsel for the Debtors.

III. THE DEBTORS' CHAPTER 11 CASES

A. Filing and Meeting of Creditors under Section 341 and Certain Initial Matters

On the Petition Date, August 22, 2011, the Debtors filed their bankruptcy petitions under chapter 11 of the Bankruptcy Code. On September 15, 2011, the United States Trustee conducted a meeting of creditors under Bankruptcy Code section 341.

Early in these cases, the Court entered a number of orders requested by the Debtors that were designed to minimize disruption to the Debtors' business operations as a result of the chapter 11 filings.

The Court also entered orders intended to facilitate the administration of these cases.

On August 25, 2011, the Court entered its order for joint administration of the Debtors' cases (ECF 20).[2] Accordingly, the Debtors' cases are administered under Bankruptcy Case No. 11-32259, the case of KTIA, but proofs of claim are to be filed in the case of the Debtor against which the claim is asserted.

Also on August 25, 2011, the Court entered its order (ECF 21) fixing October 15, 2011, as the bar date for filing of claims against the Debtors (except for the claims of governmental units, whose claims could be filed on or before February 18, 2012).

[2] References to "ECF" are references to the number designated by the Court's PACER or Case Management/Electronic Case Files (CM/ECF) system for docket entries in the jointly administered case number, 11-32259.

Also on August 25, 2011, the Court entered its order (ECF 22) authorizing certain interim payments of wages and, after final hearing approved these payments.

On September 6, 2011, the Debtors filed their schedules and statements of financial affairs and, thereafter, have filed amendments.

B. Original DIP Financing Facility

On August 30, 2011, the Debtors filed their motion for approval of secured debtor in possession financing (ECF 29) in the maximum amount of $300,000 from R&W. The applicable interest rate on the financing is 5%. On October 5, 2011, the Court entered its final order (ECF 124) approving what is defined in the Plan as the "Original DIP Financing Facility," which grants an unsecured superpriority to R&W as well as a junior lien on the Debtors' Assets. The proceeds of the Original DIP Financing Facility were to be used, and advances received to date have been used, to pay operating expenses and salaries, and to fund professional retainers and expenses. As noted in the Plan, the Plan does not supersede, modify, or amend the terms of the Original DIP Financing Facility.

C. Demand for Turnover and Stipulation for Turnover of Assets

On the Petition Date, August 22, 2011, the Debtors demanded that TSH return to the Debtors the property previously conveyed to it. After receiving no response to their demand, on September 6, 2011, the Debtors filed a motion (ECF 40) pursuant to Rule 6002 of the Federal Rules of Bankruptcy Procedure seeking turnover of the property and an accounting.

After discussions, the Debtors entered into a stipulation (the "Turnover Stipulation") with TSH, and the creditors who appointed its initial managers, Western and Elgin. The Stipulation, which was filed with the Court on September 16, 2011 (ECF 71), provided for (1) continued discussions concerning the sale of property of the Debtors to R&W; (2) formation of an "Observation Committee" to observe and review the ongoing status of work by R&W; (3) stipulated appointment of an examiner, with fees and costs to be advanced by Western and Elgin, and with agreement to request that these funds be allowed as Administrative Expense Claims; (4) a voluntary accounting by TSH; (5) means for payment of obligations incurred by TSH; (6) the filing of a motion for the sale of the Debtors' property; (7) certain bidding procedures; (8) lien priority for funds advanced by R&W for the completion and commissioning of the Debtors' facility on the Mining Property; (9) a stipulation for use of cash collateral; (10) reconveyance of property by TSH; (11) a continued hearing on September 29, 2011 on turnover, if not mooted by reconveyance by TSH and on DIP financing; and (12) reservation of all rights.

On September 23, 2011, TSH filed its voluntary accounting and notice thereof (ECF 78).

On September 26, 2011, based on information provided by TSH, the Debtors filed their motion (ECF 85) to pay certain obligations incurred by TSH in connection with its operation of the Debtors' property. On October 5, 2011, the Court entered its order (ECF 122) authorizing

payment of up to $13,000 in unpaid obligations, including a $200 payment to the U.S. Department of Labor (MSHA, for an assessment dated August 30, 2011 based on failure to report that mine operations would be conducted on two days) and amounts owed to J-Bar LLC, for the services of Mr. Reese Jensen in providing security and other services to protect the property. On October 31, 2011, the Bankruptcy Court entered its order (ECF 184) authorizing payment of remaining amounts.

On September 29, 2011, TSH executed a quit claim deed (the "Quit Claim Deed") reconveying to UBR the real property and any associated buildings, structures, equipment, goods, machinery, appurtenances and other rights conveyed by UBR's previous quit claim to TSH. The quit claim deed was recorded in the records of Uintah County, Utah, on October 11, 2011. Also on September 29, 2011, TSH executed an Assignment and Bill of Sale (the "Assignment") conveying to CAR the lease rights and associated personal property conveyed by CAR's previous assignment and bill of sale to TSH.

Because the Assignment included a mutual release, indemnification, and hold harmless provision, on October 3, 2011, CAR filed a motion (ECF 104) seeking approval of the Bankruptcy Court to execute the acceptance of the Assignment and Bill of Sale. On October 13, 2011, the Court entered its order (ECF 155) authorizing CAR to execute the Assignment and Bill of Sale. On October 21, 2011, the Assignment and Bill of Sale was recorded in the records of Uintah County, Utah.

As a result of the Quit Claim Deed and the Assignment executed by TSH, both UBR and CAR recovered the real and personal property (representing most of the Assets of the Debtors) which had been conveyed to TSH in November 2010 pursuant to the Conveyance Agreement.

D. Cash Collateral

In connection with the Turnover Stipulation, the Debtors negotiated and on October 3, 2011, filed a stipulation and joint motion with Western, Elgin, and Raven for limited use of cash collateral (the "Original Cash Collateral Stipulation") (ECF 106). Pursuant to the Original Cash Collateral Stipulation, the Debtors were authorized to sell up to 15,000 tons of tar sands inventory for use in road construction prior to December 31, 2011, Western, Elgin, and Raven and other holders of liens on the Debtors' tar sands assets were granted adequate protection, including a replacement lien, a 1% gross production royalty to Raven, reports to be submitted by the Debtors, coverage under the Debtors' liability insurance policies as they related to the Debtors' Assets. The Original Cash Collateral Stipulation also provided for termination, possible extension, and a reservation of rights. The Original Cash Collateral Stipulation was approved by the Bankruptcy Court's order entered October 31, 2011 (ECF 183).

E. Motion for Sale of Property

On October 3, 2011, the Debtors' filed their motion (ECF 99) (the "Sale Motion") to establish bidding procedures, auction procedures, assumption and assignment procedures, and notice procedures for the solicitation of bids, an auction, and scheduling a hearing on approval of

the sale of the Debtors' assets, with R&W as the stalking horse bidder. The Debtors served notice (ECF 121) of an October 13, 2011 hearing on the proposed procedures on all creditors and, in addition, served full copies of the sale motion, which included as exhibits all proposed orders and the proposed asset purchase agreement with R&W, on all parties known by the Debtors to have expressed an interest in a transaction for the Debtors' assets in the past year. By this means, the Debtors provided additional notice to potential bidders.

On October 13, 2011, the Bankruptcy Court held a hearing on the bidding procedures proposed in connection with the proposed sale and entered its order (ECF 157) approving bidding procedures, auction procedures, assumption and assignment procedures, and notice procedures for the solicitation of bids, an auction, and scheduling a hearing on approval of the sale of the Debtors' assets.

On October 14, 2011, the Debtors served notice of the deadline for the submission of initial bids, by November 1, 2011. As of the deadline for bids, only the stalking horse offer of R&W had been received. As a result, no auction was held. The day of the hearing on the Sale Motion, Western filed an objection to Sale Motion based on an offer received from Clean Sands International, Inc. ("Clean Sands"). Clean Sands also appeared at the hearing. The hearing on the Sale Motion was an evidentiary hearing which lasted over several days. At the conclusion of the hearing, the Bankruptcy Court approved the Sale Motion. On November 15, 2011, the Bankruptcy Court entered separate findings and conclusions and its order approving the sale of substantially all of the Debtors' assets to R&W, the Purchaser (together, the findings and conclusions and the order will be referred to as the "November 15 Sale Order") (ECF 203, 204).

Western, Elgin, and TSH filed a motion to alter and amend the order approving the sale (ECF 214). The Debtors, Western, Elgin, TSH, R&W entered into settlement negotiations, which resulted, ultimately, in the Western/Elgin Agreement described in greater detail below. Following the parties' broad-ranging agreement, the Debtors filed a motion for approval of a modified asset purchase agreement (defined in the Plan as the "Asset Purchase Agreement") with R&W (ECF 238), which modified in certain respects the asset purchase agreement approved by the November 15 Sale Order. One of the clarifications in the modified Asset Purchase Agreement is with respect to the "Observation Committee," a committee of creditors appointed pursuant to the Asset Purchase Agreement to observe and review the ongoing status of the Purchaser's due diligence, and the completion and commissioning activities with respect to the Debtors' Plant Facility. As noted below, the Observation Committee was subsequently formed.

The motion for approval of modified Asset Purchase Agreement was approved by order of the Bankruptcy Court entered January 11, 2012 (defined in the Plan as the "Sale Order") (ECF 261). A copy of the Sale Order is attached hereto as **Exhibit 2**. In the Sale Order, the Bankruptcy Court made the following findings in Section III.H and J:

> H. Debtors have marketed the Purchased Assets diligently, in good faith and in a commercially reasonable manner to secure the highest and best offer or offers therefor by, among other things, delivering offering materials to potential purchasers and inviting potential purchasers to meet with management

> and the Debtors' professionals and providing potential purchasers with the opportunity to conduct extensive due diligence. . . .
>
> J. The Bidding Procedures afforded a full, fair and reasonable opportunity for any entity to make a higher or better offer, on the terms and conditions set forth in the Asset Purchase Agreement, to purchase the Purchased Assets and no higher or better offer has been made.

On June 8, 2012, the Debtors filed two motions related to the approved Asset Purchase Agreement, one to modify the Asset Purchase Agreement to permit CAR to market and sell raw tar sands, PMOSA, and dry froth until October 31, 2012 and to extend the period within which R&W may conduct due diligence until October 5, 2012. These dates coincide with the Debtors' other new motion affecting the Asset Purchase Agreement, pursuant to which the Debtors are seeking an extension of the Sale Deadline for closing the Sale of substantially all of the Debtors' Assets to R&W from June 30, 2012, through October 31, 2012. The Bankruptcy Court approved both motions, and, by orders entered July 12, 2012, extended the Closing Date (defined as the "Sale Deadline" in the Plan) through October 31, 2012, and extended R&W's due diligence period through October 5, 2012, and also approved a modification to the Asset Purchase Agreement to permit the Debtors to market and sell tar sands, PMOSA, and dry froth through October 31, 2012, as requested. These two orders are also attached as part of **Exhibit 2**.

A copy of the Asset Purchase Agreement with R&W approved by the Bankruptcy Court in the Sale Order is attached to this Disclosure Statement as **Exhibit 3**.

Because the sale pursuant to the Sale Motion will not close until after the anticipated date of confirmation of the Plan, unless otherwise ordered by the Court, the Debtors will distribute proceeds of sale pursuant to the Plan.

F. Examiner

Pursuant to the Turnover Stipulation, on September 23, 2011, the Debtors, Western, Elgin, and TSH, filed their stipulated motion for the appointment of an examiner (ECF 76).

On October 4, 2011, the Court entered its order (ECF 107) granting the motion to appoint an examiner and directing the United States Trustee to appoint an examiner, subject to Court approval. Also on October 4, 2011, the United States Trustee filed notice (ECF 113) of its appointment of Mark Hashimoto as examiner and Mr. Hashimoto filed his acceptance of the appointment (ECF 115) On October 5, 2011, the Court entered its order approving the appointment of Mr. Hashimoto as examiner (the "Examiner") (ECF123).

The Court's order directing the appointment of an examiner (ECF 107) provides that the Examiner will investigate and file a written report of his findings with the Court concerning the following:

> As provided in Bankruptcy Code section 1104(c), "any allegations of fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in

> the management of the affairs of the [Debtors] of or by current or former management of the [Debtors] during the period of January 1, 2010 to the present (the "Time Period"). For this purpose, the Examiner shall meet initially with representatives of the Parties in order to identify such allegations, if any;
>
> Whether any person that is not an officer of Debtors has any improper control over the Debtors;
>
> Whether any person currently participating in management of the Debtors has any improper conflicts of interest with respect to continued management of the Debtors in the current Chapter 11 cases;
>
> Whether raw tar sands inventory, or other assets of the Debtors or the Debtors' estates during the Time Period, have been: (a) properly accounted for on the books and records of the Debtors and in the Statements and Schedules filed by the Debtors in the current Chapter 11 cases; or (b) transferred for less than a reasonably equivalent value;
>
> The disposition of the proceeds of sales of raw tar sands inventory during the Time Period and TSH's administration of the property conveyed to it during the Time Period by CAR and UBR, including the disposition of any proceeds of sales of raw tar sands inventory by TSH;
>
> Whether grounds exist to require the appointment of a Trustee for one or more of the Debtors in the pending Chapter 11 cases; and
>
> The marketing of the Debtors' assets in the Time Period, including: (1) whether any person improperly or unreasonably interfered with or exercised control over the marketing of the Debtors' assets, such as by imposing unreasonable requirements; (2) whether any potential qualified buyers were excluded or not followed up on because such parties may not have wanted to include current management in their future operations; and (3) whether, as to any sale proposed after the petition date in these cases: (i) a sound business reason exists for the sale; (ii) there has been adequate and reasonable notice to interested parties, including full disclosure of the sale terms and the Debtors' relationship with the buyer; (iii) whether the sale price is fair and reasonable; and (iv) whether the proposed buyer is proceeding in good faith.

The Court's order further provides that the Examiner's report is to be completed and filed as soon as reasonably practicable but not later than sixty (60) days of the Examiner's appointment. The Court's order also provides that the Examiner, in his sole discretion, may file separate reports and may prioritize the investigation and the filing of reports so that the reports will be of assistance to matters that come before the Court related to the matters investigated, such as a motion to sell property.

The Examiner issued two reports, the first, referred to as the Examiner's Preliminary Report, which was filed October 31, 2011 (ECF 185), and the second, referred to as the Examiner's Final Report, which was filed December 5, 2011 (ECF 220). The Preliminary and Final Reports, without exhibits, are attached to this Disclosure Statement as **Exhibits 4 and 5.** Copies of the full Reports with exhibits may be obtained from the Bankruptcy Court in person or from PACER on the Bankruptcy Court's website described above in Section II.D. above.

The Examiner conducted discovery in connection with his reports, conducting examinations of Soung Joon Kim, appearing on behalf of the Debtors, Yeoup Ryu, a former officer of the Debtors, and Thomas Bachtell, a former officer of, and attorney for, the Debtors, who also has had a long-lasting relationship with the development of tar sands in Asphalt Ridge in a variety of capacities and in connection with a number of companies. A company in which Mr. Bachtell holds an interest is also a creditor of the Debtors and Mr. Bachtell serves on the Unsecured Creditors' Committee as the representative of that creditor. The Examiner also met less formally with many parties in interest in the Debtors' cases. The Preliminary Report addressed issues in the Sale Motion, which the Examiner determined included questions of conflict of interest and improper management by the Debtors.

In the Preliminary Report, the Examiner found that no one improperly or unreasonably interfered with or exercised control over the marketing of the Debtors' Assets, that potential qualified buyers were not excluded from the sale process, that sound business reasons exist for the sale being pursued by the Debtors, and that certain actions taken by parties appeared suspicious, but that, on closer analysis, those actions were not inappropriate. The Examiner did question the Debtors' decision to choose R&W as the "stalking horse" bidder rather than Clean Sands, but found nothing inappropriate about the offer or negotiations with R&W.

The Examiner attended the hearing on the Sale Motion and his first report was introduced in that hearing.

In the Final Report, the Examiner noted that R&W had at least twice improved its offer to purchase the Debtors' Assets and that the revised terms of the contemplated sale to R&W made R&W's offer superior to the non-conforming offer of Clean Sands. The Examiner also found that the Debtors had reasonably accounted for the sales of tar sands for the period from January 1, 2010, through the Petition Date (August 22, 2011) and that TSH has properly utilized the proceeds of the sale tar sands while it held title to the Debtors' tar sands Assets. Finally, the Examiner found that he did not believe that cause existed for the appointment of a trustee in the Debtors' cases.

G. Retention of Professionals of the Debtors and the Examiner

The Debtors have sought and obtained authority to retain certain professionals in connection with their Chapter 11 cases as appropriate for required tasks.

On September 13, 2011, the Debtors filed their application (ECF 56) to employ Durham Jones & Pinegar, P.C., as counsel for the Debtors, effective August 22, 2011. On October 13, 2011, the Court entered its order (ECF 153) granting this application.

Also on September 13, 2011, the Debtors filed their application (ECF 59) to employ DBH Consulting, LLC as accountant for the Debtors effective August 22, 2011. On October 13, 2011, the Court entered its order (ECF 154) granting this application.

On January 24, 2012, Debtor CAR filed its application (ECF 281) to employ Natural Asphalt Solutions, Inc. ("NAS") as its exclusive marketing and sales agent to sell tar sands for use in paving applications in road construction. On February 1, 2012, CAR filed its modified application to employ NAS. As of February 17, 2012, that application is pending, with objections to the application due by February 21, 2012.

The Examiner has sought and obtained authority to retain professionals in connection with his duties. On October 11, 2011, the Examiner filed his application (ECF 134) to employ Parsons Kinghorn Harris, PC as counsel to the Examiner. On October25, 2011, the Court entered its order (ECF 177) granting this application.

On November 16, 2011, the Examiner filed his application (ECF 208) to employ Piercy Bowler Taylor Kern as his accountants and financial advisors. On December 2, 2011, the Bankruptcy Court entered its order (ECF 217) granting this application.

H. The Creditors' Committee

On October 12, 2011, the United States Trustee appointed a committee to represent the interests of unsecured creditors of KTIA pursuant to section 1102(a)(1) of the Bankruptcy Code (the "Creditors' Committee"). The persons or entities appointed to the Creditors' Committee are as follows: Haynie & Company (with Scott Reams as the representative of Haynie & Company to serve on the Creditors' Committee), Frontier Petroleum, LLC (with Tom Bachtell as the representative of Frontier Petroleum on the Creditors' Committee), and Western (which has had as its representative on the Creditors' Committee Robert Prince, counsel for Western).

I. Startup DIP Financing Facility and Construction and Commissioning of the Plant Facility

As part of its due diligence, R&W desired to startup and commission the dry froth circuit (the "Dry Froth Circuit") and production program (the "Production Program") at the Debtors' tar sands facility (the "Production Facility"). The start-up and commissioning is a key component of R&W's evaluation of its purchase of the Debtors' property because, by this means, the Debtors will prove that the facility works. Accordingly, the Debtors and R&W have negotiated additional DIP financing (defined in the Plan as the "Startup DIP Financing Facility") in the approximate amount of $5,000,000 (the "Startup Funds") to cover the costs of this process, which will include completion of engineering; assembling necessary equipment, materials and services; commencement of sequential commissioning; introduction of oil sands feeds to the

plant; and the achievement of steady production at desired levels and specifications. One of the terms of the Turnover Stipulation reached on September 16, 2011 between the Debtors and major creditors was the terms for the lien priority for the DIP Startup Financing Facility, as described below.

The Debtors submitted their motion (ECF 196) for approval of the Startup DIP Financing Facility on November 9, 2011. Prior to the hearing on interim approval of the Startup DIP Financing Facility, the Debtors and R&W agreed that the facility would be unsecured and subordinate even to Allowed Unsecured Claims in the case, even though the major creditors in the case had agreed to permit R&W to receive priority liens on the Debtors' assets to secure repayment of amounts advanced under the Startup DIP Financing Facility. On December 1, 2011, the Court entered an interim order approving an interim advance under the Startup DIP Financing Facility in the amount of $106,250 (ECF 216). Subsequently, on December 23, 2011, the Debtors filed an amended motion for approval of the Startup DIP Financing Facility (ECF 240). The amendment to the motion contemplated the use of up to $300,000 in proceeds from the facility to pay for costs of extracting tar sands for sale as paving material in road construction. The Debtors and National Asphalt Solutions, Inc. ("NAS") had obtained regulatory approval from governmental and other agencies for the use of the Debtors' tar sands as a paving material for road construction on secondary roads in Utah, whereas previously, the tar sands were approved for use only in areas near the Debtors' operations. Although the remainder of the Startup DIP Financing Facility is unsecured, R&W and the Debtors agreed that R&W would be granted a priming lien on the tar sands extracted and on the proceeds from the sale of the tar sands to the extent of a maximum of the $300,000 principal amount used to extract the tar sands. The Debtors later filed and had approved by the Bankruptcy Court a motion to increase the amount of the Startup DIP Financing Facility to extract tar sands to $550,000.

The Bankruptcy Court approved an interim advance of $106,250 under the Startup DIP Financing Facility by order entered December 1, 2011 (ECF 216) and approved the full $5,000,000 Startup DIP Financing Facility on a final basis by order entered January 11, 2012 (ECF 259).

Key provisions of the DIP Startup Financing Facility include the following: (i) principal balance of the Start-up Loan of the Start-up Funds bears interest at a non-default rate of five percent (5%) per annum from the date of each advancement of funds by R&W for costs of the Dry Froth Circuit and Production Program and has a default interest rate of ten percent (10%); (ii) if R&W elects not to consummate its purchase of the assets of the Debtors, then its loan of the Startup Funds shall be due and payable in full on August 31, 2012; (iii) the principal amount of the Startup Funds is anticipated to reach $5,000,000.00, but the Startup Funds may exceed that amount; and (iv) the DIP Startup Financing Facility may be evidenced by a promissory note consistent with these terms. The DIP Startup Financing Facility has been amended three times, with the approval of the Bankruptcy Court, by orders entered April 24, 2012, May 13, 2012, June 19, 2012, and July 12, 2012 (ECF 353, 357, 378, and 396). The portion of the Facility that can be used for Extraction Costs has increased from $300,000 to $550,000. The total amount of the Facility has been increased from $5,000,000 to $6,500,000. All but the $550,000 used for

Extraction Costs remains unsecured and subordinated. The Plan does not supersede, modify, or amend the terms of the Startup DIP Financing Facility, as amended.

As set forth in the Asset Purchase Agreement (**Exhibit 3** to this Disclosure Statement), at Exhibit D (entitled "Dry Froth Circuit and Production Program"), the Debtors and R&W have estimated the sequencing and cost of the start-up process. In broad terms, these are estimated as follows: (1) weeks 1-6, mobilization and engineering update (estimated budget $106,250); (2) weeks 7-9, procurement (estimated budget $893,750); (3) weeks 10-19, construction and pre-commissioning (estimated budget $2,381,250); (4) weeks 20-24, commissioning and wet froth production (estimated budget $943,750); and (5) weeks 25-28, dry froth production (estimated budget $681,250). These estimated budget amounts total $5,006,250.00. Because of certain challenges faced by the Debtors, including broken equipment and instrumentation (which necessitated repair and/or replacement), and delays, which resulted from a number of different events over which the Debtors had no control, the cost of the completion and commissioning of the dry froth circuit, together with the completion of core sampling and testing, has risen. Currently estimates are that total costs will be in excess of $6,500,000.

Work has been largely been completed on the Production Facility. As noted, the Debtors and R&W have experienced certain difficulties in proceeding, particularly with R&S refusing to provide electronic copies of plans designed by the Debtors for which R&S had engaged in final design work, the refusal by R&S to permit release of an expensive custom pump which had been manufactured by Tech-Flo, a subcontractor of R&S which was holding several of the custom, made-to-order pumps because the Debtors had nowhere to store the pumps, and because of winter and other exposure damage to equipment at the Production Facility stemming from failure properly to winterize and otherwise protect expensive equipment from the elements. R&S asserted that it was entitled to payment of amounts owed to it before permitting Tech-Flo to release any of the pumps or electronic copies of plans even though R&S has not filed a claim in the Debtors' cases, and further asserted that it had no obligation to release the electronic plans in any event because they are proprietary, even though R&S never objected to the release of such electronic plans in connection with earlier proposed sales of the Debtors' assets and contemplated completion of construction and startup of the Debtors' tar sands processing plant. The Debtors believe that failure to winterize and otherwise protect certain equipment from the elements occurred while the equipment was under the control of TSH, while TSH believes that such failure to winterize and protect the equipment occurred when the equipment was under the control of the Debtors.

The Debtors have resolved all of these issues – they purchased one of the custom pumps from Tech-Flo, they had detailed electronic plans re-created by their current engineers, they believe that they have resolved winter damage to equipment issues, and are pushing forward. Nevertheless, all of these matters resulted in substantial delay and additional expense. Implementation of the Dry Froth Circuit and Production Program is subject to a number of contingencies, including force majeure events, as defined in the Asset Purchase Agreement with R&W.

Since the Bankruptcy Court approved on an interim basis an advance of $106,250 under the Startup DIP Financing Facility in early December 2011, the Debtors in consultation with R&W have mobilized and contracted with engineering and other professionals to conduct the construction and commissioning of the facility, have hired site management and operations personnel, have commenced and are well along in procurement of equipment and engineering requirements and have assessed and replaced or repaired equipment as necessary, have commenced construction on structural, mechanical and electrical (including water treatment, flocculent, material handling and conditioning, froth separation, froth separation, centrifuge, and evaporation/dry froth sections) portions of the facility, have repaired and replaced main gas lines to deliver natural gas to the facility, and have completed the process of identifying additional core hole locations for core drilling and mine planning requirements. The Debtors sought and obtained Bankruptcy Court approval for an increase in the Startup DIP Financing Facility, to $6,500,000, on the same unsecured and subordinated terms as the original $5,000,000. As of July 20, 2012, the Debtors have borrowed most of the $6,500,000. The Debtors have completed the mechanical and electrical construction in the water treatment and flocculent area, hot water and steam circulation throughout the facility for water commissioning, the froth separation, material handling, and condition areas. The Debtors have also completed the process of commissioning the plant and are processing wet froth and dry froth.

The Debtors have also taken steps to provide for mining, marketing, and selling tar sands on a substantial scale for use in paving in road construction throughout Utah. On March 7, 2012, the Bankruptcy Court entered its Order approving CAR's application to employ Natural Asphalt Solutions, Inc. ("NAS") as its exclusive marketing and sales agent for such sales, effective January 1, 2012. NAS has been heavily engaged in marketing and seeking to sell tar sands for road construction purposes.

The Debtors entered into a sale contract for the sale of PMOSA with Granite Construction for use in the Seep Ridge road project. However, after entering into this contract, government regulators changed the specifications for PMOSA to require a higher petroleum content in the PMOSA than was previously required. When the Debtors were not able to ensure that sufficient quantities of PMOSA under the new specifications, Granite Construction was required to use a more conventional asphalt project purchased elsewhere.

The Debtors have prepared a new video on their tar sands project, which is available online at the following URL: https://docs.google.com/open?id=0BwMH68ezIm85SkQwbGozUVVRdU9Xbmw5c3JNWH1CUQ.

J. Observation Committee

As noted above, Section 2.4(d) of the Asset Purchase Agreement contemplated the formation of a five-member Observation Committee, during the period of the Purchaser's due diligence (which is now extended to October 5, 2012) to observe and review the Purchaser's "Due Diligence, Completion, and Commissioning activities," (all as defined in the Asset Purchase Agreement. On January 12, 2012, notice was filed of the formation and membership of

the Observation Committee. Members of the Observation Committee are representatives of Raven, Western, Elgin, BHI, Inc., and the Unsecured Creditors' Committee (ECF 263).

K. Western/Elgin Agreement

Following approval of the Sale Motion, the Debtors, Western, Elgin, TSH, and R&W entered into negotiation of resolution of a wide range of matters, including the Claims of Western and Elgin, the sale of the Debtors' Assets (and the creditors' motion to alter or amend the Sale Order) and proposed modifications to the approved Asset Purchase Agreement, the Startup DIP Financing Facility, cash collateral, and the sale of tar sands to help the Debtors to pay operating costs and professional fees, and, if successful enough, to make pre-Plan payments to secured creditors. The result of these successful negotiations was an agreement dated December 19, 2011 (defined in the Plan as the "Western/Elgin Agreement") resolving all of these matters among most of the critical parties in the Debtors' cases. This critically important agreement facilitated the significant forward movement by the Debtors and R&W as Purchaser toward completion and commissioning of parts of the Debtors' Plant Facility which should lead to closing of the Sale and payment of creditors in full. The Western/Elgin Agreement settles the amount and interest rates for the Western and Elgin Claims and the Allowance of those Claims, permits the Sale Order to become a Final Order (not subject to appeal or reconsideration), facilitates modification of the Asset Purchase Agreement to result in sufficient funds to pay creditors in full, permits approval of the Startup DIP Financing without objection, facilitates the filing of the Plan, provides for the extension of the major creditors' continued consent to the Debtors' use of cash collateral, and contemplates the sale of tar sands and the employment by Debtor CAR of NAS to act as its exclusive marketing and sales agent in these sales.

On December 19, 2011, the Debtors filed their motion for approval of the Western/Elgin Agreement (ECF 234). The Bankruptcy Court approved the motion and the Western/Elgin Agreement by order entered January 11, 2012 (ECF 260).

L. Summary of Proofs of Claim

As of June 22, 2012, 2012, 76 proofs of claim have been filed in these cases, some of which have been amended, 19 against KTIA, 11 against UBR, and 46 against CAR. The Debtors will be reviewing the proofs of claim and comparing them to their books and records and will object to proofs of claim when, and if, appropriate. These amounts do not include Claims that are listed in the Debtors' Schedules of Liabilities, which are deemed filed pursuant to section 1111(a) of the Bankruptcy Code unless they are listed as "disputed," "contingent," or "unliquidated." Attached to this Disclosure Statement as **Exhibit 6** is a chart showing claim amounts listed in the Debtors' Schedules as well as amounts asserted in filed proofs of claim, if any.[3]

[3] Under section 6.8 of the Plan, the Debtors, the Reorganized Debtor, and the Purchaser will have the right to object to Claims for up to 120 days following the Effective Date, although this deadline can be extended by the Court.

As of June 22, 2012, 46 proofs of claim asserting $12,578,588.45 in General Unsecured Claims, $23,058,269.14 in Secured Claims and $17,908.69 in Priority Claims (totalling $35,654,766.28) have been filed against CAR. The Priority Claims are asserted by former employees who did not provide services within 120 days before the Petition Date and the Internal Revenue Service, whose proof of claim includes only estimated liability. At least $1,683,305.62 in proofs of claim for Secured Claims are included in both Elgin's proof of claim and in proofs of claim filed by subcontractors individually. Elgin's proof of claim in CAR's case is filed as an Unsecured Claim, although it is filed as a Secured Claim in UBR's case.

As of June 22, 2012, 11 proofs of claim asserting $0.00 in General Unsecured Claims, $38,770,963.43 in Secured Claims and $0.00 in Priority Claims (totalling $38,770,963.43) have been filed against UBR. All of the proofs of claim for Secured Claims other than that of Raven are also asserted against CAR. In addition, at least $1,312,238.01 in proofs of claim for Secured Claims are included in both Elgin's proof of claim and in proofs of claim filed by subcontractors separately.

As of June 22, 2012, 19 proofs of claim asserting $21,443,546.68 in General Unsecured Claims, $5,533,420.00 in Secured Claims, and $12,267.04 in Priority Claims (totalling $26,989,233.72) have been filed against KTIA. Western filed its $20,438,850.39 claim as an Unsecured Claim against KTIA based on a guaranty. The proof of claim asserting priority was filed by a former employee who did not work for KTIA within the 120-day priority period. The Internal Revenue Service, which had previously filed a priority tax claim for approximately $50,000, amended its claim to assert an unsecured claim in the amount of $195.90.

M. Prior Disclosure Statement

On March 27, 2012, the Court approved the Debtors' disclosure statement related to their plan of reorganization dated the same date. The Court also approved a timeline for solicitation of votes on that prior form of plan and scheduled a hearing to consider confirmation of that plan. That plan was similar to the current Plan, except that it provided for only the Sale to R&W, and no Alternative Sale or Auction was provided for in the prior version of the plan and disclosure statement. Following approval of that disclosure statement as containing adequate information, the Debtors and their largest creditors, Western and Elgin, negotiated modifications to the plan to provide for the possible contingency of the Sale not closing. Based on this, the Debtors requested that the Court vacate the order approving the prior disclosure statement and scheduling a timeline for solicitation of approval and confirmation of the former plan. The current Plan, which incorporates these agreed-to modifications to the plan, provides that, if the Sale does not close, an Alternative Sale or Auction will be held pursuant to the terms of the new Plan, without having to file and seek confirmation of a new plan. As a result of the agreed-upon modifications to the former plan, incorporated into the current Plan, the Debtors should not have to file still another plan in the event that the Sale to R&W does not close.

IV. THE PLAN

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the Petition Date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A chapter 11 plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a chapter 11 plan by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor whether or not such creditor or equity interest holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

The Debtors believe that implementation of the Plan will provide holders of Allowed Claims and Interests a greater distribution than they would receive if these cases were converted to cases under chapter 7 of the Bankruptcy Code. The Plan is annexed as **Exhibit 1** and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the provisions of the Plan. Unless otherwise provided, the holders of Allowed Secured Claims shall receive a General Unsecured Claim to the extent of any deficiency.

A. Classification and Treatment of Claims and Interests

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must provide certain treatment for Administrative Expense and Priority Tax Claims and otherwise classify claims and interests and provide for their treatment. As a result, the Plan (a) describes the treatment to be afforded to Administrative Expense Claims (which includes claims of compensation by professionals) and Priority Tax Claims and United States Trustee Quarterly Fees and Other Statutory Fees and (b) classifies Claims and Interests in separate Classes and provides different treatment for different Classes of Claims and Interests. As described more fully below, the Plan provides, separately for each Class, that holders of certain Claims will receive various amounts and types of consideration, thereby giving effect to the different rights of holders of Claims and Interests in each Class.

B. General Provisions of Plan Treatment of Claims and Interests and Alternatives if the Sale Does Not Close

As set forth in Section 5.1 of the Plan, there are certain limitations on the treatment of Allowed Claims. If one or more of the Debtors is liable for an Allowed Claim, the holder of such a Claim may receive only one satisfaction under the Plan. Creditors whose Claims have been disallowed, settled, waived, or otherwise satisfaction will not receive distributions under the Plan to the extent of the disallowance, settlement, waiver, or satisfaction of those Claims. Claims will not be impaired other than as set forth in the Plan. Except as otherwise expressly provided in the Plan or by further Order of the Bankruptcy Court, all treatments, allowances, or payments of Claims, contracts, and leases which have been specified or otherwise fixed or required by Order of the Court shall not be impaired by the Plan, the rights of the holders of such Claims or parties to such contracts or leases as provided in such orders shall not be altered by the Plan, and the holders of such Claims and the parties to such contracts shall retain such rights and shall receive such treatments as provided in such orders in lieu of any other treatment provided in the Plan, including without limitation the following: (a) prepetition Claims that have been paid, postpetition, with Bankruptcy Court authorization, provided that the Plan may discontinue such payments; (b) the assumption of or entering into contracts or leases, provided that the Plan may assign or provide for the termination of such contracts or leases; and (c) settlements or compromises of Claims. Any holder of a Claim in any Class may agree, pursuant to Bankruptcy Code section 1123(a)(4), to a treatment of such Claim that is less favorable than any other Claim in such Class.

The Plan contemplates several possible scenarios: one in which the Sale of the Debtors' Assets to R&W closes and other one in which such Sale does not close, but that an "Alternative Sale" of the Debtors' Assets closes or, ultimately, if neither the Sale to R&W nor an Alternative Sale to someone else closes, an Auction will be held.

1. R&W Sale Plan Provisions. The Asset Purchase Agreement (and, consistent with the Asset Purchase Agreement, the Plan) contemplate in the first instance the Sale of the Debtors' Assets to R&W by the Sale Deadline (which may be extended under certain circumstances) for a sale price sufficient to pay Allowed Claims in full, with Allowed Secured Claims to be paid in full with interest. The Bankruptcy Court approved, by Order entered July 12, 2012, the Debtors' motion to extend the Sale Deadline from June 30, 2012 through October 31, 2012. The Plan provides that the Debtors may only obtain a maximum of one additional extension of the Sale Deadline, not to exceed 30 additional days, upon notice and motion heard and approved by the Bankruptcy Court prior to October 31, 2012, and a demonstration that (i) the need for the additional extension was due to unforeseen circumstances as of the Confirmation Date, and (ii) there is a high probability that the Sale will close during the period of the additional extension.

2. Alternative Plan Provisions. If the Sale Deadline (which may be extended under certain circumstances) passes without the Sale to the Purchaser closing, the following will occur regardless of whether the Effective Date of the Plan has occurred, depending upon whether or not the Debtors' tar sands Production Facility is in "Producing Status." If the Debtors'

Production Facility is in "Producing Status," the Debtors may seek an "Alternative Sale" of their Assets to a purchaser for an amount sufficient to pay secured creditors. If the Debtors' Production Facility is in "Non-Producing Status," or, even if the Production Facility is in "Producing Status," if the Debtors elect to do so, an Auction of the Assets will be held within a few months after the sale to R&W was scheduled to close. In either an Alternative Sale or an Auction, there may be insufficient funds to pay Allowed Claims in full. If there are insufficient funds to pay all Allowed Claims, priorities of Allowed Secured Claims may affect how much holders of such Claims will receive.

(a) If the Production Facility Is in "Producing Status." If the Production Facility has been placed into "Producing Status" (as defined in the Plan) by the Sale Deadline, then the Debtors shall have a period of 180 days after the Sale Deadline within which to close an Alternative Sale to a buyer, so long as the net sales proceeds from such an Alternative Sale equal or exceed the aggregate amount of all Allowed Secured Claims as of the closing date of such a sale, including accrued interest and attorney's fees on such secured claims under the Plan (or unless the holders of at least 90% in amount of all Allowed Secured claims consent in writing to a sale in a lesser amount). In the event that the Sale Deadline is extended beyond August 29, 2012 (as it has been, through October 31, 2012), the number of days beyond this date will count against the 180-day period to effectuate an Alternative Sale under Section 5.1.b.1. of the Plan and against the 120-day period for conducting an Auction under Section 5.1.b.2. of the Plan. R&W will be permitted to purchase the Assets through such a private sale but only if the purchase price totals the sum of at least (a) the purchase price under the Asset Purchase Agreement, including interest from the Petition Date to the Sale Deadline, and (b) interest at 10% per annum on that original Sale price from the Sale Deadline to the date of the closing of the Alternative Sale. If the Debtors are unable to close such an Alternative Sale within such time, or if, in the exercise of their sole, good faith business judgment, the Debtors elect not to proceed with such a private sales effort, or elect to terminate the private sales effort for any reason, including the Debtor's determination that the Debtors' Production Facility and other Assets are not economically practical, then all of the Debtor's assets will be sold at an Auction, following the notice and auction procedures outlined in Section 5.1(b) of the Plan. In no event shall the Auction be held more than 180 days after the Sale Deadline. If the Debtors' Assets are sold pursuant to an Alternative Sale or an Auction, the proceeds from the sale of the Assets (except for proceeds and accounts receivable from the sales of tar sands, PMOSA, and dry froth, and other cash from operations or prior loans, which will be used to pay Post-Confirmation Date Expenses until those Post-Confirmation Date Expenses are paid) will be distributed first to the holders of Allowed Secured Claims, in accordance with their respective priorities under State law, and then to the holders of other Allowed Claims, in accordance with priorities established by the Bankruptcy Code. The 180-day deadline for closing either an Alternative Sale or for completing an Auction may not be further extended. The Assets would be sold where-is, as-is, by appropriate assignments, bills of sale, and special warranty deeds, but free and clear of all claims and interests except debts assumed by the purchaser with the written consent of the respective creditors, and unexpired leases

and executory contracts that the purchaser desired to acquire would be assumed and assigned to the purchaser.

(b) If the Production Facility Is in "Non-Producing Status." If the Production Facility is in "Non-Producing Status" (as defined in the Plan) as of the Sale Deadline (which may be extended in certain circumstances), then the Debtors' Assets will be sold pursuant to an Auction, following the notice and auction procedures set forth in Section 5.2(b) of the Plan. If the Debtors' Assets are sold at an Auction, the proceeds from the sale of the Assets (except for accounts receivable from the sales of tar sands PMOSA, and dry froth and proceeds of such sales and other cash from operations or prior loans, which will be used first to pay Post-Confirmation Date Expenses until those Post-Confirmation Date Expenses are paid in full) will be distributed first to the holders of Allowed Secured Claims, in accordance with their respective priorities under State law, and then to the holders of other Allowed Claims, in accordance with priorities established by the Bankruptcy Code.

C. Tabular Summary of Treatment Including, When Applicable, Classification under the Plan

The following table summarizes the classification and treatment of Claims and Interests under the Plan.

Unclassified Claims[4]

Class	Description	Treatment Under the Plan	Estimated Aggregate Recovery	Status
--	Administrative Expense Claims	An Administrative Expense Claim is a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, or preserving the estates and operating the business of the Debtors, including wages, salaries or commissions for services rendered after the commencement of the Bankruptcy Case, Professional Claims and all fees and charges assessed against the estates under chapter 123 of title 28, United States Code, to and including	100%	N/A

[4] None of the holders of Claims or expenses in this first category are entitled to be classified under, or to vote on, the Plan. See section 1123(a)(1) of the Bankruptcy Code. Thus, they are designated as neither impaired nor unimpaired for purposes of the Plan.

Class	Description	Treatment Under the Plan	Estimated Aggregate Recovery	Status
		the Confirmation Date. **Unpaid Administrative Expense Claims that are not ordinary course claims that arise prior to the Effective Date of the Plan must be filed by the Administrative Expense Claims Bar Date, which is 30 days after the Effective Date, or be forever barred. Professionals employed by the Debtors and the Examiner must file final fee applications for Administrative Expense Claims up to the Effective Date by Administrative Expense Claims Bar Date.** Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, Allowed Administrative Expense Claims shall be paid (i) in the ordinary course of business or (ii) on the Effective Date if not an ordinary course claim, or (iii) within ten (10) days of entry of a Final Order allowing such Administrative Expense Claim. Administrative Expense Claims will be paid by the Purchaser if the Sale to R&W closes. If the sale to R&W does not close, Administrative Expense Claims will be paid from the Debtors' funds, including from proceeds from sales of PMOSA, tar sands, and dry froth, and from the proceeds of an Alternative Sale or Auction, after payment of all Allowed Secured Claims. Western and Elgin will consent to the Debtors' use of such proceeds for the payment of Allowed Administrative Expense Claims. Administrative Expense Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such Claims will not be entitled to vote on the Plan. Estimated accrued and unpaid Allowed Administrative Expense Claims will aggregate approximately $650,000 on the Effective Date if the Sale to R&W closes, unless further payments on account of Allowed Administrative Expense Claims of Professionals are made before that time. If the Sale to R&W does not close, Allowed Administrative Expense Claims will be higher, because it will take a longer time before a sale of the Debtors' Assets will be		

Class	Description	Treatment Under the Plan	Estimated Aggregate Recovery	Status
		accomplished and further proceedings in the form of an Alternative Sale or an Auction will need to be approved by the Court. Western and Elgin agreed to pay the Allowed Administrative Expense Claims of the Examiner and his professionals and then to be subrogated to those Claims. If Western and Elgin pay those Allowed Administrative Expense Claims of the Examiner and his professionals, they will be subrogated to those Allowed Claims of the Examiner and his professionals and those amounts will be paid to Western and Elgin as Allowed Administrative Expense Claims under the Plan unless earlier paid by the Debtors. These Administrative Expense Claims of Western and Elgin are different from their Allowed Secured Claims described below.		
--	Priority Tax Claims[5]	Priority Tax Claims are those Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to different treatment, each holder of an Allowed Priority Tax Claim shall, at the option of the Debtors, (a) receive payment in full of payable Allowed Priority Tax Claims on the Effective Date with applicable interest, or (b) receive equal quarterly Cash payments over a period not exceeding five (5) years from the Petition Date, with the first payment to occur on the first business day of the third month after the Effective Date, at the rate of interest determined under applicable nonbankruptcy law and calculated as specified in section 511(b) of the Bankruptcy Code. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.	100%	N/A

[5] All other Priority Claims (which are classified in Class 9) shall be paid in full on the Effective Date.

Class	Description	Treatment Under the Plan	Estimated Aggregate Recovery	Status
		Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The holders of such claims will not be entitled to vote on the Plan. The Debtors did not list any Priority Tax Claims in their Schedules. The Internal Revenue Service has filed a Priority Tax Claim against KTIA in the amount of $195.90.		
--	United States Trustee Quarterly Fees and Other Statutory Fees	The Debtors shall pay all fees due and payable under section 1930 of Title 28 within ten (10) days after the Effective Date. In addition, the Debtors or the Reorganized Debtor, as applicable, shall pay the United States Trustee quarterly fees due and payable on all disbursements, including plan payments and disbursements in and outside of the ordinary course of business until entry of a Final Decree, dismissal of the case or conversion of the case under chapter 7 as such obligations become due.	100%	N/A

Classified Claims

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
1	Secured Claim of Raven Mining, Inc.	Class 1 consists of the Allowed Secured Claim of Raven against the Debtors. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to pay the Allowed Secured Claim of Raven in full), the maturity of obligations to Raven shall be extended until date of payment, all defaults on obligations to Raven and any other defaults under agreements with Raven will be deemed cured and waived, and the Allowed Secured Claim of Raven against all the Debtors shall be paid in full, with payment in cash of all principal and accrued interest at the non-default contractual rate (8.25% per annum), plus reasonable attorney's fees to the extent allowable under applicable law up to the date of payment. Payments made to Raven from cash collateral prior to distributions under this Plan,	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		if any, will be credited against amounts owed on account of Raven's Allowed Secured Claims. If the proceeds from an Alternative Sale are insufficient to pay Raven's Allowed Secured Claim in full, Raven will receive the proceeds of such an Alternative Sale up to the principal amount of its Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, after payment in full of Allowed Secured Claims with superior priority, if any. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan and Raven will be permitted to credit bid its Allowed Secured Claim at the Auction, consistent with its priority in the Assets. Raven will receive the proceeds of such an Auction up to the principal amount of its Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law after payment in full of Allowed Secured Claims with superior priority, if any. In any of these events, Raven will retain its liens against Assets of the Debtors to the same extent, with the same validity, and in the same priority that they held before the Petition Date until the Allowed Secured Claim of Raven is paid in full, or until there is no remaining collateral to which those liens can attach. The Debtors believe that, under the Sale, by curing the default in its obligations to Raven through full cash payment, Raven should not be entitled to contractual default interest. If Raven prevails in its argument that it is entitled to default interest, either from November 13, 2010 through the Effective Date or August 15, 2011 through the Effective Date, contractual default interest will accrue during applicable periods at the rate of 18% per annum. If the matter of default interest is disputed, the Allowed Secured Claim of Raven will be paid in full on the later of the date when other Allowed Secured Claims are paid or the date on which it is Allowed.		

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Raven originally filed a proof of claim in the amount of $2,702,183.20 as of the Petition Date, but subsequently amended it in the amount of $3,717,920.46 as of May 7, 2012. The Debtors estimate that Raven's Allowed Secured Claim (before including allowable attorney's fees) will be approximately $2,652,093.99 on June 30, 2012 if non-default interest is applied throughout the time of the obligation, approximately $2,867,184.40 on June 30, 2012 if default interest is applied from August 15, 2011 on, and approximately $2,958,750.57 on June 30, 2012 if default interest is applied from November 13, 2010 on.		
2	Secured Claim of Western	Class 2 consists of the Allowed Secured Claim of Western. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to pay the Allowed Secured Claim of Raven in full), the Allowed Secured Claim of Western against all the Debtors in the aggregate shall be paid, with interest at the rate of 10% per annum from the Petition Date until paid in full. Payments made to Western from cash collateral prior to distributions under the Plan, if any, will be credited against amounts owed on account of Western's Allowed Secured Claims, unless they are in repayment of unpaid amounts advanced by Western to TSH, in which case, as noted below, they will be credited against amounts advanced by Western to TSH. If the proceeds from an Alternative Sale are insufficient to pay Western's Allowed Secured Claim in full, Western will receive the proceeds of such an Alternative Sale up to the principal amount of its Allowed Secured Claim with accrued interest, after payment in full of Allowed Secured Claims with superior priority. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan, and Western will be permitted to credit bid its Allowed Secured Claim at any Auction of the Assets, consistent with its priority in the Assets. Western will receive the proceeds of	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		such an Auction up to the principal amount of its Allowed Secured Claim with accrued interest after payment in full of any Allowed Secured Claims with superior priority. Unpaid amounts advanced by Western to TSH, which are to be paid from cash collateral, are in addition to the primary claim of Western and shall be paid separately under the Plan, if not paid from cash collateral. In any of these events, Western will retain its liens against Assets of the Debtors to the same extent, with the same validity, and in the same priority that they held before the Petition Date until the Allowed Secured Claim of Western is paid in full, or until there is no remaining collateral to which those liens can attach. The amount of the Allowed Secured Claim of Western and the interest rate applicable thereto from the Petition Date were fixed pursuant to the Western/Elgin Agreement. The amount of the Allowed Secured Claim of Western is $18,500,000, exclusive of advances made to TSH, plus interest at 10% from the Petition Date until paid. The amount of the advances made to TSH, if not paid earlier from cash collateral, is approximately $20,000.		
3A	Secured Claim of Elgin (including certain subcontractors)	Class 3A consists of the Allowed Secured Claim of Elgin, which has included in it a number of its subcontractors' Claims. Some of these subcontractors have filed their own proofs of claim. Such subcontractors' claims will only be paid once, either to Elgin, for payment to such subcontractors, or to the individual subcontractors who filed separate proofs of claim. If individual subcontractors who filed proofs of claim are paid separately, Elgin's Allowed Secured Claim will be reduced by the amount included in Elgin's Allowed Secured Claim for that subcontractor. No duplicative payments will be made under the Plan.	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to pay the Allowed Secured Claim of Raven in full), Elgin's Allowed Secured Claim shall be paid, as to all the Debtors in the aggregate with simple interest at 10% per annum from the Petition Date until paid in full. If individual subcontractors can establish a valid higher contractual rate of interest (up to 18% per annum), they will receive that higher rate of interest and, if a subcontractor is paid through Elgin, Elgin's Claim will be increased by that amount. If a claim of a subcontractor included in Elgin's Claim is reduced or disallowed, Elgin's Claim will be reduced by the amount of the reduction or disallowance of that subcontractor Claim. Payments made to Elgin from cash collateral, if any, will be credited against amounts owed on account of Elgin's Allowed Secured Claim, unless they are in repayment of unpaid amounts advanced by Elgin to TSH, in which case, as noted below, they will be credited against amounts advanced by Elgin to TSH. If the proceeds from an Alternative Sale are insufficient to pay Elgin's Allowed Secured Claim in full, Elgin will receive the proceeds of such an Alternative Sale up to the principal amount of its Allowed Secured Claim with accrued interest, up to the date distributions are made to it under the Plan after payment of any Allowed Secured Claims with superior priority. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan. Elgin will be permitted to credit bid its Allowed Secured Claim at any Auction of the Assets, consistent with its priority in the Assets and will receive the proceeds of such an Auction up to the principal amount of its Allowed Secured Claim with Allowed accrued interest, after payment in full of any Allowed Secured Claims with superior priority.		

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Unpaid amounts advanced by Elgin to TSH, which are to be paid from cash collateral, are in addition to the primary claim of Elgin and shall be paid separately under the Plan, if not paid before the from cash collateral. In any of these events, Elgin will retain its liens against Assets of the Debtors in the same priority that they held before the Petition Date until the Allowed Secured Claim of Elgin is paid in full, or until there is no remaining collateral to which those liens can attach. If Elgin's Claim includes an amount for a subcontractor who has filed a separate proof of claim and if that subcontractor's Claim is objected to, Elgin will be paid undisputed portions of its Claim pending resolution of that subcontractor's Claim. The amount of the Allowed Secured Claim of Elgin and the interest rate applicable thereto (except with respect to subcontractors who may assert a higher contractual rate (up to 18% per annum) from the Petition Date were fixed pursuant to the Western/Elgin Agreement. The amount of the Allowed Secured Claim of Elgin is $12,070,316.11, subject to increase or reduction as set forth above, exclusive of advances made to TSH, plus applicable interest from the Petition Date until paid. Undisputed amounts of the Allowed Secured Claim of Elgin are to be paid when other distributions are made under the Plan to undisputed Allowed Secured Claims. The amount of the advances made to TSH, if not paid from cash collateral, is approximately $20,000.		
3B-3M	Secured Claims of other Mechanic's Lien Holders	Class's 3B-3M consist of Allowed Secured Mechanic's Lien Claims of various parties. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to pay the Allowed Secured Class 3 Claims other than Elgin against all the Debtors), Allowed Secured Mechanic's Lien Claims against all of the Debtors shall be paid in cash on the later of	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		the date when other undisputed Allowed Secured Claims are paid under the Plan or the date allowed, with accrued interest at 10% per annum unless a valid higher contractual rate of interest, up to 18% per annum, in which event the Allowed Secured Mechanic's Lien Claim will accrue interest at that higher contractual rate of interest, and reasonable attorney's fees to the extent allowable under applicable law incurred up to the date of payment, after payment in full of any Allowed Secured Claims with superior priority. If an Allowed Secured Mechanic's Lien Claim has been asserted duplicatively against more than one of the Debtors and/or is included in the Allowed Secured Claim of Elgin in Class 3A, it will be Allowed against only one Debtor and paid only once. The Debtors, Reorganized Debtor, or the Purchaser may object to Mechanic's Lien Claims based on principal amount, lien defect, failure to timely file a lien enforcement action, or any other basis. If some or all of a Mechanic's Lien Claim is successfully objected to, such Claim will be disallowed, Allowed in a Secured amount and Allowed in an Unsecured amount, or reduced, as determined by the Court. Payments made to the holder of a Mechanic's Lien Claim from cash collateral prior to the Effective Date, if any, will be credited against amounts owed on account of that Mechanic's Lien Claim. If the proceeds from an Alternative Sale are insufficient to pay Allowed Class 3 Claims other than Elgin in full, the holder of an Allowed Class 3 Mechanic's Lien Claim other than Elgin will receive from the proceeds of such an Alternative Sale an amount up to the principal amount of its Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, up to the date of payment, after payment of any Allowed Secured Claims with superior priority. If no Alternative Sale closes, an Auction will be conducted		

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		consistent with the procedures set forth in Section 5.1.b.2 of the Plan. The holder of an Allowed Class 3 Mechanic's Lien Claim will be permitted to credit bid its Allowed Secured Claim at any Auction of the Assets, consistent with its priority in the Assets. The holder of an Allowed Class 3 Mechanic's Lien Claim will receive the proceeds of such an Auction Sale up to the principal amount of its Allowed Class 3 Mechanic's Lien Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, after payment in full of any Allowed Secured Claims with superior priority. The holder of an Allowed Class 3 Mechanic's Lien Claim will retain its liens against Assets of the Debtors to the same extent, with the same validity, and in the same priority that they held before the Petition Date until that Allowed Class 3 Mechanic's Lien Claim is paid in full, or until there is no remaining collateral to which those liens can attach. The total amount of Mechanic's Lien Claims other than Elgin in Class 3A, as set forth in proofs of claim and on the Debtors' Schedules, is $3,225,451.66, deleting duplicative proofs of claim filed in the same case or in more than one of the Debtors' cases.		
4	Secured Claims of Uintah County	Allowed Class 4 Claims of Uintah County for property taxes against all of the Debtors shall be paid in cash in full on later of the date distributions are made under this Plan or on the date Allowed, with all principal and accrued interest at the legal rate to the date of distributions. Uintah County will retain its liens against the Debtor's Assets to the same extent, with the same validity, and in the same priority that they held before the Petition Date until such Allowed Class 4 Claim is paid in full.	100%	Impaired, entitled to vote
5	Secured Claims of R&W	Class 5 consists of the Allowed Secured Claims of R&W, which is also the Purchaser under the Plan. Allowed Class 5 Secured Claims of R&W for amounts advanced in the	(see description)	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Original DIP Financing Facility and the Startup DIP Financing Facility shall be treated as follows: in the event the Sale to R&W closes, the Allowed Class 5 Secured Claims of R&W for amounts advanced in the Original DIP Financing Facility and the Startup DIP Financing Facility shall be treated as follows: (a) amounts advanced by R&W under the Original DIP Financing Facility will be treated as amounts paid by R&W as Purchaser for the Debtors' Assets and no repayment by the Debtors is required; (b) amounts advanced by R&W under the Startup DIP Financing Facility, other than to pay for costs of extraction of tar sands for sale as paving material in road construction, will be treated as amounts paid by R&W as Purchaser for the Debtors' Assets and no repayment by the Debtors is required. Amounts advanced for costs of extracting tar sands for sale (with a limit of $550,000), to the extent not earlier paid from the proceeds of the sale of the tar sands, will be paid in cash in full with interest, to the date of payment. R&W will retain its lien on the extracted tar sands and proceeds therefrom until amounts advanced for extraction of those tar sands is paid in full. In the event the Sale to R&W does not close, if the proceeds from an Alternative Sale are sufficient to pay Allowed Secured Claims in full, R&W will receive from the proceeds of such an Alternative Sale up to an amount equal to the principal amount of its Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, until they are paid in full after payment in full of any Allowed Secured Claim with superior priority. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan. R&W will be permitted to credit bid its Allowed Secured Claim at any Auction of the Assets, consistent with its priority in the Assets.		

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		In the event that the proceeds from an Alternative Sale or Auction of the Debtors' Assets are insufficient to pay Allowed Secured Claims in full, R&W will receive payment to the extent proceeds are available to pay those Claims based on the priority of R&W's security interests. In any of these events, R&W will retain its liens against Assets of the Debtors to the same extent, with the same validity, and in the same priority as provided in any orders of the Bankruptcy Court approving the Original DIP Financing Facility and Startup DIP Financing Facility (as amended) until the Allowed Secured Claim of R&W is paid in full, or until there is no remaining collateral to which those liens can attach. The Debtors believe that all of the amounts advanced by R&W for costs of extracting tar sands will be paid from the proceeds of the sale of tar sands prior to the Effective Date, but could be up to $550,000 plus interest at the rate of 5% per annum. Amounts owed to R&W under the Original DIP Financing Facility are $300,000 plus interest at the rate of 5% per annum.		
6	Allowed Secured Claims of Utah DOGM	Class 6 consists of the Allowed Secured Claim of Utah Division of Oil, Gas and Mining and the rights it has in a certificate of deposit in the amount of approximately $307,760 (as of January 31, 2012) to secure reclamation obligations related to mining operations of CAR. The Class 6 Allowed Secured Claim of Utah DOGM shall be treated by leaving unaltered the legal (including statutory and regulatory), equitable, and contractual rights to which Utah DOGM is entitled with respect to the certificate of deposit pledged by CAR to secure reclamation obligations related to CAR's mining operations. The certificate of deposit will remain in place and be increased or reduced, depending upon the amount of	100%	Unimpaired deemed to have accepted the Plan, not entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		acreage under mining operations by CAR or its successor. When mining operations cease and required reclamation is completed, the certificate of deposit will be released to CAR or its successor, as applicable.		
7	Allowed Secured Claims of Gavilan Petroleum, LLC	Class 7 consists of the Allowed Secured Claim of Gavilan Petroleum, LLC, based on a judgment it obtained against CAR on November 8, 2010. In the event that the Sale closes (or if the proceeds from an Alternative Sale, or, if an Auction is held, from proceeds from an Auction, are sufficient to pay the Allowed Secured Claim of Gavilan Petroleum, LLC in full), the Allowed Class 7 Claims of Gavilan Petroleum, LLC shall be paid all principal and accrued interest at the legal rate or the non-default contract rate, and reasonable attorney's fees to the extent allowable under applicable law. If the proceeds from an Alternative Sale are insufficient to pay Allowed Secured Claims in full, the holder of the Class 7 Claims of Gavilan Petroleum, LLC will receive from the proceeds of such an Alternative Sale an amount up to the principal amount of the Class 7 Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, after payment of any Allowed Secured Claims with superior priority. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan. The holder of the Class 7 Claims of Gavilan Petroleum, LLC will be permitted to credit bid the Allowed Class 7 Secured Claim at any Auction of the Assets, consistent with the priority of that Claim in the Assets. Gavilan Petroleum, LLC will retain its liens against the Debtor's Assets to the same extent, with the same validity, and in the same priority that they held before the Petition Date until such Allowed Class 7 Claim is paid in	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		full, or until there is no remaining collateral to which those liens can attach. The amount of the Class 7 Claim of Gavilan Petroleum, LLC as of the Petition Date was $529,905.87.		
8	All Other Secured Claims	Class 8 consists of all other Allowed Secured Claims not otherwise classified or treated. In the event that the Sale closes (or if the proceeds from an Alternative Sale, or, if an Auction is held, the proceeds from an Auction, are sufficient to pay the Allowed Class 8 Secured Claim, LLC in full), Allowed Class 8 Secured Claims not otherwise classified or treated shall be classified and treated in a separate subclass of Class 8, if any, shall be paid in full on the later of the date when other Allowed Secured Claims are paid or on the date Allowed, with all principal and accrued interest at the legal rate or the non-default contract rate, and reasonable attorney's fees to the extent allowable under applicable law after payment in full of any Allowed Secured Claims with superior priority. If the proceeds from an Alternative Sale are insufficient to pay Allowed Secured Claims in full, the holder of an Allowed Class 8 Secured Claim will receive proceeds of such an Alternative Sale an amount up to the principal amount of its Allowed Secured Claim with accrued interest, plus reasonable attorney's fees to the extent allowable under applicable law, after payment in full of any Allowed Secured Claims with superior priority until there is no remaining collateral to which those liens may attach. If no Alternative Sale closes, an Auction will be conducted consistent with the procedures set forth in Section 5.1.b.2 of the Plan. The holder of an Allowed Class 8 Secured Claim will be permitted to credit bid its Allowed Secured Claim at any Auction of the Assets, consistent with its priority in the Assets. The holder of an Allowed Secured Class 8 Secured Claim will retain its liens against the Debtor's Assets to the same extent, with the same validity, and in the same priority that they held before the Petition Date until such Allowed Class 8 Claim is paid in full, or until there is no	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		remaining collateral to which those liens can attach. The Debtors do not know of any Class 8 Secured Claims.		
9	Allowed Priority Claims	Class 9 consists of Allowed Priority Claims. Allowed Class 9 Priority Claims shall be paid in full in cash on the Effective Date of the Plan or, if later, on the date Allowed, with interest at the rate of 10% per annum from the Petition Date until paid. A total of $45,481.86 in Priority wage claims were filed against the Debtors. However, the Debtors believe that all but one of these claims related to periods of employment more than 120 days before the Petition Date and will, therefore, be disallowed as Priority Claims. The Debtors believe that the principal amount of Allowed Class 9 Priority Claims as of the Petition Date will be $11,750.	100%	Impaired and entitled to vote
10A	Allowed Unsecured Claims against CAR	Class 10A consists of Allowed Unsecured Claims against CAR. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or that makes adequate provision for satisfaction in full of all Allowed Administrative Expense Claims, Post-Confirmation Date Expenses, Allowed Priority Claims, and Allowed Class 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10A Claims), Allowed Class 10A Unsecured Claims against CAR will be paid on the later of (1) a date as soon as practicable after Allowed Claims with superior priority are paid, and (2) the date on which the Class 10A Unsecured Claim is Allowed. If the proceeds from an Alternative Sale or, if an Auction is held, the proceeds of an Auction, are insufficient to pay all Allowed Claims with priority over Allowed Class 10A Unsecured Claims and Allowed Class 10A Claims, in full, holders of Allowed Class 10A Unsecured Claims will receive no distribution until Allowed Claims with priority over Class 10A are paid in full and adequate provision for Post-Confirmation Expenses are made pursuant to the	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Plan. If Allowed Claims in those Classes are paid in full and adequate provisions for payment of the Post-Confirmation Date Expenses are made, holders of Allowed Class 10A Claims will receive from the proceeds of such an Alternative Sale or Auction up to an amount equal to the principal amount of their Allowed Unsecured Claims. The Debtors estimate that the amount of Allowed Class 10A Unsecured Claims as of the Petition Date is $1,378,667.57.		
10B	Allowed Unsecured Claims against UBR	Class 10B consists of Allowed Unsecured Claims against UBR. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or that to make adequate provision for satisfaction in full of all Allowed Administrative Expense Claims, Post-Confirmation Date Expenses, Allowed Priority Claims, and Allowed Class 1, 2, 3, 4, 5, 6, 7, 8, 9, 10A, and 10B Claims), Allowed Class 10B Unsecured Claims against UBR will be paid on the later of (1) a date as soon as practicable after the Allowed Claims with superior priority are paid, and (2) the date on which the Class 10B Unsecured Claim is Allowed. If the proceeds from an Alternative Sale or, if an Auction is held, the proceeds of an Auction, are insufficient to pay all Allowed Claims with priority over Allowed Class 10B Unsecured Claims and Allowed Class 10B Unsecured Claims, in full, holders of Allowed Class 10B Unsecured Claims will receive no distribution until Allowed Claims with priority over Class 10B are paid in full and adequate provisions for payment of Post-Confirmation Date Expenses are made pursuant to the terms of the Plan. If Allowed Claims in those Classes are paid in full and adequate provisions for payment of the Post-Confirmation Date Expenses are made, holders of Allowed Class 10B Unsecured Claims will receive from the proceeds of such an Alternative Sale up to an amount equal to the	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		principal amount of their Allowed Unsecured Claims. Each holder of an Allowed Class 10B Claim whose Claim is also Allowed against CAR will credit amounts received on account of its Allowed Class 10A Claims against amounts owed on account of its Allowed Class 10B Claim. The Debtors estimate that the principal amount of Allowed Class 10B Unsecured Claims (exclusive of Unsecured Claims that will be treated in Class 10A and Insider Unsecured Claims) as of the Petition Date is $2,058.85.		
10C	Allowed Unsecured Claims against KTIA	Class 10C consists of Allowed Unsecured Claims against KTIA. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or that makes adequate provision for satisfaction in full of all Allowed Administrative Expense Claims, Post-Confirmation Date Expenses, Allowed Priority Claims, and Allowed Class 1, 2, 3, 4, 5, 6, 7, 8, 9, 10A, 10B, and 10C Claims), Allowed Class 10C Unsecured Claims against KTIA will be paid on the later of (1) a date as soon as practicable after Allowed Claims with superior priority are paid, and (2) the date on which the Class 10C Unsecured Claim is Allowed. If the proceeds from an Alternative Sale or, if an Auction is held, the proceeds of an Auction, are insufficient to pay all Allowed Claims with priority over Allowed Class 10C Unsecured Claims and Allowed Class 10C Unsecured Claims, in full, holders of Allowed Class 10C Unsecured Claims will receive no distribution until Allowed Claims with priority over Class 10C are paid in full and adequate provisions for payment of Post-Confirmation Date Expenses are made pursuant to the terms of the Plan. If Allowed Claims in those Classes are paid in full and adequate provisions for payment of the Post-	100% if Sale closes, potentially less if Alternative Sale or Auction	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Confirmation Date Expenses are made, holders of Allowed Class 10C Unsecured Claims will receive from the proceeds of such an Alternative Sale or Auction up to an amount equal to the principal amount of their Allowed Unsecured Claims. Each holder of an Allowed Class 10C Claim whose Claim is also Allowed against CAR and/or UBR will credit amounts received on account of its Allowed Class 10A and 10B Claims against amounts owed on account of its Allowed Class 10C Claim. The Debtors estimate that the principal amount of Allowed Class 10C Unsecured Claims (exclusive of Unsecured Claims that will be treated in Class 10A and 10B and insider Unsecured Claims) as of the Petition Date is $1,667,738.96.		
11	Allowed Subordinated Unsecured Claims of R&W	Allowed Class 11 Subordinated Unsecured Claims of R&W will be treated as follows: If the Sale to R&W closes, the Allowed Subordinated Unsecured Claims of R&W against the Debtors will receive no distribution and the debtor in possession lending by R&W that gave rise to the Allowed Subordinated Unsecured Claims of R&W will be treated as a part of R&W's purchase of the Debtors' Assets. If the Sale to R&W does not close, but the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or make adequate provision for satisfaction in full of all Allowed Administrative Expense Claims, Post-Confirmation Date Expenses, Allowed Priority Claims, and Allowed Class 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11 Claims, and to fund the Post-Effective Date Account, the Allowed Class 11 Unsecured Claim of R&W will be paid on as soon as practicable after prior Allowed Claims are paid and adequate provisions are made for payment of Post-Confirmation Date Expenses.	(see description)	Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		If the proceeds from an Alternative Sale or, if an Auction is held, from the proceeds of an Auction, are insufficient to pay all Allowed Claims with priority over the Allowed Class 11 Unsecured Claim and the Allowed Class 11 Unsecured Claim, in full, R&W will receive no distribution until Allowed Claims with priority over Class 11 are paid in full and adequate provisions are made for payment of Post-Confirmation Date Expenses are made pursuant to the terms of the Plan. If Allowed Claims in those Classes are paid in full and adequate provisions are made for Post-Confirmation Date Expenses, R&W will receive from the proceeds of such an Alternative Sale or Auction up to an amount equal to the principal amount and interest of its Allowed Class 11 Unsecured Claim. The Debtors estimate that the amount of the Allowed Class 11 Subordinated Claim of R&W is approximately $6,500,000.		
12A	Allowed Insider Unsecured Claims against CAR	Allowed Class 12A Insider Unsecured Claims against CAR will be treated as follows: Allowed Insider Unsecured Claims against CAR will receive no distributions on account of such Claims, which will be subordinated, on the Confirmation Date, to all other Classes of Claims (other than other Class 12 Claims), except that, if the Sale closes (or if the proceeds from an Alternative Sale, or, if an Auction is held, the proceeds from an Auction, are sufficient to make a distribution to holders of Allowed Insider Unsecured Claims against CAR), proceeds therefrom need to be distributed from one Debtor to another Debtor to provide sufficient funds for that Debtor to make payments to holders of Claims pursuant to this Plan, such transfer shall be made. In the event that the Sale closes or if the proceeds from an Alternative Sale, or, if an Auction is held, the proceeds from an Auction, are sufficient that Allowed Class 10 and 11 Unsecured Claims are paid in full and adequate provisions for payment of Post-Confirmation Expenses are made,	0%	Impaired, may be entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		holders of Allowed Insider Unsecured Claims will permit the conveyance to the Reorganized Debtor of the Mineral Royalty pursuant to the Plan. The Debtors estimate that the amount of Allowed Class 12A Insider Unsecured Claims against CAR is $35,578,864.60.		
12B	Allowed Insider Unsecured Claims against UBR	Allowed Class 12B Insider Unsecured Claims against UBR will be treated as follows: Allowed insider Unsecured Claims against UBR will receive no distributions on account of such Claims, which will be subordinated, on the Confirmation Date, to all other Classes of Claims (other than other Class 12 Claims), except that, if the Sale closes or if the proceeds from an Alternative Sale, or, if an Auction is held, the proceeds therefrom need to be distributed from one Debtor to another Debtor to provide sufficient funds for that Debtor to make payments to holders of Claims pursuant to this Plan, such transfer shall be made.. In the event that the Sale closes or if the proceeds from an Alternative Sale, or, if an Auction is held, from the proceeds from an Auction, are sufficient that Allowed Class 10 and 11 Unsecured Claims are paid in full and adequate provisions for payment of the Post-Confirmation Date Expenses are made, holders of Allowed insider Unsecured Claims will permit the conveyance to the Reorganized Debtor of the Mineral Royalty pursuant to the Plan. The Debtors estimate that the amount of Allowed Class 12B Insider Unsecured Claims against UBR is $3,719,050.74, which is held by KTIA; however, KTIA owes UBR $3,995,658.62, which more than offsets that amount.	0%	Impaired, may be entitled to vote
12C	Allowed Insider Unsecured Claims against KTIA	Allowed Class 12C Insider Unsecured Claims against KTIA will be treated as follows: Allowed insider Unsecured Claims against KTIA will receive no distributions on account of such Claims, which will be subordinated, on the Confirmation Date, to all other Classes of	0%	Impaired, may be entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Claims (other than Class 12 Claims). To the extent that they would receive a distribution, holders of Allowed Class 12C Insider Unsecured Claims will permit the conveyance to the Reorganized Debtor of the Mineral Royalty pursuant to the Plan. The Debtors estimate that the amount of Allowed Class 11C Insider Unsecured Claims against KTIA is $17,309,563.33; however, $3,995,658.62 of this is owed to UBR and most of this is offset by amounts owed to KTIA by UBR.		
13A	Interests in CAR	The Allowed Class 13A Interest, consisting of UBR's Allowed Interest in CAR, will be treated as follows: in the event that the Sale closes, UBR's Class 13A Interest in CAR will be sold to the Purchaser as part of the Sale. In the event of an Alternative Sale or an Auction, the purchaser may also elect to purchase UBR's Allowed Interest in CAR. In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or that makes adequate provision for satisfaction in full of all Allowed Claims and adequate provisions for payment of Post-Confirmation Date Expenses are made), UBR will receive, either for the sale of its Interest in CAR or as a distribution from CAR, an amount sufficient to pay Allowed Claims against UBR and KTIA that are not paid by CAR.		Impaired and entitled to vote
12B	Interests in UBR	The Allowed Class 13B Interest, consisting of UHI's Allowed Interest in UBR, will be treated as follows: In the event that the Sale closes (or if the proceeds from an Alternative Sale or an Auction are sufficient to satisfy in full or that makes adequate provision for satisfaction in full of all Allowed Claims and for payment of Post-Confirmation Date Expenses), KTIA will receive a dividend from UBR through UHI in a sufficient amount to pay Allowed Claims against KTIA		Impaired and entitled to vote

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		that are not paid by CAR or UBR. After all Allowed Claims against UBR are paid or after adequate provision is made for payment of all Allowed Claims against UBR is made, UHI, which owns 100% of the Interest in UBR, and UBR will either be wound up and dissolved or merged into KTIA, which will be the Reorganized Debtor. In addition, in the event that the Sale closes, as set forth in the Asset Purchase Agreement, and, in an Alternative Sale or Auction if Claims are paid in full and the purchaser at such Alternative Sale or Auctions consents to such treatment, KTIA as Reorganized Debtor and in further satisfaction of Class 13A and 13B Interests, shall receive a perpetual royalty initially as a portion of the 10% net royalty set forth in the Lease or an equivalent amount under any future royalties established by Purchaser under a future minerals lease. This royalty shall be transferred to KTIA at the closing of the Sale pursuant to the Mineral Royalty Conveyance. The Purchaser shall have the right to offset from any royalty payment owed to the Reorganized Debtor under the Mineral Royalty Conveyance, in addition to its right of offset under Section 8.4 of the Asset Purchase Agreement, an amount equal to the difference between the cash portion of the Purchase Price paid by the Purchaser under Section 2.2(a)(3) of the Asset Purchase Agreement and the sum of $34,484,068.00 plus interest of $8,742.00 per day from September 30, 2011 through the Sale Deadline (the "Purchase Price Difference") plus interest accrued on such Purchase Price Difference at the rate of ten percent (10%) per year from the date of closing until such Purchase Price Difference is paid in full. The Purchaser's right to offset royalty payments as described above shall be limited to 80% of each royalty payment subject to such right of offset and the Purchaser shall pay 20% of each such royalty payment to the Reorganized Debtor for its use to fund operations. Any amounts that are offset by the		

Class	Description	Treatment Under the Plan	Estimated Recovery	Status
		Purchaser pursuant to the Asset Purchase Agreement as described above shall be applied first to accrued and unpaid interest on the Purchase Price Difference and then to the principal balance of the Purchase Price Difference. Until such Purchase Price Difference, and accrued interest, is paid in full, the Purchaser shall not have any obligation to pay the Reorganized Debtor any amounts under the Mineral Royalty Conveyance, except for the 20% described above. Notwithstanding any provision herein to the contrary, if the Purchaser exercises its right to offset royalty payments under Section 8.4 of the Asset Purchase Agreement, then it shall not be obligated to pay the Reorganized Debtor any portion of the royalty payment subject to such right of offset. The Purchaser shall provide accountings in writing, at least quarterly, of all amounts necessary to calculate any royalty payment owed under the Mineral Royalty Conveyance or any offset. In the event that the Sale does not close but if the proceeds from an Alternative Sale, or, if an Auction is held, the proceeds from an Auction, are sufficient to satisfy in full or make adequate provision for satisfaction in full of all Allowed Claims and adequate provisions for payment of Post-Confirmation Date Expenses are made, KTIA will receive any remaining proceeds after satisfaction of all Allowed Claims.		
13C	Interests in KTIA	The Allowed Class 13C Interest, consisting of Korea Technology Industry Ltd.'s Allowed Interest in KTIA, will be treated as follows: Korea Technology Industry, Ltd. will retain its Interest in KTIA, the Reorganized Debtor under the Plan. No distributions shall be made to KTIL unless and until all obligations under this Plan to holders of Allowed Claims have been satisfied in accordance with this Plan and provision has been made to satisfy Post-Confirmation Date Expenses.		Impaired and entitled to vote

Notwithstanding the treatment set forth above, the holder of any Allowed Claim may elect to receive lesser and different treatment if so agreed with the Debtors.

D. Means for Execution of the Plan

Most of the funds required for confirmation and performance of the Plan will be provided from a sale of the Debtors' Assets, with remaining funds from those on hand from the sale of tar sands, PMOSA, and dry froth. This will either be the Sale to R&W or an Alternative Sale or Auction if the Sale fails to close.

1. Sale Proceeds from the Sale

The Asset Purchase Agreement and the Plan contemplate the Sale of substantially all of the Debtors' Assets and UBR's equity Interest in CAR for a sale price sufficient to pay all Allowed Claims in full (including Post-Confirmation Date Expenses and interest on Allowed Claims as provided for in the Plan), as well as the conveyance to the Reorganized Debtor of a Mineral Royalty (subject to the offsets related to the Mineral Royalty described in the Asset Purchase Agreement and in the corresponding section of the Plan) which will provide the Reorganized Debtor with a potentially valuable interest in any land owner's royalty under all mineral leases now in existence and hereafter granted. The Sale Deadline for the Sale has been extended pursuant to Order of the Bankruptcy Court and under the terms of the Asset Purchase Agreement to October 31, 2012.

2. Sale Proceeds from an Alternative Sale or Auction

If the Sale to R&W does not close, the Debtors' Assets will be sold, either pursuant to an Alternative Sale or, if the Debtors fail to sell the Assets pursuant to an Alternative Sale (or, if they decide not to proceed with an Alternative Sale), by an Auction. The proceeds from such an Alternative Sale or Auction may or may not be sufficient to pay all Allowed Claims in full. In such event, proceeds and other funds of the Debtors on hand will be distributed in accordance with the treatment provisions of the Plan, with Secured Claims being paid, together with interest, costs, and attorney's fees, as Allowed according to their respective priorities.

3. Funds Available for Distribution under the Plan

The funds required for the performance of the Plan will be provided from: (i) proceeds of the sale of the Debtors' Assets, through the Sale to R&W, an Alternative Sale, or an Auction; and (ii) all other funds held by the Debtors as property of the estate, including remaining proceeds of the sale of tar sands, PMOSA, dry froth, and other Assets prior to the sale of the Debtors' Assets, if any. Before and after the Effective Date, prior to the sale of the Debtors' Assets, proceeds from the sale of tar sands, PMOSA, and dry froth may be used to pay Administrative Expenses Claims and Post-Confirmation Date Expenses. If the Sale closes, such funds may either be retained by the Reorganized Debtor to help pay Post-Confirmation Date Expenses or may be transferred to R&W and have R&W fund payment of unpaid Administrative

Expense Claims and Post-Confirmation Date Expenses on a periodic basis. If the Sale does not close, proceeds from the sale of tar sands, PMOSA, and dry froth may be used to pay Allowed Administrative Expense and Priority Claims and to pay Post-Confirmation Date Expenses.

4. *Force Majeure*

The Asset Purchase Agreement provides for the extension of closing if a certain type of *force majeure* event intervenes. Section 4.6 of the Asset Purchase Agreement provides as follows:

> 4.6 Extension of Closing. The Closing Date[6] may be extended by the mutual agreement of the Parties in writing and approved by the Bankruptcy Court. The Closing Date may also be extended due to a Force Majeure event, but only if such event is a federal, or state law, or any order, rule or regulation of a governmental authority (including, without limitation, a moratorium on tar sands mining or processing).

The Asset Purchase Agreement is attached to this Disclosure Statement as Exhibit 3. As set forth in this section of the Asset Purchase Agreement, the Sale Deadline for the Sale can also be extended by the mutual written agreement of the Debtors and the Purchaser, if it is approved by the Bankruptcy Court. Pursuant to agreement of the Debtors and the Purchaser (and, in the Debtors' view, also based on *force majeure* events recognized under Section 4.6 of the Asset Purchase Agreement), the Sale Deadline for the Sale has been extended through October 31, 2012 under the terms of the Asset Purchase Agreement. The Bankruptcy Court approved this extension by Order entered July 12, 2012. As a result, as noted above, the number of days beyond August 29, 2012 counts against the 180-day period to effectuate an Alternative Sale under Section 5.1.b.1. of the Plan and against the 120-day period for conducting an Auction under Section 5.1.b.2. of the Plan.

The Asset Purchase Agreement governs the sale of the Debtors' Assets to the Purchaser, including the deadline to close a sale thereunder, but the Plan provides for the Debtors to follow certain procedures in seeking an extension of the Sale Deadline under the Asset Purchase Agreement. These procedures are set forth in Section 1.62 of the Plan. These procedures are as follows: other than an extension of the Sale Deadline that results from a *force majeure* event defined in Section 4.6 of the Asset Purchase Agreement, the Sale Deadline will not be extended unless certain procedures set forth in Section 1.62 of the Plan are followed, which are: (a) the Court enters a final, appealable and enforceable order granting a motion seeking the extension filed prior to the Sale Deadline, and after an opportunity for a hearing on the motion seeking the extension, (b) for cause, other than cause arising from the actions or inactions of the Buyer, that does not exceed the period of time reasonably necessary to remedy such cause, and (c) at least 21 days prior notice of a hearing on a motion seeking the extension is provided to all creditors in

[6] The defined term in the Asset Purchase Agreement is the "Closing Date." Sale Deadline under this Plan and Closing Date under the Asset Purchase Agreement have the same meaning.

the case, with objections to be filed at least 10 days prior to the hearing, and with any reply to be filed at least 5 days prior to the hearing. If the motion is filed before the scheduled Sale Deadline but heard after the Sale Deadline, the requested extension runs from the scheduled Sale Deadline, not from the date of the hearing or the date an order is entered approving the extension. As noted, the Debtors followed these procedures and the Bankruptcy Court entered an Order approving the Debtors' request to extend the Sale Deadline through October 31, 2012.

5. The Effective Date of the Plan

The Effective Date of the Plan is defined in Section 1.27 of the Plan. The Effective Date is the first business day after the Confirmation Order becomes a Final Order. This is likely to be fourteen days after the Confirmation Date unless for some reason the Confirmation Order does not become a Final Order. The Debtor will give notice of the Effective Date as early as possible after the Confirmation Date. The Debtors project that the Effective Date will be September 25, 2012.

E. Methods of Distributions under the Plan

1. Distributions of Cash

Any payment of Cash made by the Reorganized Debtor pursuant to the Plan may be made at the option of such party either by check drawn on a domestic bank or by wire transfer from a domestic bank.

2. Distributions Free and Clear

Except as otherwise provided in the Plan, any distributions or transfers by or on behalf of the Reorganized Debtor under the Plan, including, but not limited to, distributions to any holder of an Allowed Claim, shall be free and clear of any liens, claims, and encumbrances, and no other entity shall have any interest – legal, beneficial, or otherwise – in assets transferred pursuant to the Plan.

3. Timing of Distributions

Unless otherwise provided in the Plan, any distribution to be made by the Reorganized Debtor shall be made by the Reorganized Debtor as soon as practicable after the Sale closes, or, in the event of an Alternative Sale or Auction, as soon as practicable after the closing of an Alternative Sale or Auction. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

4. Delivery of Distributions

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules or on the books

and records of the Debtors or their agents. The holder of an Allowed Claim must notify the Reorganized Debtor in writing of a change of address pursuant to the notice requirements set forth in Article 14.13 of the Plan or, in the case of holders of transferred Claims only, by the filing of a proof of claim or statement pursuant to Bankruptcy Rule 3001(e) by such holder or transferee that contains an address for such holder different than the address of such holder as set forth in the Schedules. Neither the Reorganized Debtor shall be liable for any distribution sent to the address of record of a holder in the absence of the written change thereof as provided herein or in the Plan.

5. Distributions to Holders as of Record Date

As of the close of business on the Record Date, the claims register for the Debtors shall be closed pursuant to the order approving the Disclosure Statement, and there shall be no further changes made to the identity of the record holder of any Claim. Neither the Reorganized Debtor shall have any obligation to recognize any transfer of any Claim occurring after the Record Date, *provided, however*, that the Reorganized Debtor recognize transfers of Claims made after the entry of an order approving the Disclosure Statement but before the Confirmation Date for distribution purposes.

6. Undeliverable and Unclaimed Distributions

(a) If the distribution to the holder of any Allowed Claim is returned as undeliverable, no further distributions to such holder shall be made unless and until the holder notifies the Reorganized Debtor in writing of such holder's then-current address, at which time all missed distributions shall be made, subject to the provisions of Article 6.6 of the Plan, as soon as is practicable to such holder, without interest.

(b) Checks issued by the Reorganized Debtor in respect of Allowed Claims shall be null and void if not negotiated within one hundred and twenty (120) days after the date of issuance thereof. Requests for re-issuance of any check shall be made in accordance with the notice provisions of Section 14.14 of the Plan to the Reorganized Debtor by the holder of the Allowed Claim to whom such check originally was issued.

(c) All claims for undeliverable distributions or voided checks shall be made on or before one hundred and twenty (120) days after the date such undeliverable distribution was initially made. After such dates, all such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall become unencumbered Cash of the Reorganized Debtor. The holder of any Claim for which any undeliverable distribution has been deemed unclaimed property under section 347(b) of the Bankruptcy Code shall not be entitled to any other or further distribution under the Plan on account of such Claim.

7. Setoffs

To the extent permitted under applicable law, the Reorganized Debtor may set off against or recoup from the holder of any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), the claims, rights and causes of action of any nature that the Debtors have asserted in writing against the holder of such Allowed Claim, including, without limitation, any rights under section 502(d) of the Bankruptcy Code and in the absence of a written objection by such holder of an Allowed Claim within thirty (30) days of the delivery of such a writing from the Debtors or the Reorganized Debtor, it will be conclusively presumed that the requirements for disallowance of a claim under section 502(d) of the Bankruptcy Code or setoff or recoupment under applicable law have been satisfied.

F. Objections to Claims and Provisions for Treatment of Disputed Claims

If any portion of a Claim is a Disputed Claim (that is, an objection has been made to such Claim), no payment or distribution provided under the Plan shall be made on account of that Claim unless and until, and only to the extent, such Claim becomes Allowed. At the time that a Disputed Claim becomes an Allowed Claim, the holder of that Allowed Claim will be entitled to receive from the Reorganized Debtor a distribution on its Allowed Claim equal in percentage to the distributions made to date on previously-allowed Allowed Claims.

1. Objections to Claims and Resolution of Disputed Claims

The Debtors (prior to the Effective Date) and the Reorganized Debtor (after the Effective Date) will have primary responsibility (except as to applications for allowances of compensation and reimbursement of expenses under sections 328, 330 and 503 of the Bankruptcy Code) to make, file, and prosecute objections to Claims. The Purchaser may object to Claims prior to the date the Sale occurs. After the Sale closes, or in the event that an Alternative Sale closes, no party other than the Debtors, the Reorganized Debtor, and the Purchaser under the Sale or a purchaser under an Alternative Sale, may file an objection to a Claim without leave of the Bankruptcy Court. The Debtors or the Reorganized Debtor, as appropriate, will: (a) provide the Purchaser with their/its evaluation of Claims and potential objections to Claims, advance drafts of objections to Claims, and a reasonable opportunity for advance comment; (b) consult with the Purchaser throughout the Claim resolution process, and in advance, concerning objections to Claims, any litigation on objections to Claims, and any settlements of objections to Claims; and (c) take all other reasonable and necessary steps to assure that only valid Claims are Allowed and paid. The objecting party shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable (unless such Claim was already the subject of a valid objection by the Debtors), **but, pursuant to Sections 6.8 and 14.1 of the Plan, in no event shall the service of such an objection be later than 120 days after the Sale or an Alternative Sale closes or the Auction is held, unless such date is extended by order of the Bankruptcy Court**. The Bankruptcy Court, for cause, may extend the deadline on the request of R&W (if the Sale closes), the purchaser at an Alternative Sale (if the Assets are sold at an Alternative Sale), or the

Reorganized Debtor. All objections shall be litigated to a Final Order except to the extent that the objecting party elects to withdraw such objection, or the Claim of the holder of the Disputed Claim is compromised, settled, or otherwise resolved with approval of the Bankruptcy Court.

2. Other Provisions Relating to Disputed Claims

In connection with distributions to be made in respect of Allowed Claims, there shall be reserved from any distribution to the holder of a Disputed Claim the amount of distribution which otherwise would be paid in respect to such Disputed Claim on the date distributions are made to holders of Claims in the Class in which such Disputed Claim is classified if the full amount of such Claim were deemed to be an Allowed Claim or such lesser amount as the Bankruptcy Court may determine.

Pending the determination of such Disputed Claim by the Bankruptcy Court or resolution of such Dispute Claim through settlement, the Reorganized Debtor shall deposit in a separate bank account funds equal to the amount so reserved or such lesser amount as the Bankruptcy Court may have determined within fifteen (15) business days after the date on which such amount would otherwise be distributed to the holder of such Claim. Such funds shall be held by the Reorganized Debtor in such separate bank account as long as such Claim remains a Disputed Claim.

If, on or after the date distributions begin under this Plan, any Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall, as soon as practicable following the date on which the Disputed Claim becomes an Allowed Claim, except as otherwise provided in the Plan, distribute to the holder of such Allowed Claim an amount, without any interest thereon, that provides such holder with the same percentage recovery, as of such date, as holders of Claims in the Cass that were Allowed on the date distributions began under the Plan.

To the extent that a Disputed Claim is disallowed or reduced, the holder of such Claim shall not receive any distribution on account of the portion of such Claim that is disallowed. Any Disputed Claim, for which a proof of claim has not been deemed timely filed as of the Effective Date, shall be disallowed.

G. Implementation of the Plan

1. Reorganized Debtor

(a) Reorganized Articles of Organization and Reorganized Operating Agreement. The Reorganized Debtor shall adopt Reorganized Articles of Organization and Reorganized Operating Agreement prior to, but effective as of, the Effective Date, which shall be included in a supplement to the Plan. As required by section 1123(a)(6) of the Bankruptcy Code, the Reorganized Debtor's articles will include a provision prohibiting the issuance of nonvoting equity securities.

(b) Officers and Director of the Reorganized Debtor. The initial officers and director of the Reorganized Debtor shall be Sung I. Lee, Director and President,

Soung Joon Kim, Chief Operating Officer, subject to substitution, which substitution, if any, will be disclosed in a supplement to the Plan.

(c) Administrative Functions of the Reorganized Debtor. In addition to its obligation to operate the business of the estate, if any, the Reorganized Debtor shall also hold and invest funds in one or more domestic bank accounts that are each federally insured to the maximum amount allowed by law, with such funds to be used to make distributions under the Plan, to make distributions to holders of Allowed Claims, to pay Post-Confirmation Date Expenses, to file required periodic reports with the United States Trustee, to pay quarterly fees to the United States Trustee, and to file a final report and a request for entry of a final decree.

(d) Equity Interests in the Reorganized Debtor. Pursuant to the Plan, if the Sale closes, the equity in CAR will be sold to the Purchaser. A purchaser at an Alternative Sale or Auction may elect to structure the transaction in the same way and purchase the equity in CAR, may choose to structure the transaction a different way, or may elect to purchase only the Assets and assume some or all of the executory contracts and unexpired leases. Following the sale of the Debtor's Assets, whether pursuant to the Sale, an Alternative Sale, or an Auction, UBR and UHI will be wound up and dissolved or merged into KTIA. If the equity in CAR is not acquired by the Purchaser under the Sale or by a purchaser at an Alternative Sale or Auction, CAR will also be wound up and dissolved or merged into KTIA. Equity in the Reorganized Debtor will be held by KTI, but no distributions shall be made to KTIL as owner of the Reorganized Debtor unless and until all obligations under this Plan to holders of Allowed Claims have been satisfied in accordance with this Plan and provision has been made to satisfy Post-Confirmation Date Expenses

2. Early Payment

Nothing herein or in the Plan shall prevent the Reorganized Debtor from making any payments prior to the date provided for in the Plan, and the Reorganized Debtor shall not suffer any penalty or prejudice from making any such payments.

H. Executory Contracts and Unexpired Leases

Under section 365 of the Bankruptcy Code, the Debtors have the right, subject to Bankruptcy Court approval, to assume or reject any executory contract or unexpired lease. If a Debtor rejects an executory contract or unexpired lease that was entered into before the Petition Date, the contract or lease will be treated as if it had been breached on the date immediately preceding the Petition Date, and the other party to the agreement will have a General Unsecured Claim for damages incurred as a result of the rejection. In the case of rejection of real property leases, damages are subject to certain limitations imposed by section 502(b)(6) of the Bankruptcy Code.

1. Rejected Contracts and Leases

(a) Each executory contract and unexpired lease to which any of the Debtors is a party shall be deemed automatically rejected as of the date of the Sale, an Alternative Sale, or an Auction, unless such executory contract or unexpired lease (1) will have been previously assumed by one or more of the Debtor, (2) is the subject of a motion to assume filed on or before the Confirmation Date, (3) is listed on the schedule of assumed contracts and leases annexed as **Exhibit 7** to this Plan of a supplement thereto, or (4) is identified by R&W, in the event the Sale closes, or by the purchaser at an Alternative Sale or Auction as a contract or lease such purchaser elects to have assumed and assigned to it. The Debtors may at any time on or before Closing (as defined in the Plan) of the Sale, Alternative Sale, or Auction, as applicable (or, with respect to any executory contract or unexpired lease for which there is a dispute regarding the nature or the amount of any cure, at any time on or before the entry of a Final Order resolving such dispute) modify the list of executory contracts and unexpired leases to delete therefrom or add thereto any executory contract or unexpired lease, in which event such executory contract or unexpired lease will be deemed to be rejected, assumed or assumed and assigned, as the case may be.

(b) The Debtors will provide notice of any modifications to the list of executory contracts and unexpired leases to the parties to the executory contracts or unexpired leases affected thereby and their counsel (if known) and to R&W, in the case of the Sale or to a purchaser at an Alternative Sale or Auction. The fact that any contract or lease is listed in the list of executory contracts and unexpired leases will not constitute or be construed as an admission that such contract or lease is an executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code or that the Reorganized Debtor or the Purchaser has any liability thereunder.

(c) The Reorganized Debtor reserves the right to file a motion on or before the Closing of the Sale, Alternative Sale, or Auction, as applicable, to assume and assign or reject any executory contract or unexpired lease whether or not identified in the Plan Supplement.

(d) The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date for executory contracts and unexpired leases identified as ones to be rejected prior to Confirmation and a further Order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code approving the rejection of executory contracts and unexpired leases identified thereafter will be entered in connection with the Closing and will be effective as of the Closing.

2. Rejection Damages Bar Date

If the rejection of an executory contract or unexpired lease results in a Claim, then such Claim will be forever barred and will not be enforceable against the Debtors or the Reorganized Debtor unless a proof of claim is filed with the Bankruptcy Court and served upon counsel to the Reorganized Debtor no later than thirty (30) calendar days after the later of the

Closing or the entry of an order of rejection. Nothing in the Plan will extend any prior deadline to file a proof of claim for damages arising from the rejection of an executory contract or unexpired lease. The Debtors, Reorganized Debtor, and/or the Purchaser may object to a rejection damages Claim within the time period for filing objections to Claims generally, provided, however, that no payment will be made on account of rejection damages Claims until thirty (30) days after the bar date for filing Claims for rejection damages.

3. Assumed Contracts and Leases.

(a) UBR (as lessor) and CAR (as lessee) previously assumed the UBR-CAR Lease (as defined in the Plan). UBR and CAR believe that no cure amount was or is due under the UBR-CAR Lease. CAR previously assumed the SITLA Lease (as defined in the Plan). CAR then made the advance lease payment for the period October 1, 2011 through September 30, 2012. CAR believes that no further cure payment on the SITLA Lease is due at the present time.

(b) Except as otherwise provided in the Plan or the Confirmation Order, all executory contracts and unexpired leases identified in a motion by one or more of the Debtors, in an exhibit to the Plan, in a supplement to the Plan listing assumed agreements, or in a motion associated with an Alternative Sale or Auction will be deemed automatically assumed as of the Closing of the Sale, Alternative Sale, or Auction, as applicable, and assigned to R&W if the Sale closes or to the purchaser at an Alternative Sale or Auction.

(c) Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire or occupy, real property will include (1) all modifications, amendments, renewals, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other documents that in any manner affect such executory contract or unexpired lease and (2) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, and any other interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant to a Final Order of the Bankruptcy or is otherwise rejected as a part of the Plan.

(d) The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption and assignment of executory contracts and unexpired leases identified prior to the Confirmation Date, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date, and a further Order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code approving the assumption and assignment of executory contracts and unexpired leases identified thereafter will be entered in connection with the Closing and become effective as of the Closing..

4. Payments Related to Assumption of Executory Contracts and Unexpired Leases

(a) Any monetary amounts by which each executory contract and unexpired lease to be assumed under the Plan may be in default will be satisfied, under section 365(b)(1) of the Bankruptcy Code by promptly curing same ("Cure Claim"). Non-Debtor parties to executory contracts and unexpired leases that are assumed shall file a Cure Claim no later than twenty (20) days from the time an order approving the assumption is entered, unless that date is extended by the Bankruptcy Court.

(b) In the event of a dispute regarding (1) the nature or the amount of any Cure Claim, (2) the ability of the Purchaser or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (3) any other matter pertaining to assumption, the amount of the Allowed Cure Claim shall be paid no later than twenty (20) calendar days following the entry of a Final Order resolving the dispute and approving the assumption and, as the case may be, the assignment of the lease or contract. No Cure Claim will be paid until twenty (20) calendar days following the assertion of a Cure Claim to permit the Debtors, the Reorganized Debtor, and/or the Purchaser to review and object to it.

I. Summary of Other Provisions of the Plan

The following subsections summarize certain other significant provisions of the Plan. The Plan should be referred to for the complete text of these and other provisions of the Plan.

1. Releases and Exculpations

Except as otherwise provided in the Plan or Confirmation Order, as of the date of the Closing, the Debtors, R&W (if the Sale closes), the Reorganized Debtor, any of such parties' respective present or former members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, and agents, and any such parties' successors and assigns, the Creditors' Committee, the members of the Creditors' Committee in their respective capacity as such, and the Observation Committee and the members of the Observation Committee in their respective capacities as such (collectively, the "Released Parties") shall be released by the Debtors and any successors in interest of the Debtors from any and all Claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of such date or thereafter arising, at law, in equity, or otherwise, that the Debtors would have been legally entitled to assert in its own right (whether individually or collectively) or that any holder of a Claim, Interest, or other person or entity would have been legally entitled to assert on behalf of the Debtors or their estates, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place before or on the date of the Closing but occurring during the chapter 11 cases, except for acts constituting willful misconduct, gross negligence or bad faith, and, in all respects such parties shall be entitled to rely upon the advice of counsel

with respect to their duties and responsibilities under the Plan. Without limiting the generality of the foregoing, to the extent permitted by law, the Debtors and any successors in interest of the Debtors shall waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise.

The Debtors, the Committee, and the Released Parties, and any property of or professionals retained by such parties, or direct or indirect predecessor in interest to any of the foregoing persons, shall not have or incur any liability to any Person or Entity for any act taken or omission, after the Petition Date, in connection with or related to these cases or the operations of the Debtors' business during the cases, including but not limited to (i) formulating, preparing, disseminating, implementing, confirming, consummating or administrating the Plan (including soliciting acceptances or rejections thereof); (ii) the Disclosure Statement or any contract, instrument, release or other agreement or document entered into or any action taken or omitted to be taken in connection with the Plan; or (iii) any distributions made pursuant to the Plan, except for acts constituting willful misconduct, gross negligence, or bad faith occurring during the Chapter 11 Cases, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

2. <u>Discharge</u>

The occurrence of distributions under this Plan following the Closing shall discharge pursuant to the full extent of section 1141(d)(1) of the Bankruptcy Code, from any and all debts of and Claims against the Debtors that arose prior such distributions, and any kind of debt specified in sections 502(g), (h) or (i) of the Bankruptcy Code, whether or not: (i) a proof of Claim based on such debt is filed or deemed filed under § 501 of the Bankruptcy Code; (ii) such Claim is allowed under § 502 of the Bankruptcy Code; or (iii) the holder of such Claim has accepted the Plan. On and after such date, as to every discharged debt and Claim, the Person or Entity that held such debt or Claim shall be precluded from asserting any such debt or Claim against the Debtors or the Reorganized Debtors or their property based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

The rights and treatment of all Claims against and Interests in the Debtors shall be in exchange for and in complete satisfaction, discharge and release of all Claims and Interests of any nature whatsoever, including any interest accrued thereon from and after the Petition Date (if the approved Plan treatment provides for the accrual of interest on that type of Claim), against the Debtors or their estates, assets, properties or interests in property.

3. <u>Injunction</u>

The discharge, satisfaction, and releases pursuant to Articles 9 and 14 of the Plan will also act as an injunction against any Person commencing or continuing any action, employment of process or act to collect, offset, recoup or recover any Claim

satisfied, released, or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code.

4. Modification of the Plan

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Reorganized Debtor may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

5. Administrative Expense Claims Bar Date

Unpaid Administrative Expense Claims arising prior to the Confirmation Date (other than ordinary course Administrative Expense Claims and fees of the United States Trustee) shall be filed with the Bankruptcy Court no later than thirty (30) days after the Confirmation Date or be forever barred from receiving any distribution under the Plan. Professionals shall file final fee applications for Administrative Expense Claims arising prior to the Confirmation Date by this date to meet this requirement.

6. Continued Existence of the Estate

The Estate will continue in existence from and after the Confirmation Date and until all payments and distributions to the holders of Allowed Claims shall have been made under the Plan. From and after the Confirmation Date, the estate shall remain in existence and the Debtors (until the Effective Date) and, thereafter, the Reorganized Debtor, shall administer the Estate in accordance with the provisions of the Plan, the Bankruptcy Code, and the Bankruptcy Rules.

7. Post-Confirmation Date Expenses

All fees and expenses of the Debtors and Reorganized Debtor incurred after the Confirmation Date in carrying out its responsibilities under the Plan will be paid either by the Purchaser or from funds retained by the Debtors or Reorganized Debtor to pay Post-Confirmation Date Expenses after closing. Fees and expenses of the Reorganized Debtor and fees and expenses of professionals shall continue to be subject to application to the Bankruptcy Court.

8. Withdrawal or Revocation of the Plan

The Debtors may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date,

or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained in the Plan or Disclosure Statement shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

9. Effectuating Documents and Further Transactions

Upon entry of the Confirmation Order, the Debtors and the Reorganized Debtor shall be authorized and are instructed to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

10. Section 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer, or exchange of notes or equity securities under the Plan; (b) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (c) the making or assignment of any contract, lease, or sublease; or (d) the making or delivery of any deed or other instrument or transfer under, in furtherance of, or in connection with, the Plan, will not be subject to any stamp tax, or similar tax held to be a stamp tax or other similar tax by applicable law.

11. Dissolution of the Creditors' Committee

On the Effective Date, the Creditors' Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Debtors' Bankruptcy Case. The Creditors' Committee shall continue in existence after the Effective Date solely for the purpose of reviewing and being heard by the Bankruptcy Court, and on any appeal, with respect to applications for compensation and reimbursement of expenses pursuant to section 330 and/or 503(b) of the Bankruptcy Code.

12. Severability

In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void, or unenforceable, the Bankruptcy Court shall, with the consent of the Debtors, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in

accordance with the foregoing, is valid and enforceable pursuant to its terms. Notwithstanding the foregoing, the provisions in the Plan relating to releases and exculpations are not severable from the remainder of the Plan.

13. Governing Law

Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the federal laws of the United States and, to the extent there is no applicable federal law, the domestic laws of the State of Utah, without giving effect to Utah's principles of conflicts of law.

14. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against or Interest in the Debtors and their respective successors and assigns, whether or not the Claim of such holder is impaired under the Plan and whether or not such holder has accepted the Plan. The rights, benefits, and obligations of any entity named or referred to in the Plan, whose actions may be required to effectuate the term of the Plan, shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Entity.

15. Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C. § 1930(a)(6) of the United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on the Effective Date by the Debtors. Any statutory fees accruing after the Confirmation Date also shall be paid by the Reorganized Debtor.

16. Retention of Causes of Action/Reservation of Rights

Except as provided in Sections 14.2, 14.3, and 14.4 of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim (as that term is defined in section 101(5) of the Bankruptcy Code), rights, causes of action, right of setoff, or other legal or equitable defense that the Debtors or the Reorganized Debtor may have or choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, their officers, directors, or representatives, (ii) any and all claims under chapter 5 of the Bankruptcy Code, and (iii) the turnover of any property of the Debtors' estates.

17. Section 506(c) Reservation

Except as to as provided in any orders of the Bankruptcy Court, the Debtors and Reorganized Debtor reserve all rights under section 506(c) of the Bankruptcy Code with respect to any and all Secured Claims.

V. CONFIRMATION AND CONSUMMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Voting Procedures and Solicitation of Votes

The voting procedures and the procedures governing the solicitation of votes are described above in Section I, and in the Disclosure Statement Order, which has been sent to you simultaneously with this Disclosure Statement if you are entitled to vote on the Plan.

B. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. **The Confirmation Hearing on the Plan has been scheduled for Tuesday, September 11, 2012, commencing at 2:00 p.m. (MDT), before the Honorable R. Kimball Mosier, United States Bankruptcy Judge, in Room 369 of the Bankruptcy Court, 350 Main Street, Salt Lake City, Utah 84101. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before Friday, August 31, 2012, at 4:30 p.m. (MDT).** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest of the Debtors held by the objector. Objections must be timely served upon the following parties:

Steven J. McCardell
Kenneth L. Cannon II
Durham Jones & Pinegar
111 East Broadway, Suite 900
P O Box 4050
Salt Lake City, UT 84110-4050

Office of United States Trustee
Attn: Laurie Cayton
Ken Garff Bldg.
South Main Street, Suite 300
Salt Lake City, UT 84111

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtors or by a person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the chapter 11 cases, or in connection with the Plan and incident to the chapter 11 cases, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Reorganized Debtor, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Reorganized Debtor, and the nature of any compensation for such insider.
- With respect to each Class of Claims or Interests, each holder of an impaired Claim or Interest has either accepted the plan or will receive or retain under the Plan on account of such holder's Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the debtors were liquidated on the effective date under Chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test," below.
- Each Class of Claims or Interests has either accepted the plan or is not impaired under the plan.
- Except to the extent that the holder of a particular Claim has agreed to different favorable treatment of such claim, the Plan provides that

Administrative Expense Claims and Priority Tax Claims will be paid in full as required by the Bankruptcy Code.

- At least one Class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such Class.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtor or any successor to the debtors under the plan, unless such liquidation or reorganization is proposed in the plan. See discussion of "Feasibility," below.

1. Acceptance

All Classes of Claims other than Class 6 Claims are impaired under the Plan and are entitled to vote to accept or reject the Plan. Class 6 is unimpaired under the Plan and, therefore, conclusively is presumed to have voted to accept the Plan.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that the Plan is feasible. A feasible plan is one that will not lead to a need for further reorganization or liquidation of the Debtor, unless such reorganization or liquidation is proposed in the Plan. The Plan satisfies the feasibility requirement imposed by the Bankruptcy Code because, (a) in the event of the Sale closing, it provides for a sale of all of the Debtors' Assets for a sale price sufficient to pay all Claims in full, and (b) in the event of an Alternative Sale or Auction, it provides for the sale of all the Debtors' Assets, with distributions made to creditors based on their priority as to collateral or under the Bankruptcy Code.

3. Best Interests Test

In order to confirm a plan of reorganization the Bankruptcy Court must determine that the plan is in the best interests of all creditors and equity security holders impaired by the plan who have not accepted the plan. The "best interests" test requires that the Bankruptcy Court find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide such member a recovery that has a value at least equal to the value of the distribution that each member would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. To calculate what members of each impaired class of creditors and equity security holders would received if a debtor were liquidated, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 reorganization case were converted to a chapter 7 liquidation case. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee. The amount of liquidation value available to unsecured creditors would be

reduced by, first, the claims of secured creditors to the extent of the value of their collateral, and, then, by the costs and expenses of liquidation, as well as by other administrative costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of the counsel and other professionals of the trustee, asset disposition expenses, all unpaid expenses incurred in the chapter 11 case (such as compensation of attorneys, accountants, and other professionals) that are allowed in the chapter 7 case, litigation costs, and claims arising from the operations of the debtors' estates during the pendency of the chapter 11 case. The liquidation itself could trigger certain priority claims, such as claims for severance benefits and would accelerate other priority payments that otherwise would be payable in the ordinary course of business. Those priority claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution on account of equity Interests.

The Debtors believe that the Plan is in the best interests of creditors and equity security holders. The Plan contemplates the sale of the Debtors' Assets in three different ways: (1) through the Sale to R&W; (2) if the Sale to R&W fails to close and if the Debtors' tar sands Production Facility is in "Producing Status," the Debtors have a period of a few months to effectuate an Alternative Sale of the Assets; and (3) if the Sale to R&W fails to close and if the Debtors' tar sands Production Facility is in "Non Producing Status," or if the Debtors so choose, an Auction of the Debtors will be held by a date certain.

The Sale to R&W contemplates proceeds sufficient to pay all Claims in full, with interest (except that Unsecured Claims will not receive interest), and the Plan proposes this treatment, as well as conveyance of a mineral royalty to the Reorganized Debtor. Thus, in the event that the Sale closes, treatment under the Plan contemplates full payment of all Claims as Allowed (except Insider Unsecured Claims, which receive no distribution) plus interest for all creditors (as set forth in the Plan), other than those holding Unsecured Claims, from August 22, 2011 until the Effective Date on account of all Claims other than Unsecured Claims.

In the event that the Sale does not close, the Debtors' Assets will either be sold in an Alternative Sale, which must be in an amount to satisfy at least Allowed Secured Claims, or at an Auction. In either case, the Debtors' Assets will be sold for at least as much as the Assets could be sold for in a hypothetical liquidation under chapter 7, and in the hands of the Debtors, which are familiar with the Assets and the market for the Assets.

The following analysis of the best interests test assumes alternatively, for purposes of treatment under the Plan, that the Plan is confirmed, and (a) that the Plan becomes effective after the Confirmation Order becomes final and that the Sale to the Purchaser occurs on or before October 31, 2012, with the proposed treatment of Allowed Claims and Interests related to the Sale being fully implemented; (b) that the Sale does not occur but that an Alternative Sale of the Assets occurs, and that the Plan becomes effective after the closing of the Alternative Sale on or before December 30, 2012, with the proposed alternative treatment of Allowed Claims and Interests being fully implemented, or (c) that the Sale does not occur but that an Auction of the Assets occurs, on or before February 29, 2012. For purposes of treatment under a hypothetical

liquidation in chapter 7, the following analysis estimates Allowed Claims as of the Petition Date, although interest accrues on Allowed Claims other than Allowed Unsecured Claims. Although, because there are three Debtors and three trustees could potentially be appointed in hypothetical chapter 7 cases, the following assumes that there would only be one trustee.

THE VALUES, AMOUNTS, AND ASSUMPTIONS USED IN THIS ANALYSIS AND AS SET FORTH IN **EXHIBIT 8** ARE MADE WITH RESPECT TO A HYPOTHETICAL CHAPTER 7 LIQUIDATION, ARE USED SOLELY FOR PURPOSES OF COMPLIANCE WITH SECION 1129(a)(7) OF THE BANKRUPTCY CODE, AND MAY NOT BE USED FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THIS ANALYSIS IS INTENDED OR MAY CONSTITUTE A CONCESSION OR ADMISSION OF THE DEBTORS FOR ANY OTHER PURPOSE.

The first step in the liquidation analysis is the valuation of the Debtors' Assets in the event these cases were converted to chapter 7 liquidation cases and the Debtors' Assets liquidated by a chapter 7 trustee. It is assumed that the trustee would opt for that strategy which would produce the highest value consistent with a chapter 7 trustee's obligation to liquidate assets of the Debtors' estates expeditiously. For this purpose, the value assumed is the value which would be received in an orderly liquidation rather than a "distressed sale" or forced auction sale of the Debtors' assets. It is assumed that, whether or not CAR is successful in completing some level of commissioning of its tar sands Production Facility, the trustee would not be able to operate the Production Facility and that the trustee would not be able to sell tar sands for paving purposes other than on a very limited basis, for a number of reasons, including probable inability to obtain financing.

Conversion of the Debtors' cases to chapter 7 could also result in claims being created or ripening or in compromised Claims, such as Western's, reverting to a potentially much larger Claim accruing interest at an extremely high default interest rate. R&W's Secured Claims for $300,000 under the Original DIP Financing Facility, for $550,000 under the Startup DIP Financing Facility, and its $6,500,000 Unsecured Claim under the Startup DIP Financing Facility, which will be treated as part of the sale price under the Sale to R&W, would be Claims against the Debtors in chapter 7. These Claims in favor of R&W would also be Claims against the Debtors if the Assets are sold in an Alternative Sale or Auction.

In addition, one of the challenging aspects of the controversies that existed before the Debtors' cases were commenced is that there is significant priority dispute between Western, on one hand, and Mechanic's Lien Claims, including Elgin, on the other. In a hypothetical chapter 7, this could create a difficulty in determining credit bidding rights of the holders of Secured Claims and expensive and time-consuming litigation could ensue. This could delay the possibility of obtaining a favorable sale and put off potential purchasers. This same issue could occur in an Auction under the Plan, and the Liquidation Analysis reflects this.

The chart entitled "Value of Debtors' Assets, Claims Against Debtors, and Estimated Distributions to Holders of Allowed Claims" (the "Liquidation Analysis Chart"), attached hereto as **Exhibit 8**, sets forth the assets, claims, and estimated distributions on account

of Claims under the Plan under the three possible scenarios and under a hypothetical chapter 7 liquidation. The asset values set forth in the Liquidation Analysis Chart are based on the Debtors' best estimates of what a trustee could recover for the Debtors' assets in a liquidation. Finding the right purchaser for the Assets would be a substantial challenge for a trustee and the priority dispute among secured creditors asserting liens on the assets would likely lead to renewed costly and time-consuming litigation which likely would complicate finding a potential purchaser for the Assets in liquidation. Nevertheless, the Liquidation Analysis Chart assumes a value of the combined assets of the Debtors in the $30,000,000 range. The assets would be fully encumbered in such a liquidation, however, and it is unlikely that any unsecured creditor, other than, perhaps, the trustee asserting rights under section 506(c) of the Bankruptcy Code, would recover anything on account of its Claim. Most secured creditors would also recover less than full payment on account of their Claims unless they were to prevail in the dispute over lien priorities. The same might also occur in the event that the Assets are sold in an Alternative Sale or an Auction in which the terms of the sale are not currently known. The additional costs of a trustee in a chapter 7 case, however, and the trustee's lack of familiarity with the Assets and the market for the Assets likely would result in a recovery in chapter 7 that would not be higher than a recovery in any of the possible scenarios under chapter 11.

Thus, the Debtors believe that, in the event that the Sale closes, holders of Allowed Claims against the Debtors will be paid in full and that, in the event that the Sale does not close, the Assets will be sold under an Alternative Sale or Auction that likely will provide a greater recovery to all creditors than in a chapter 7 and that will not in any case result in a recovery that would be lower than in a chapter 7 liquidation. The Debtors further believe that that holders of Priority Claims and general Unsecured Claims would likely receive no recovery in chapter 7, that holders of Administrative Expense Claims likely would receive substantially less than 100% recovery and that holders of Secured Claims, except for Raven and for such parties who prevailed in a dispute over respective priorities in the Assets, would receive less than 100% recovery.

4. Cramdown

The Debtors will seek to confirm the Plan notwithstanding the rejection by any of Classes of Claims or Interests. To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cram down" tests for secured creditors, unsecured creditors and equity holders, as follows:

(a) Secured Creditors. Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in clause (i) or

(ii) above. The Plan meets these requirements as to Allowed Secured Claims because the Allowed Secured Claims will either (i) in the event of the Sale closing, be paid in full with interest and the holders of these Claims will retain their liens pending payment in full, or (ii) in the event that the Sale does not close and the Assets are sold pursuant to an Alternative Sale or Auction, will retain their liens on the collateral or on the proceeds of the sale of the collateral to the same extent, with the validity, and in the same priority that they held before the Petition Date until their Allowed Secured Claims are paid in full or until there is no remaining collateral or proceeds of collateral to which those liens can attach.[7]

(b) Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan. (This provision is often referred to as the "absolute priority" rule.) The Plan meets this requirement as to Allowed Unsecured Claims because (i) in the event of the Sale closing, the Allowed Unsecured Claims will be paid in full, or (ii) in the event that the Sale does not close and the Assets are sold pursuant to an Alternative Sale or Auction, no party holding an Allowed Claim or Interest junior to the Claims of a dissenting class will receive any distribution under the Plan.

(c) Interests. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the Interest or (ii) the holder of an Interest that is junior to the nonaccepting class will not receive or retain any property under the Plan. The Plan meets this requirement because (i) in the Event that the Sale closes, Allowed Unsecured Claims will be paid in full, or (ii) in the event that the Sale does not close and the Assets are sold pursuant to an Alternative Sale or Auction, no party holding an Allowed Interest junior to the Allowed Claims or Interests of a dissenting Class will receive any distribution under the Plan. If the Sale to the Purchaser closes, the Interest in CAR will be transferred to the Purchaser as part of the Sale, UBR will be wound up and dissolved or merged into the Reorganized Debtor, the Reorganized Debtor will have conveyed to it a mineral royalty interest only because Allowed Unsecured Claims with higher priority under the absolute priority rule will be paid in full.

[7] Alternatively, the Debtors may seek confirmation of the Plan as to Classes of Secured Claims in which there is no vote on or objection to confirmation of the Plan pursuant to *In re RUTI-Sweetwater, Inc.*, 836 F.2d 1263 (10th Cir. 1988), which held that holders of allowed secured claims who neither voted on or objected to the Plan might be deemed to accept the Plan.

D. Conditions Precedent

The Plan will be consummated as soon as practicable following the Closing of the Sale, the Alternative Sale, or the Auction.

1. Conditions to Confirmation

The following are conditions precedent to confirmation of the Plan.

(a) The Bankruptcy Court shall have approved by Final Order a disclosure statement with respect to the Plan.

(b) The Confirmation Order shall be in form and substance reasonably acceptable to the Debtors.

(c) The Confirmation Order shall have been entered and have become a Final Order.

VI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtors and certain holders of Claims. The following summary does not address the federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in Cash under the Plan (*e.g.,* Administrative Expense Claims).

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed Treasury regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. Changes or new interpretations of these rules may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested an opinion of counsel with respect to any of the tax aspects of the Plan. In addition, the Debtors have not requested a ruling from the IRS concerning the federal income tax consequences of the Plan, and the consummation of the Plan is not conditioned upon the issuance of any such ruling. Thus, no assurance can be given as to the interpretation that the IRS or a court of law will adopt.

This summary does not address state, local or foreign income or other tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, real estate investment trusts and tax-exempt entities).

This summary also assumes that the various third-party debt and other arrangements to which the Debtors are a party will be respected for federal income tax purposes in accordance with their form, and that Claims are held as capital assets.

Accordingly, the following summary is for informational purposes only and is not a substitute for careful tax planning and advice based upon the particular circumstances pertaining to a holder of a Claim.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER FEDERAL, STATE OR LOCAL TAX LAWS, (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DISCUSSED HEREIN, AND (III) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Consequences to the Debtors

For federal income tax purposes, KTIA is the parent of an affiliated group of corporations and joins in the filing of a consolidated federal income tax return (the "KTIA Group"). KTIA directly or indirectly owns one hundred percent of UBR and CAR. UBR and CAR are single-member limited liability companies which are treated as disregarded entities for federal income tax purposes and accordingly, are not considered taxpayers for federal income tax purposes. Therefore, for purposes of the discussion of federal income tax consequences herein, the KTIA Group is treated as the sole Debtor which holds all of the assets of and is subject to all the liabilities and obligations of each of the other Debtors. The KTIA Group currently has a consolidated net operating loss ("NOL") carryforward of approximately $32,000,000

1. Sale Transaction

Pursuant to the Plan, substantially all of the CAR's assets and all of UBR's equity Interest in CAR will either be sold for cash pursuant to the Sale or an Alternative Sale or be sold to a creditor pursuant to a credit bid at an Auction. In general, a taxpayer will realize gain or loss on a sale of its assets in an amount equal to the difference between the consideration it receives and its adjusted tax basis in the assets sold. The Debtors expect that gain, if any, as a result of the sale of (i) substantially all of the CAR's assets to Purchaser and/or (ii) UBR's equity Interest in CAR will be offset by the consolidated NOL carried forward from prior tax periods.

2. Cancellation of Indebtedness Income

Under the Tax Code, cancellation of indebtedness income ("COD Income") is recognized by a taxpayer to the extent, and at the time, that certain debts are discharged for less than full payment. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, (y) the issue price of debt that is not publicly traded nor deemed exchanged for publicly traded property and (z) the fair market value of any new consideration given in satisfaction of such indebtedness at the time of the exchange. COD Income also includes any interest that the taxpayer deducted under the accrual method of accounting but remains unpaid at the time the indebtedness is discharged. COD Income is not recognized by a taxpayer that is a debtor in a title 11 (bankruptcy) case if a discharge is granted by the Bankruptcy Court or pursuant to a plan approved by the Bankruptcy Court (the "Bankruptcy Exclusion Rules").

The Debtors have not determined if any COD Income will be realized pursuant to the Plan, but believe that the COD Income, if any, will not be recognized by the Debtors due to the Bankruptcy Exclusion Rules. However, the Debtors, as a result of the exception, may be subject to a reduction of certain of its "tax attributes" to the extent that COD Income is not recognized under the Bankruptcy Exclusion Rules. Thus, while the Debtors will not recognize taxable income from discharge of indebtedness, they may experience reductions in (i) any NOL that have accumulated, (ii) the tax basis of its property, and (iii) other tax attributes, as set forth in section 108(b)(2) of the Tax Code.

B. Consequences to the Holders of Claims

In general, each holder of a Claim will recognize gain or loss in an amount equal to the difference between (a) the "amount realized" by the holder in satisfaction of the Claim (other than any Claim for accrued but unpaid interest, as described in Section C below), and (b) the holder's adjusted tax basis in the Claim (other than any Claim for accrued by unpaid interest). The "amount realized" by a holder will equal the sum of (i) any Cash received by the holder pursuant to the Plan and (ii) the fair market value of any asset distributions pursuant to the Plan. The character of any gain or loss recognized as long-term or short-term capital gain or loss or as ordinary income or loss recognized by a holder of a Claim will be determined by a number of factors, including, among others, the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was purchased at a discount, and whether and to what extent the holder had previously claimed a bad debt deduction in respect of such Claim.

C. Accrued but Unpaid Interest

A portion of the consideration received by holders of Claims may be attributable to accrued but unpaid interest on such Claims. Such amount should be taxable to that holder as interest income if such accrued interest has not been previously included in the holder's gross income for federal income tax purposes. Conversely, it is possible that a holder of Claims may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless

debts) to the extent that any accrued interest on the Claims was previously included in the holder's gross income but was not paid in full by Debtors. The character of such loss may be ordinary rather than capital, but the tax law is unclear on this issue.

D. Information Reporting and Withholding

All distributions to holders of Claims under the Plan are subject to any applicable withholding obligations (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then-applicable rate (currently 28%). Backup withholding generally applies if the holder: (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is such holder's correct number and that such holder is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, applicable Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among others, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations and require disclosure on the holders' federal income tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims and Interests are urged to consult their tax advisors concerning the federal, state, local, and foreign tax consequences applicable under the Plan.

VII. RISK FACTORS

HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION OR INVESTING IN ASSETS OF THE DEBTORS.

A. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will

reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate a resolicitation of votes. Finally, there can be no assurance that any or all of the conditions to Confirmation of the Plan will be met. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

B. Material United States Federal Income Tax Considerations

THERE ARE A NUMBER OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS, RISKS, AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN SECTION VI OF THE DISCLOSURE STATEMENT, ENTITLED "CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN" FOR A DISCUSSION OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES AND RISKS FOR THE DEBTORS AND FOR HOLDERS OF CLAIMS AND INTERESTS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN RESULTING FROM THE TRANSACTIONS OCCURRING IN CONNECTION WITH THE PLAN.

C. Risks Associated with the Sale

The Debtors' immediate ability to consummate the Plan is contingent upon the Sale of the Debtors' Assets to the Purchaser for a sufficient sale price to pay Allowed Claims in full. The Asset Purchase Agreement provides that the Purchaser may in its discretion determine not to close the Sale. The Purchaser might do that based on the failure of the Debtors' technology to effectively and economically treat tar sands and obtain a useable petroleum product therefrom. Potential changes in governmental regulations could adversely affect the Debtors' operations and Assets. The Purchaser may not be able to raise sufficient funding to consummate its purchase of the Debtors' Assets. Alternatively, if the Sale to the Purchaser does not close, the Debtors' ability to perform under the Plan is contingent on successfully selling the Assets through an Alternative Sale or pursuant to an Auction. The Debtors believe that, if the Sale does not close and no Alternative Sale is obtained, the Auction will, at the very least, result in credit bids by secured creditors.

The Debtors are optimistic that their processing plant will be successful and that the Purchaser will raise funds necessary to consummate the Sale, thereby providing sufficient sums to satisfy Claims against the Debtors.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Debtors' alternatives include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan or plans of reorganization or liquidation. The Debtors believe that, with the alternatives now built into the Plan through provision for an Alternative Sale or an

Auction, it is unlikely that either conversion to chapter 7 or proposal of an alternative plan will be attempted.

A. Alternative Chapter 11 Plan

If the Plan is not confirmed, the Debtors, or any other party in interest, may file an alternative chapter 11 plan, which might provide for the liquidation of the Debtors' remaining assets other than as provided by the Plan.

B. Liquidation under Chapter 7

If the Plan or any other chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) and (b) of the Bankruptcy Code, this chapter 11 case may be converted to a case under chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate any remaining assets of the Debtors for distribution to creditors pursuant to chapter 7 of the Bankruptcy Code. If a trustee is appointed or elected and the remaining assets of the Debtors is liquidated under chapter 7 of the Bankruptcy Code, all holders of Administrative Claims, Priority Claims and General Unsecured Claims will receive no distribution distributions on account of their Allowed Claims. See "Best Interests Test" on pages 73-76 above, and **Exhibit 8**, setting forth a liquidation analysis chart.

IX. CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims and Interests. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtors urge holders of impaired Claims and Interests entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than 4:30 p.m., MDT, on Friday, August 31, 2012.

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DATED this 25th day of June, 2012.

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By: /s/ Soung Joon Kim
Soung Joon Kim
Chief Operating Officer

UINTAH BASIN RESOURCES, LLC

By: /s/ Soung Joon Kim
Soung Joon Kim
Chief Operating Officer, Utah Hydrocarbon, Inc., Member of Uintah Basin Resources, LLC

CROWN ASPHALT RIDGE, L.L.C.

By: /s/ Soung Joon Kim
Soung Joon Kim
Chief Operating Officer, Utah Hydrocarbon, Inc., Manager of Crown Asphalt Ridge, L.L.C.

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