UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE: Kingsley Capital, Inc.	)	Case No. 08-17152 EEB
	)	Chapter 11
Debtor	)	
	)	
	)	

SECOND AMENDED DISCLOSURE STATEMENT OF KINGSLEY CAPITAL, INC. PURSUANT TO §1125 OF THE BANKRUPTCY CODE

As filed with the Bankruptcy Court on February __, 2009~~November 30, 2008~~.

THIS DISCLOSURE STATEMENT IS SUBMITTED FOR DETERMINATION BY THE COURT REGARDING WHETHER IT CONTAINS ADEQUATE INFORMATION AS REQUIRED BY § 1125 OF THE BANKRUPTCY CODE. SUCH DETERMINATION, HOWEVER, WILL NOT CONSTITUTE RECOMMENDATION OR APPROVAL OF THE DEBTOR'S PLAN OF REORGANIZATION BY THE COURT AND YOU SHOULD EACH REACH YOUR OWN CONCLUSION ABOUT HOW TO VOTE ON THE DEBTOR'S PLAN OF REORGANIZATION.

INTRODUCTION

Kingsley Capital, Inc., 3773 Cherry Creek Drive North, Suite 575, Denver, CO 80209, Debtor-in-Possession ("Debtor") in the above-captioned case submit this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code, 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), to all known holders of claims against the Debtor's Chapter 11 estate in order to disclose information deemed to be material, important, and necessary for creditors of the Debtor to make an informed decision in exercising their right to vote for acceptance or rejection of the Debtor's First Amended Plan of Reorganization dated February __, 2009~~November 30, 2008~~ (the "Plan"). The Plan has been filed with the United States Bankruptcy Court for the District of Colorado ("Court"), and a copy of the Plan is attached as Exhibit 1 hereto.

PROCEDURE REGARDING APPROVAL OF DISCLOSURE STATEMENT AND VOTING PROCEDURES AND CONFIRMATION OF THE PLAN

This Disclosure Statement is provided to all of Debtor' creditors, equity security holders and other parties in interest entitled to it under the Bankruptcy Code. This Disclosure Statement is intended to provide adequate information to enable the typical creditor, equity security holder, or other party in interest to make an informed decision to accept or reject the Plan. **YOU ARE ENCOURAGED TO READ THE PLAN, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS THERETO IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.** Prior to its distribution to all creditors, equity security holders and other parties in interest, the Court approved this Disclosure Statement by Order dated _________ as containing adequate information; however, Court approval of this Disclosure Statement does not imply Court approval of the Plan.

A. Voting on the Plan

Your vote on the Plan is important. The Plan can be implemented only if it is confirmed by the Court. The Plan can be confirmed only if, among other things, it is accepted by the holders of two thirds in amount and more than one-half in number of the Claims in at least one impaired Class who actually vote on the Plan. In the event the requisite acceptances are not obtained from the other impaired Classes, the Court may nevertheless confirm the Plan if the Court finds that it is fair and equitable to the Class or Classes rejecting it.

Claims in Classes 1 through 8 are impaired. Holders of Allowed Claims in Classes 1 through 8 are entitled to vote. If you have a disputed, contingent or unliquidated claim, you must have your claim estimated by the court in order to vote.

Because equity interests in the Debtor (Class 10~~9~~) are unimpaired, all members of Class 10~~9~~ are deemed to accept the Plan, and holders of claims and interests in this Class will not vote on the Plan.

The Court will hold a hearing on confirmation of the Plan on ________ , 2009, and will then, among other things, determine the results of the vote. The date on which the Court approves the Plan is the "Confirmation Date," and the "Effective Date" is the date that is ten (10) days after the Confirmation Date (unless an appeal is taken and a stay of the confirmation order is obtained).

A ballot pursuant to which holders of Allowed Claims may vote on the Plan accompanies this Disclosure Statement. Completed ballots should be mailed or otherwise delivered so as to be received no later than 4:30 p.m. Mountain Time on ____[same as above date]_____, to:

Onsager, Staelin & Guyerson, LLC
1873 S. Bellaire St., Suite 1401
Denver, CO 80222

If your ballot is damaged or lost, or if you have any questions concerning voting, you may contact Mr. David Rich (email: dmrich@comcast.net) or Christian C. Onsager (email: consager@comcast.net) or either person by phone at (303) 512-1123.

The Bankruptcy Code allows the Court to confirm a plan of reorganization or to "cramdown" a plan of reorganization despite its rejection by a class of impaired claims under some circumstances. The Bankruptcy Code provides that if an impaired class rejects a proposed plan, then the plan cannot be confirmed unless at least one class of claims that is impaired under that plan has accepted it. In this regard, the court must determine acceptance without including any vote by any insider, and further, the Court must conclude that the plan "does not discriminate unfairly, and is fair and equitable" with respect to the claims of the impaired class. The Debtor will invoke its right to request the Court to confirm the Plan under such circumstances.

I. HISTORY OF THE DEBTOR

A. Origin of the Business.

From Chartwell International, Inc. to Kingsley Capital

Chartwell International, Inc. ("Chartwell") was incorporated in the State of Nevada in 1984. The Company's principal line of business was printing and publishing. Beginning in 1998, its principal activity has been oversight of its investment in College Partnership, Inc., a company that provided career services, test preparation and selection services for college bound students, and as a holding company for other assets. Chartwell's other assets included rights to gypsum deposits (owned since 1986) and a 200 acre parcel of real estate in Ramona California 9owned since 1984). For much of its existence, Chartwell was a publicly traded company.

In January, 2005, Kingsley Capital was created as a wholly owned subsidiary of Chartwell, and thereafter Chartwell transferred all of its assets, consisting of real estate, mineral claims, and its stock holdings in and other claims against College Partnership, together with all liabilities, to Kingsley Capital, Inc. Chartwell then, by dividend, transferred all of the stock of Kingsley to Chartwell's shareholders in the same proportion as they owned Chartwell. The result was that Chartwell became a publicly-traded company independent of Kingsley Capital. The majority Chartwell shareholders then sold their stock in Chartwell to an unrelated third party. Kingsley was not publicly traded.

B. The Debtor's Prepetition Financial Performance.

The Debtor is a holding company. Its primary source of income prior to the bankruptcy was from royalties earned pursuant to certain licensing agreements with College Partnership, Inc. College Partnership, however, began suffering financial difficulties starting in 2004, and, in an

effort to salvage College Partnership, the Debtor began extending credit to it~~College Partnership~~. In January, 2006, the Debtor secured its existing and any future extensions of credit to College Partnership with a blanket security interest and all of the assets of College Partnership. However, College Partnership was never able to repay the obligations and, by the time the Debtor filed its Chapter 11 petition, it had extended over $1.2 million in credit to College Partnership.

In ~~2000, the Debtor had the mineral rights appraised in order to support its value as reported in its public filings required by the Securities and Exchange Commission (when it was still publicly traded). However, the Debtor undertook only one effort to sell or develop the mineral rights in 1993, but the Debtor voluntarily terminated that effort. In~~ order to pay its obligations and to finance its extensions of credit to College Partnership, the Debtor borrowed significant amounts from insiders, primarily Dr. Janice Jones and her husband, John Grace. The Debtor's obligations to Dr. Jones and Mr. Grace were assigned to a limited~~Limited~~ liability company~~Company~~ which they own~~owned~~ known as New Horizons, LLC. In July, 2007, given its inability to repay New Horizons, the Debtor granted New Horizons a deed of trust encumbering the mineral rights. In January, 2008, the Debtor transferred the mineral rights to Good Earth Minerals, LLC, a Colorado limited liability company, in order to create a potential vehicle for investment and development of the gypsum. The Debtor owns 90% of Good Earth Minerals and controls it. The other three members are New Horizons, LLC (6%), Alice Gluckman (2%) and William Willard (2%).

In late spring, 2007, College Partnership commenced litigation against certain parties in *College Partnership, Inc. v. Ascentus Consulting Group, et al*, Case No. 2007 CV 2010. In reaction to being sued, some of the defendants filed an involuntarily bankruptcy case against College Partnership on July 30, 2007 in the Bankruptcy Court for the District of Utah. By stipulation, College Partnership eventually confessed the petition, and the case was transferred to the District of Colorado on May 6, 2008.

Over the years, the Debtor sporadically listed the Ramona property for sale for relatively short periods of time, but never undertook a concerted sale effort. In February 2006, it refinanced the property to generate funds primarily to support College Partnership. In the summer of 2006, the Debtor entered into a contract for sale of the Ramona property for approximately $3.4 million. During the due diligence period, the Debtor received an offer of $3.6 million for the property. As a result, when the prospective buyer fell out of contract, the Debtor elected to terminate the contract, take the earnest money that was forfeited, and pursue higher offers. However, at the same time, the real estate market in Southern California turned for the worse, and the Debtor was unable to locate a replacement buyer. Thereafter, on the advice of financial advisors, the Debtor took the property off the market while it attempted to refinance. Although it acquired a contingent commitment letter from a lender, it could not obtain the cooperation of National Legal, which held the second priority deed of trust on the property, and National Legal commenced foreclosure in January, 2008.

On or about March 2008, the Debtor began working with Peter Yachimski, an expert in land use and development. Mr. Yachimski had put together a proposal for development of the property into a mixed-use residential agricultural project for what may be called "vineyard estates," which combined large residential lots with vineyard ownership. The Debtor, however, was unable to forestall National Legal's foreclosure, and, therefore, filed a Chapter 11 petition on May 23, 2008 to avoid losing the Ramona Property.

As of the date of filing, the Debtor's financial structure~~Financial Structure~~ was as follows:

Description	Lender	Collateral	Approximate balance due
Priority Secured Taxes	San Diego County Tax Collector	Tax Lien against Ramona, CA Property	$29,144
Secured Loan	Fidelity Mortgage Lenders	First deed of Trust against Ramona Property	$1,060,000
Secured Loan	National Legal	Second deed of Trust against Ramona Property	$360,000
Secured Note	John J. Grace/New Horizons Capital, LLC	Third Deed of Trust against Ramona Property	$850,000
Secured Loan	Burg, Simpson & Eldredge	Fourth Deed of Trust against Ramona Property	$110,000
Secured Loan	New Horizons Capital, LLC	Deed of Trust against Mineral Rights	$2,250,000
General Unsecured Claims			$346,412 to $450,000

II. EVENTS SINCE THE FILING OF THE PETITION

At the outset of the Chapter 11 case, the Debtor filed a Motion to Sell NPI08 Stock in order to infuse the Estate with some cash. NPI08, Inc. was a publicly-traded Delaware shell corporation whose only asset was the valueless stock of College Partnership, Inc. The buyer, Infinity Capital Group, Inc., a party unrelated to the Debtor, agreed to pay $122,000 plus 40,000 shares of Infinity Capital Group for the Debtor's 44,517,737 shares, 1,500,000 shares owned by J View II, LLP and 36,743,943 shares owned by J View III, LLC. In addition, the buyer agreed to pay Mr. Michael Littman, counsel to NPI08, $25,000 plus 50,000 shares of Infinity Capital Group. The Bankruptcy Court approved the sale of the stock. As a result, the Debtor received $64,000 in cash and all 40,000 shares of Infinity Capital Group, and Mr. Littman received $25,000 in cash. However, the proposed disbursement of the remaining cash proceeds to the other shareholders and the shares of stock to Mr. Littman was disputed, and therefore, the funds from the sale were placed in escrow. The Court approved a settlement between the Debtor and the J View entities on November 18, 2008, whereby the Debtor received an additional $6,000 and the remainder of the cash was disbursed to the J View entities.

With Court authorization, the Debtor employed Tarbell Realty of Temecula, California as a real estate broker on November 4, 2008 to sell the Ramona property, and the Property was listed at $3,399,000.

National Legal Systems, as the second lienholder against the Ramona property, filed three motions for relief from the automatic stay, the first two of which were dismissed. The third Motion went to hearing on November 12, December 1 and December 8, 2008. On December 15, 2008, the Bankruptcy Court granted relief from stay to National Legal on the basis that, although its interests were adequately protected, the Debtor had no equity in the property and that it was not necessary for an effective reorganization.

The pre-petition foreclosure proceedings were still pending at the time of the grant of relief from stay (and as of the date hereof are still pending), and once the sale is held, the Debtor will no longer have any rights regarding the Ramona property, including no further right to redeem. National Legal has to the date of this Second Amended Disclosure Statement not yet allowed the property to go to foreclosure sale. As a result, and because the Debtor believes there may be value that can be derived from the property for the benefit of the estate, the Debtor has continued with efforts to obtain investment funding to recover the property.

On November 4, 2008, the Debtor commenced adversary proceeding no. 08-1796-EEB against Universal Guardian Acceptance, LLC (a factor of College Partnership contracts) and Daody Management, Inc., a company owned by Mr. David Lott, seeking to collect approximately $65,000 in which the Debtor has a security interest. Universal Guardian has disclaimed any interest in the funds, but Daody Management or Mr. Lott claim an interest therein.

In September, 2008, the Debtor contacted and began working with a specialty minerals broker, Specialty Minerals, LLC of Oxford, Alabama, Specialty Minerals specializes in managing the sale of specialty minerals, including managing their mining or other recovery. Specialty Minerals has numerous international customers and broker contacts. Specialty Minerals has no direct or indirect relationship with the Debtor. Specialty Minerals has been working assiduously to evaluate and market the gypsum and to determine what is needed for its extraction and transport. As of the date of this Second Amended Disclosure Statement, the Debtor has not entered into any formal brokerage or other arrangement with Specialty Minerals, The status of the sale efforts is set forth in more detail below.

In addition, the Debtor has accelerated efforts to obtain equity funding based on the value of the mineral rights given the additional information it now has available to support that value.

III. THE DEBTOR' CURRENT ASSETS AND LIABILITIES

The Debtor's assets consist of the following:

Ramona Property: the Debtor owns approximately 200 acres of raw land in Ramona, California. The property is zoned for both agricultural and residential use. As noted above, ~~Although the Debtor had developed a pro forma subdivision plan for a combined vineyard-residential subdivision concept, i.e. "vineyard estates," in the current market, it appears the highest and best use of~~ the property is in foreclosure~~as agricultural land for the cultivation of grapes. Based on this proposed use, the property is currently appraised at $3,850,000 by ProWest Appraisals~~.

Mineral Rights: the Debtor owns a 90% member interest in Good Earth Minerals, LLC, a Colorado limited liability company, which it created as the development vehicle for the mineral rights. The Debtor transferred all of its mineral rights in Utah, consisting of the 2000 acres containing gypsum, to Good Earth Minerals in January, 2008. Good Earth Minerals has no creditors and its members have agreed that all distributions shall first be made to the Debtor to repay its creditors.

. Extensive sampling and testing shows that the gypsum is of the highest grade, suitable for the specialty markets of agricultural, food, and pharmaceutical. -This grade of gypsum should not be confused with construction-the commercial grade of gypsum used for, among other things, wallboard. Unlike the market for construction-grade material, the market for the high-grade gypsum is growing and pricing is strong, even in today's economic climate. The current price is at about $100 per ton. In 2000, the Debtor had the The mineral rights appraised were evaluated in 2000 by Behre Dolbear, an industry-recognized expert, in order to support its value as reported in its public filings required by the Securities and Exchange Commission (when it was still publicly traded). Based, based on an extremely conservative estimate of 830,000 mineable tons (since Behre Dolbear only sampled form about 15% of the total acreage) and a price per ton of $40 to $60, Behre Dolbear estimated the after tax net present undiscounted value at between $3.6 million and $8.7 million. As part of its evaluation, Behre Dlbear took numerous samples for assay to verify the quality of the material. Recent inspections by some of the experts involved in the original report indicate that the amount of high-grade gypsum is likely to be many times the amount used by Behre Dolbear in its appraisal. The quality has also been verified by recent assays.

Specialty Minerals has been negotiating with at least one overseas buyer for sale of quantities of the gypsum in the range of 10,000 tons per month at a price in the range of $100 per ton. The cost of extraction is estimated in the range of $10 per ton. The contract terms under discussion call for a downpayment of about $500,000, which is more than enough to fund any development work needed to mine the gypsum. Specialty Minerals has informed the Debtor that such financial terms are typical in the industry. This particular buyer is scheduled to come to Utah toward the end of February to conduct its own inspection and testing of the minerals.

Specialty Minerals has also been pursuing other sale avenues and to that end, has been testing the material to determine the amount of processing required for other uses, such as pharmaceuticals or foodstuffs. The price of gypsum processed for such uses ranges from $500 per ton into the thousands of dollars per ton. The results so far indicate that the costs of further processing are extremely modest in comparison to the potential value derivedsignificantly greater.

College Partnership Collateral: the Debtor has a claim in excess of $1.6 million against College Partnership, which claim is secured by a first and prior blanket security interest in all of College Partnership's assets. These assets include certain accounts receivable, amounts payable by account factors, and media credits. In addition, the assets include claims against various parties that have been asserted in *College Partnership, Inc. v. Ascentus Consulting Group, et al*, Case No. 2007 CV 2010, pending in the District Court for the County of Jefferson, Colorado. Approximately $70,000 in receivables proceeds has been deposited by one of College Partnership's factors in connection with an adversary proceeding commenced by the Debtor entitled *Kingsley Capital, Inc. v. Daody Management, Inc. et al*, Adv. Proc. No. 08-1872. The proceeding was necessary because, although the factor claims no interest in these funds, Daody Management does. The total value of any other College Partnership ~~the~~ collateral is uncertain.

~~**III. EVENTS SINCE THE FILING OF THE PETITION**~~

~~At the outset of the Chapter 11 case, the Debtor filed a Motion to Sell NPI08 Stock in order to infuse the Estate with cash. NPI08, Inc. was a publicly traded Delaware shell corporation whose only asset was the valueless stock of College Partnership, Inc. The buyer, Infinity Capital Group, Inc., a party unrelated to the Debtor, agreed to pay $122,000 plus 40,000 shares of Infinity Capital Group for the Debtor's 44,517,737 shares, 1,500,000 shares owned by J View II, LLP and 36,743,943 shares owned by J View III, LLC. In addition, Mr. Michael Littman, counsel to NPI08, was to be paid $25,000 plus 50,000 shares of Infinity Capital Group by the buyer. The Bankruptcy Court approved the sale of the stock. As a result, the Debtor received $64,000 in cash and all 40,000 shares of Infinity Capital Group, and Mr. Littman received $25,000 in cash. However, the proposed disbursement of the remaining cash proceeds to the other shareholders and the shares of stock to Mr. Littman was disputed, and therefore, the funds from the sale were placed in escrow. The Court approved a settlement between the Debtor and the J View entities on November 18, 2008, whereby the Debtor received an additional $6,000 and the remainder of the cash was disbursed to the J View entities.~~

~~National Legal Systems, as the second lienholder against the Ramona property, has filed three motions for relief from the automatic stay, the first two of which were dismissed. In the third Motion, National Legal asserted that its interests are not adequately protected and that the Debtor has no equity in the property and that it is not necessary for an effective reorganization. According to National Legal's appraisals, the present market value of the Ramona property is between $1,900,000 and $2,070,000. The Court authorized the Debtor to retain Eric Engstrom of ProWest Appraisal Services to perform its own appraisal of the Ramona Property ("Engstrom appraisal"). The Engstrom Appraisal, dated August 11, 2008, values the property at $3,850,000. The primary difference between the Engstrom appraisal and National Legal's valuation is the determination of the highest and best use of the undeveloped land. National Legal's appraisers assumed that the property's highest and best use was as a residential subdivision. Mr. Engstrom is of the opinion that the highest and best use is "agricultural for interim use," because, among other things, the current market for residential land is unfavorable, no special use permits are required for the planting of agricultural crops, the market demand for wine grapes is strong and growing, Ramona Valley is especially suitable for vineyards and has been designated an approved viticultural area, and expert reports indicate that the property, including its soil and topography, is ideally suited for wine grapes.~~

In the meantime, the Debtor has continued to work with Mr. Yachimski to develop a plan for residential development of the property. Given that the vineyard estates concept is compatible with immediate use of the property to grow grapes, the development plan is valuable to demonstrate to prospective buyers the longer term prospects for the property, thus making it more attractive.

With Court authorization, the Debtor employed Tarbell Realty out of Temecula, California as a real estate broker on November 4th. The Debtor waited to hire a broker to market the Ramona Property until it received the Engstrom appraisal on September 10, 2008 in order to properly set the price and the target market, as the Engstrom appraisal's assumption of highest and best use altered the marketing strategy for the property. The Ramona Property is currently listed at $3,399,000 per the listing agreement, which has a 6-month term.

On November 4, 2008, the Debtor commenced adversary proceeding no. 08- 1796-EEB against Universal Guardian Acceptance, LLC (a factor of College Partnership contracts) and Daody Management, Inc., a company owned by Mr. David Lott, seeking to collect approximately $65,000 in which the Debtor has a security interest. Universal Guardian has disclaimed any interest in the funds, but Daody Management or Mr. Lott claim an interest therein.

IV. PLAN OF REORGANIZATION

The following is a simplified description of the Plan. REFERENCE SHOULD BE MADE TO THE PLAN FOR A FULL ANALYSIS OF ITS CONTENTS.

Purpose of the Plan: The primary purpose of the Plan is to permit the orderly collection of the College Partnership assets, to achieve an ordinary course sale or refinancing of the Ramona Property, and to permit the ordinary course development and sale of the minerals, all in the most efficient and cost-effective manner consistent with the rights of the creditors to receive distributions pursuant to the priority provisions of the Bankruptcy Code. The Debtor believes that it is solvent, particularly if permitted a short amount of time to commence sales of the gypsum. Given the status of potential sales in the following months that should result in payment in full of all creditors with interest, the Debtor believes that its Plan is in the best interests of the creditors and the Interest holders. See "LIQUIDATION ANALYSIS."

Means of Implementation: The Debtor will enter into one or more contracts for sale of quantities of gypsum. Based on the estimates of Specialty Minerals, contract with an independent broker experienced in specialty minerals to develop, market and sell the gypsum. The broker with whom the Debtor has dealt so far is experienced in managing the operations necessary to commence mining, sale and transportation of the gypsum. The broker reports having received dozens of inquiries about the mineral rights. Based on the timing estimates of the broker, the Debtor anticipates that shortly into 2009, it will do so by April 30, 2009, and that production and monthly income will commence 60 to 90 days thereafter. As noted above, have contracted for the sale of substantial quantities of gypsum, possibly in the neighborhood of 10,000 tons per month for a substantial number of months. Current pricing is expected to be approximately $100 per ton, and the cost of extraction should not exceed $10 per ton.

~~The cost of~~ preparing the site for mining and transportation is expected to be paid for by the initial buyer of gypsum. Payment of Class __ general unsecured creditors is anticipated with the first or second month of shipments. Assuming that it may take longer to finalize a contract with a buyer~~Typically, the contracts for sale of minerals in this situation will provide that the buyer will front the amounts necessary to commence extraction of the gypsum for delivery, including the costs of access roads. Based on the information provided by the broker who is working with the Debtor, the Debtor believes that the first sales under a term contract may begin as early as 60 days after the contract is in place. Assuming that it may take longer~~, however, the Debtor believes that payment of all creditors in full, with interest, is reasonably anticipated within one year, and possibly much earlier.

The Debtor will cause Good Earth Minerals, LLC to distribute 100% of profits derived from the mineral rights (despite the fact that the Debtor owns 90% of the company), as if the company were a division of the Debtor and not a subsidiary. As noted, Good Earth Minerals has no creditors and its members have unanimously agreed to this arrangement.

The Debtor is ~~will~~ also actively pursuing potential investors to provide the Debtor with sufficient capital to fund, among other things, payment of the general unsecured creditors (Class 7). The Debtor's progress in monetizing the mineral rights has created investment interest, and the Debtor is in discussions with one or more potential investors as of the date of this Second Amended Disclosure Statement.

As long as it continues to own the Ramona property, the Debtor will continue with the efforts to sell or obtain investment funding for it. However, it is not anticipated that such funding will be sufficient to enable any payments to Class 6 or 7 creditors~~the Ramona Property, by selling the land, by finding one or more investors, or possibly by leasing a portion of the land for grape cultivation~~.

Finally, the Debtor will continue its efforts to collect the College Partnership receivables collateral, to sell College Partnership's media credits and otherwise to realize whatever value can be gleaned from other College Partnership assets. As noted, the Debtor has commenced an adversary proceeding ~~against Universal Guardian Acceptance, Inc. and Daody Management, Inc.~~ to recover at least $70~~65~~,000. Whereas the Debtor is confident that it will prevail, it is not known how long it will take to obtain judgment. The Debtor is also performing an accounting regarding Highlands Premier Acceptance Corp., another factor of College Partnership sales contracts, to determine if any additional amounts are owed. The Debtor is continuing efforts to collect other receivables and to sell certain~~the~~ media credits, but cannot predict when and for how much the credits will ultimately be sold.

The Debtor will retain one employee, Dr. Janice Jones, at her current salary of $4500 per month plus benefits, to manage its affairs. It will retain such independent contractors as would be customary, such as accountants, bookkeepers, and former employees of College Partnership who assist in collection of the College Partnership receivables.

In addition, the Plan prohibits the Debtor from engaging in any other businesses until all creditors are paid in full.

V. TREATMENT OF CLAIMS

Administrative Priority Claims. Claims for administrative expenses include all costs and

expenses of the administration of the Chapter 11 case allowed under § 503(b) of the Bankruptcy Code and entitled to priority under § 507(a)(1) of the Bankruptcy Code. The Plan provides for payment in full of all allowed administrative expenses on or after the Effective Date in the ordinary course of business unless paid prior thereto or if the holder of such administrative expense has agreed to a different treatment, or as soon as practicable after the Effective Date. Any administrative expense that is the subject of an objection or potential objection as of the Effective Date, and therefore has not yet been allowed by the Bankruptcy Court, will be paid in the amount ultimately allowed promptly after resolution of the objection. The Debtor does not anticipate any Administrative Priority Claims out of the ordinary course of business other than Professional Fee Claims.

Professional Fee Claims. The following professionals have incurred fees through ____________, 2009 that remain unpaid in approximately the amounts set forth (net of interim payments made with Court approval), with those amounts subject to revision by virtue of the work necessary to conclude the reorganization process and approval by the Court after application, notice and opportunity for hearing:

Onsager, Staelin & Guyerson, LLC (counsel to the Debtor): $_________ (as of ____ , 2009)

Pro West Appraisals: $5,350

Fees to Onsager, Staelin & Guyerson, LLC ~~professionals~~ will continue to accrue through confirmation and the Effective Date. The Court will ultimately review and determine the allowance of all fees paid or to be paid to the Debtor's attorneys and the other professionals described above. All fees of professionals approved by the Court will be paid by the Debtor; no such professional fees have been guaranteed by anyone else. Subject to confirmation of the Plan, Onsager, Staelin & Guyerson, LLC has agreed to defer payment until the after the first payment to general unsecured creditors.

Fees of the United States Trustee payable under 28 U.S.C. Section 1930 will be paid on confirmation in accordance with § 1129(a)(12) of the Bankruptcy Code.

Allowed Priority Unsecured Tax Claims. The Debtor believes that Allowed Priority Tax Claims, if any, are less than $500.00. If such claims are less than $1000, in the aggregate, these claims will be paid in full on the Effective Date. If they aggregate more than $1000, the holders thereof will receive deferred Cash payments out of all Available Cash not necessary to pay Allowed Administrative Claims and Professional Fee Claims until such Allowed Priority Unsecured Tax Claims are paid in full with interest at the rate of 6% per annum, provided that any amounts remaining unpaid on the date which is five years after the Petition Date will be paid on the first Business Day following such date, together with any accrued or unpaid interest to that date.

Classified Claims: The following Classes of Claims are established under the Plan:

CLASS	CLAIM
Class 1	San Diego Secured Claim
Class 2	Fidelity Secured Claim
Class 3	National Legal Secured Claim
Class 4	John Grace/New Horizons Secured Claim
Class 5	Burg Simpson Secured Claim
Class 6	Priority Non-Tax Claims
Class 7	General Unsecured Claims
Class 8	Insider General Unsecured~~New Horizon~~
Class 9	New Horizon Claims~~Interests~~
Class 10	Interests

The estimated amount and treatment of the Claims in each Class is as follows:

Class 1 (San Diego Secured Claim) ($30,000): The Allowed Secured Claim of San Diego County is a Claim for real property taxes and is non-recourse to the Debtor. The value of its lien exceeds the value of its Claim.~~. This Claim shall be paid in full over two years in monthly payments interest at the rate of ten percent (10%) per annum or such other interest rate as may be determined by the Bankruptcy Court if San Diego County objects to such rate. Payments shall be interest only for the first three months. Thereafter, the principal balance plus interest shall be amortized over 21 months sufficient to pay the Claim in full two years from the Effective Date.~~ San Diego County will retain its lien against the Ramona Property with the same validity, priority and effect it held immediately prior to the filing date of the Chapter 11 case. San Diego County will be entitled to satisfy its Allowed Secured Claim in full through its lien, unless it is otherwise paid, and is therefore deemed satisfied and is unimpaired. ~~The Claim may be prepaid at any time without penalty. In addition, the Class 1 Claimant shall receive Distributions of all Available Cash before any Distributions of Available Cash are made to any other Claimant until the Class 1 Claim is paid in full.~~

Class 2 (Fidelity Secured Claim) ($1,150~~100~~,000): The Allowed Secured Claim of Fidelity Mortgage Lenders, Inc. ("Fidelity") is a Claim for a mortgage loan secured by a first lien against the Ramona Property (but junior to the Class 1 Claim). The value of its lien exceeds the value of its Claim.~~ The Class 2 Claim shall be paid in full within eighteen months from the Effective Date, with interest at the rate of ten percent (10%) per annum or such other interest rate as may be determined by the Bankruptcy Court if Fidelity objects to such rate. Payments shall be interest only commencing on the Effective Date with the balance of principal and interest due in full eighteen months after the Effective Date.~~ Fidelity will retain its lien against the Ramona Property with the same terms, validity, priority and effect it held immediately prior to the filing date of the Chapter 11 case. Fidelity will be able to satisfy its Allowed Secured Claim through its lien, unless it is otherwise paid, and is therefore deemed unimpaired. ~~, except as modified herein. The Claim may be prepaid at any time without penalty.~~

~~In the event the Debtor sells the Ramona Property, the proceeds of sale shall go first to pay sale expenses and then to pay Fidelity up to the then current balance of its Allowed Claim.~~

~~In addition, the Class 2 Claimant shall receive Distributions of fifty percent (50%) of all~~

Available Cash after the Claims in Classes 1, 3, 5, 6 and 7 have been paid or reserved for in full and before any Distributions of Available Cash are made to any Class until the Class 2 Claim is paid in full.

Class 3 (National Legal Secured Claim) ($360,000): The Allowed Secured Claim of National Legal is for a mortgage loan secured by a second priority lien against the Ramona Property (junior to the Class 1 Claim as well). The value of its lien exceeds the value of its Claim. The Class 3 Claim shall be paid in full in monthly payments, over a period of two (2) years from the Effective Date, including interest at the rate of twelve and seven-eighths percent (12.875%) per annum or such other interest rate as may be determined by the Bankruptcy Court if National Legal objects to such rate. Monthly payments of interest only shall commence on the first day of the month following the Effective Date for four months. Thereafter, the balance of principal and interest will be paid in twenty equal monthly installments of principal and interest. National Legal will retain its lien against the Ramona Property with the same validity, priority and effect it held immediately prior to the filing date of the Chapter 11 case. National Legal will be able to satisfy its Allowed Secured Claim through its lien, unless it is otherwise paid, and is therefore deemed satisfied hereunder and is unimpairedThe Claim may be prepaid at any time without penalty.

In the event the Debtor sells the Ramona Property, the proceeds of sale shall go first to pay sale expenses, second to pay Fidelity up to the then current balance of its Allowed Claim, and third to pay National Legal up to the then current balance of its Allowed Claim.

In addition, the Class 3 Claimant shall receive Distributions of twenty-five percent (25.0%) of Available Cash after the Class 1 Claim and Class 6 Claims have been paid or reserved for in full, and Distributions of 85% of Available Cash after all Class 7 Claims have been paid or reserved for in full, until the Class 3 Claim is paid in full.

Class 4 (John Grace/New Horizons Secured Claim) ($850,000): The Allowed Secured Claim of John Grace or New Horizons, LLC (whichever is the proper holder) is for a loan secured by a third priority lien encumbering the Ramona Property (junior to the Class 1 Claim as well). The Class 4 Claim shall be paid in full on or before five (5) years from the Effective Date, including interest at the rate of ten percent (10%) per annum or such other interest rate as may be determined by the Bankruptcy Court if the Class 4 Claimant objects to such rate. The Class 4 Claimant shall receive Distributions of fifteen percent (15.0%) of Available Cash after the San Diego Class 1 Claim and Unsecured Priority Class 6 Claims have been paid or reserved for in full, and Distributions of fifty percent (50%) of Available Cash after the National Legal Class 3 and all General Unsecured Class 7 Claims have been paid or reserved for in full. The Class 4 Claimant will retain its lien with the same validity, priority and effect it held immediately prior to the filing date of the Bankruptcy Case, but shall otherwise be treated as part of the Class 9 Claim.. Any Distributions on the Class 4 Allowed Claim shall be credited against the Allowed New Horizons Class 8 Claim as well. The Claim may be prepaid at any time without penalty.

In the event the Debtor sells the Ramona Property, the proceeds of sale shall go first to pay any sale expenses, second to pay the Fidelity Class 2 Claimant up to the then current balance of its Allowed Claim, third to pay the National Legal Class 3 Claimant up to the then current balance of its Allowed Claim, and fourth to pay the Class 4 Claimant up to the then current balance of its Allowed Class 4 Claim.

Class 5 (Burg Simpson Secured Claim): The ~~Allowed Secured~~ Claim of Burg Simpson Eldredge Hersh & Jardine, PC is for a note executed by the Debtor for certain legal services performed for College Partnership secured by a fourth priority lien against the Ramona Property (junior to the Class 1 Claim as well). In light of the grant of relief from stay to National Legal, the lien securing the Class 5 Claim has no value for purposes of the Plan and therefore shall be treated as a Class 7 Claim.~~The Class 5 Claim shall be paid in full over a period of two (2) years in monthly payments with interest at the rate of eight percent (8.0%) per annum or such other interest rate as may be determined by the Bankruptcy Court if the Class 5 Claimant objects to such rate. Monthly payments of interest only shall commence on the first day of the sixth calendar month following the Effective Date for six months. Thereafter, Class 5 Claimant shall be paid in twelve equal monthly installments of principal and interest. Class 5 Claimant will retain its lien with the same validity, priority and effect it held immediately prior to the filing date of the Bankruptcy Case. The Claim may be prepaid at any time without penalty.~~

~~In the event the Debtor sells the Ramona Property, the proceeds of sale shall go first to pay any sale expenses, second to pay the Class 2 Claimant up to the then current balance of its Allowed Claim, third to pay the Class 3 Claimant up to the then current balance of its Allowed Claim, fourth to pay the Class 4 Claimant up to the then current balance of its Allowed Claim, and fifth to pay the Class 5 Claimant up to the then current balance of its Allowed Claim.~~

~~Notwithstanding its classification as a Secured Claim, the Debtor shall also make Distributions to the Class 5 Claimant of its Pro Rata share of Available Cash as if its Claim (calculated under this Section 4.5) were an Allowed Class 7 Claim. In such event, any Distribution so made shall be credited against the monthly installments otherwise coming due to the Class 4 Claimant after the date of such Distribution, and the Debtor shall not be required to make any further installment payments under this Section 4.5 until such credit is exhausted.~~

Class 6 (Priority Non-Tax Claims) ($17,000): Commencing as soon as practicable after the Effective Date, the Claimants with Class 6 Claims shall receive their Pro Rata share of Available Cash not used to pay Allowed Administrative Claims or Professional Fee Claims, provided that all Allowed Class 6 Claims shall be paid in full on or before a date that is five (5) years from the Effective Date.

Class 7 (General Unsecured Claims) ($440~~350,000 to $450~~,000): Commencing as soon as practicable after the Effective Date, the Claimants with Class 7 Claims shall receive their Pro Rata share of Available Cash not used to pay Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Class 6 Priority Non-Tax Claims, or Allowed Priority Unsecured Tax Claims,.~~, the payments then due to the Allowed Claims in Classes 1 through 4, or to reserve for payment of any such Claims not yet Allowed.~~ The Debtor shall reserve in the Disputed Claims Reserve the Pro Rata share of the Available Cash allocable to Disputed General Unsecured Claims. At such time as a Disputed General Unsecured Claim is Allowed, (a) the Debtor shall distribute as soon as practicable, but not later than the next general Distribution on Class 7 Claims, an amount equal to the Pro Rata share already paid to all other Allowed Class 7 Claims, and (b) any amount of Available Cash reserved with regard to such Claim in excess of such Pro Rata share shall no longer be reserved.

Interest shall accrue on Class 7 Claims calculated from the Petition Date at the rate of 8.0% per

annum through day that is the three months' anniversary of the Effective Date; interest on the unpaid principal balance of the Allowed Claims at the rate of 10.0% per annum from the three months' anniversary through the date that is the six months' anniversary of the Effective Date; interest on the unpaid principal balance of the Allowed Claims at the rate of 12.0% per annum from the nine months' anniversary through the date that is the twelve months' anniversary of the Effective Date; and interest on the unpaid principal balance of the Allowed Claim at the rate of 15.0% per annum thereafter until paid in full. All payments will be applied first to interest and then to principal.

At least 33% of the Allowed Class 7 Claims must be paid on or before the date that is one year after the Effective Date, at least 66% in the aggregate of the Allowed Class 7 Claims must be paid on or before the date that is two years after the Effective Date, and the Allowed Class 7 Claims must be paid in full on or before the date that is three years after the Effective Date,

The Debtor believes that the amount of Allowed Claims in Class 7 will approximate $440,000. It believes that two claims will be disallowed in full: the claim of the Chapter 7 trustee for the estate of College Partnership filed in the amount of $1,000,000, and the claim of the Chapter 7 trustee for the estate of Ascentus Consulting Group filed in the amount of $500,000. The claim of the College Partnership trustee states no particular basis for the claim, and the Debtor is unaware of any basis for any claim. The claim filed by the Ascentus trustee is based on information the trustee received that Kingsley received $500,000 from Ascentus. However, if Kingsley has ever received any money from Ascentus, the amounts have been de minimis. Moreover, Ascentus is a debtor to College Partnership. Accordingly, the Debtor believes the claim has no merit. The Debtor will have filed objections to both of these claims prior to any hearing on confirmation of its Plan.

Class 8 (Insider General Unsecured Claims). The Allowed General Unsecured Claims of Dr. Janice Jones and John Grace ("Insider General Unsecured Claims") shall be subordinated to payment of Allowed Administrative Claims, Allowed Professional Fee Claims, and the Allowed Claims in Classes 6 and 7. Once the Allowed Class 7 Claims have been paid in full, the Claimants with Allowed Class 8 Claims shall receive Distributions of 50% of the Debtor's Available Cash, pro rata, until paid in full. Interest shall accrue on Allowed Class 8 Claims in the same manner and at the same rates as for Allowed Class 7 Claims.

Class 9 (New Horizon Claims): The Claim of New Horizons, LLC, ~~other than the Class 5 Claim,~~ shall be subordinated to payment of the Allowed Administrative Claims, Allowed Professional Fee Claims and the Allowed Claims in Classes ~~1, 3, 4,~~ 5, 6 and 7, except as provided. As soon as reasonably practical following the date upon which the Debtor has either paid in full or reserved for the payment of all Allowed Administrative Claims, Professional Fee Claims and Priority Non-Tax Claims and all Claims in Class~~Classes 1, 3, 4, 5,~~ 6, Claimants ~~and 7, the Claimant~~ with ~~the~~ Allowed Class 9 Claims~~8 Claim~~ shall become entitled to receive distributions of 15% of Available Cash. Once the Allowed Class 7 Claims have been paid in full with interest, Claimants with Allowed Class 9 Claims shall become entitled to receive distributions of 50% of Available Cash. Once the Allowed Class 8 Claims have been paid in full with interest, Claimants with Allowed Class 9 Claims shall become entitled to receive Distributions of all Available Cash until the~~its~~ Allowed Class 9 Claims are~~Claim is~~ paid in full.

Class 10~~9~~ (Interests): Except as otherwise provided herein, holders of Interests shall remain

unimpaired.

Summary of Distribution of Available Cash. The following is a summary of how Available Cash will be distributed under the Plan:

First to Professional FeesClass 1 (San Diego County) until Class 1 is paid in full;.
Second, to Class 6 (Priority Non-Tax Claims) until Class 6 is paid in full;.
Third, 85% to Class 7 (General Unsecured Claims) and 15% to Class 9 (New Horizons) until Class 7 is paid in full;
Fourth, 50% to Class 8 (Insider General Unsecured Claims and 50% to Class 9 (Third, 25% to Class 3 (National Legal), 15% to Class 4 (John Grace/New Horizons) and 60% to Class 7 (General Unsecured Claims) for one Distribution.
Fourth, to Professional Fees until paid in full.
Fifth, 25% to Class 3 (National Legal), 15% to Class 4 (John Grace/New Horizons) and 60% to Class 7 (General Unsecured Claims) until Class 7 is paid in full.
Sixth, 85% to Class 3 (National Legal), 15% to Class 4 (John Grace/New Horizons) until Class 3 (National Legal) is paid in full.
Sixth, 50% to Class 4 (John Grace/New Horizons) and 50% to Class 2 (Fidelity).
Seventh, 100% to Class 2 (Fidelity) until Class 2 is paid in full.
Eighth, 100% to Class 8 (New Horizons) until Class 8 is paid in full; and
Fifth, 100% to Class 9 (New Horizons) until Class 9 is paid in full.

One Claim Rule. With respect to each Class of Claims, a holder will be deemed to hold only a single Claim in such Class, regardless of how many separate Claims have been scheduled by the Debtor or filed by the holder. If any Claim or any portion of the Claim in a particular Class is disputed, no distribution will be made with respect to such Claim until the entire Claim is Allowed.

VI. BANKRUPTCY CODE REQUIREMENTS

The Bankruptcy Code imposes requirements for acceptance of the Plan by creditors, minimum value of distributions, and feasibility. To confirm the Plan, the Court must find that all of these conditions and other conditions in § 1129(a) of the Bankruptcy Code have been met, unless the "cramdown" provisions of the Bankruptcy Code are applicable. Even if each Class of Claims accepts the Plan by the requisite majorities, the Court must undertake an independent evaluation of Plan feasibility and of the other statutory requirements before confirming the Plan. The conditions for minimum value and feasibility are discussed below.

A. Minimum Value: To confirm the Plan, the Court must determine (with certain exceptions) that the Plan provides to each member of each impaired class of Allowed Claims a recovery at least equal to the distribution that such member would receive if the estates of the Debtor were liquidated on the Effective Date under Chapter 7 of the Bankruptcy Code. As described in "LIQUIDATION ANALYSIS," the Debtor has concluded that under the Plan each holder of a Claim will receive or retain property of a value that is equal to or greater than the amount that such holder would receive or retain if the estate of the Debtor were liquidated under Chapter 7.

B. Cash Necessary On Confirmation: The Debtor anticipates it will need less than $500.00 on the Effective Date to pay Administrative Claims~~ and Allowed Priority and approximately $14,000 to pay the payments to Class 1, 2, 3 and 4 Claims on the first day of the month following the Effective Date~~. On the Effective Date, the Debtor estimates it will have cash in the amount of approximately $__________ .

VII. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain expected federal income tax consequences of the implementation of the Plan. No opinion of counsel has been obtained and no ruling has been requested or obtained from the Internal Revenue Service with respect to any of the tax aspects of the Plan, and the discussion set forth herein is not binding upon the Internal Revenue Service. CREDITORS AND HOLDERS INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS, OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN.

A. Tax Consequences to Creditors. Creditors may be required to recognize income or may be entitled to a deduction as the result of the implementation of the Plan. The exact tax treatment will depend on each creditor's method of accounting and the nature of each Claim in the hands of the creditor.

Generally, a creditor will recognize gain or loss equal to the difference between the amount of cash received and the creditor's tax basis in the Claim. Such gain or loss may be a capital gain or loss depending upon the creditor's particular tax situation and the nature of the creditor's Claim. Gain recognized by a creditor with respect to a Claim for which a bad debt deduction has been claimed generally will be treated as ordinary income to the extent of any such prior deduction. The Debtor cannot opine regarding the tax consequence to any particular creditor, and each creditor should not rely on this summary in determining how to vote on the Plan.

Tax Consequences to the Debtor. Because the Debtor will pay all creditors in full, the Debtor does not believe it will incur "discharge of indebtedness" income. The Debtor does not opine regarding the tax consequence to any holders of Class 10~~9~~ Interests, but the Debtor does not anticipate that the Plan will alter the normal tax treatment of any holder of stock.

VIII. INSIDER TRANSACTIONS AND AVOIDANCE ACTIONS

Janice Jones and John Grace have made loans to the Debtor for a number of years. In fact, Mr. Jones, among other things, cashed in his retirement plan for this purpose. The loans were eventually assigned to New Horizons, LLC. The loans were supposed to have been secured by the mineral rights when made, but the documentation to evidence the liens against the mineral rights was not filed of record until July, 2007. New Horizons is an "insider" within the meaning of the Bankruptcy Code. Since the lien was granted and perfected within one year of the Petition Date, the transfer must be evaluated for vulnerability to avoidance.

Since the lien was granted in consideration of loans to the Debtor of equal amount, the transfer was, *ipso facto*, for fair equivalent value. As such, it cannot be avoided under § 548(a)(1)(B). The Debtor is not aware of any evidence that the transfer was made with the intent to hinder, delay or defraud creditors. As such, it cannot be avoided under § 548(a)(1)(B).

Since the lien was granted for an antecedent debt, it is conceivably a preference under § 547. However, given the valuation of the Debtor's properties, it appears that the transfer will not allow New Horizons to obtain more as a result of the lien than it would in a Chapter 7 liquidation of the Debtor, since the Debtor is solvent. The Debtor also appears to have been solvent as of July 2007. This still appears to be true if one considers only the mineral rights and no other assets. Accordingly, it does not appear that the lien is avoidable as a preference.

Moreover, under the Plan, New Horizons voluntarily subordinates its lien against the mineral rights in order to ensure payment of all other creditors more quickly. The result of avoiding the lien would not result in this subordination of the Claim.

The Debtor also transferred the mineral rights to a 90%-owned subsidiary, Good Earth Minerals, LLC in early 2008. Whether or not this transfer is avoidable is a moot point under the Debtor's Plan. Good Earth Minerals, LLC is treated under the Plan as if it were owned 100% by the Debtor, and Good Earth Minerals, LLC, and its members have agreed that no member other than the Debtor will receive any distributions until all Allowed Claims have been paid in full.

The Debtor does not believe there are any other avoidance actions to be pursued.

IX. LIQUIDATION ANALYSIS

A. Valuation. The Debtor has valued its assets as set forth above. A summary balance sheet is attached as Exhibit 2.

B. Chapter 7 Comparison. The most significant difference between the proposed Plan of Reorganization and a Chapter 7 liquidation relates to the priority of Claims. Under the Plan, New Horizons agrees to subordinate its Secured Claim in excess of $2.2 million against the mineral rights to the payment of all of the General Unsecured Creditors, so that of 85% of all money available to pay Claims will go to the General Unsecured Claims first.~~creditors. The only exception is that 15% of the Available Cash will be payable against the Class 4 Secured Claim of John Grace/New Horizons.~~ Thus, 85% of Available Cash will be distributed to the Class 7~~other~~ creditors until they are paid in full. Without an agreement for such subordination, it is highly likely that New Horizons would be entitled to all of the proceeds derived from the mineral rights until its claim were satisfied.

Instead, given that the maximum amount of General Unsecured Claims is estimated to be less than $500,000, payment in full with interest can be expected within one year, if not significantly sooner.

In a Chapter 7 liquidation, the claim of New Horizons would not be subject to subordination. Moreover, as analyzed above, the security interest in favor of New Horizons is not susceptible to avoidance. Thus, 100% of the proceeds of any sale of the mineral rights would go first to New Horizons until its claim is paid.

In addition, the mineral rights were transferred to Good Earth Minerals, LLC in order to facilitate there development and to make it easier to attract investment capital because the rights would be in an entity specially formed for that purpose. A Chapter 7 trustee would need to sell or otherwise monetize the rights by controlling the subsidiary, adding a layer of complexity to the process.

Whereas the Debtor believes that, in a Chapter 7 liquidation that is conducted without undue haste, all Allowed Claims, including all General Unsecured Claims, would be paid in full, there is always the chance that a Chapter 7 trustee would receive values for the assets that are significantly below those that the Debtor reasonably expects. A bulk sale of the mineral rights is different than the ordinary course sale of extracted minerals. The market for a bulk sale is materially less certain in the current economic environment, whereas the Debtor has already received indications from prospective buyers who desire deliveries over time. Moreover, a sale of the mineral rights may take a Chapter 7 trustee some period of time to accomplish. As noted, high-grade gypsum is a specialty mineral with a special market. The volume of mineral involved is in the millions of tons and would command a large investment in order to purchase them. Any prospective buyer would require significant due diligence before making such a bid for the mineral rights, rather than take delivery of much smaller quantities of product. Further, to date, the prospective buyers that have indicated interest are all overseas. Thus, they would only be interested if they could contract with a party in the United States to extract the minerals, thus adding complications to any sale of the mineral rights for significant value. Finally, a Chapter 7 trustee is not free to sell the mineral rights at a "fire sale." When an estate is solvent, as the Debtor is here, even a Chapter 7 trustee owes fiduciary obligations to the shareholders.

In the unlikely circumstance that the Chapter 7 trustee received less than $2.25 million for the mineral rights, the unsecured creditors would receive no payment from the mineral rights. Only if the mineral rights were sold for an amount in excess of the New Horizons Claim (estimated at $2.25 million) and any Administrative Claims and Professional Fee Claims would unsecured creditors receive any payment.

The Debtor has already made significant progress in realizing on the mineral rights, as noted, either through short term development or by locating an interested investor.~~it has been working with a broker in specialty minerals who also has expertise in managing the extraction of the minerals.~~ A Chapter 7 trustee may not ~~is unlikely to~~ undertake this rapid development of the mineral rights because it would involve the conduct of business. A Chapter 7 trustee~~, but~~ is therefore more likely to pursue a bulk sale of the rights rather than the minerals. Further, a Chapter 7 trustee typically will not make payments to creditors until all claims objections have been resolved and a final report has been approved. It is not known how long this will take. In contrast, under the Plan, distributions would begin even though disputed claims remain for resolution because the Plan protects these creditors with a claims reserve.

~~The Ramona property is also a potential source of recovery for unsecured creditors. The Debtor believes it can achieve a sale within a reasonable period of time for enough to pay all liens against the property and to pay all of the General Unsecured Claims. However, a Chapter 7 trustee may elect to sell the property more quickly and therefore realize significantly less.~~

Given the agreement under the Plan for subordination of the New Horizons Claims, the Debtor's timetable for a sale contract for quantities of gypsum, and the likely timetable in a Chapter 7, the Debtor is of the opinion that creditors will be paid much quickly under its Plan.

Interest: Another significant advantage of the Plan over a Chapter 7 liquidation is the interest rate payable on General Unsecured Claims under the Plan. Under the Plan, general unsecured creditors will receive interest at an escalating rate starting at 8% per annum and going to 15% per

annum. This rate is much higher than the federal judgment rate (currently 0.69%) and effectively higher than the rate payable under Colorado law (currently 8.0%).

X. SOLICITATION OF ACCEPTANCE OF PLAN

The Debtor hereby solicits acceptance of its Plan and urges creditors to vote to accept the Plan.

Dated: _____________, 2009

Onsager, Staelin & Guyerson, LLC

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Exhibit 1 to Disclosure Statement

Plan of Reorganization