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7 *Star Mountain Resources, Inc.*

8 IN THE UNITED STATES BANKRUPTCY COURT
9 FOR THE DISTRICT OF ARIZONA

10 In re

11 STAR MOUNTAIN RESOURCES,
INC. *f/d/b/a* Jameson Stanford
12 Resources Corp., *f/d/b/a*
MyOtherCountryClub.com,

13 Debtor.
14

Chapter 11

Case No: 2:18-bk-01594-DPC

**DISCLOSURE STATEMENT IN
SUPPORT OF DEBTOR'S
PLAN OF REORGANIZATION
DATED JUNE 21, 2018**

15 STAR MOUNTAIN RESOURCES, INC., debtor and debtor-in-possession (the
16 "Debtor" or "Star Mountain") in the above-captioned Chapter 11 bankruptcy case (the
17 "Bankruptcy Case"), provides this Disclosure Statement (the "Disclosure Statement") to
18 its known creditors and parties in interest pursuant to Section 1125 of the Bankruptcy
Code, for the purpose of voting on its "Plan of Reorganization Dated June 21, 2018" (the
"Plan").

19 **I. INTRODUCTION.**

20 **A. Overview.**

21 The Debtor has prepared this Disclosure Statement in connection with its
22 solicitation of acceptances of the Plan. The Plan has been filed with the United States
23 Bankruptcy Court for the District of Arizona (the "Bankruptcy Court") in the Bankruptcy
Case pursuant to the United States Bankruptcy Code.

24 Debtor filed its voluntary Chapter 11 bankruptcy petition on February 21, 2018
25 (the "Petition Date"). Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the
26

1 Debtor is the debtor in possession of its assets and business activities, and is the
2 representative of its bankruptcy Estate.

3 Unless otherwise defined herein, the terms defined in the Plan shall have the same
4 meanings when used in this Disclosure Statement. In addition, unless otherwise defined
5 herein or in the Plan, terms used in this Disclosure Statement shall have the same meaning
as in the Bankruptcy Code or the Bankruptcy Rules.

6 **B. Information Regarding the Disclosure Statement.**

7 1. Purpose of Disclosure Statement. The Debtor is providing this
8 Disclosure Statement to all of its known creditors and equity security holders in order to
9 allow them to make an informed decision in exercising their right to vote on the Plan,
10 which is described below. Section 1125(b) of the Bankruptcy Code prohibits the
11 solicitation of acceptances or rejections of a plan of reorganization unless that plan is
12 accompanied by a copy of a disclosure statement that has been approved by the
13 Bankruptcy Court. This Disclosure Statement must be approved by the Bankruptcy Court
14 after notice and a hearing pursuant to Section 1125(b). Once approved, the Disclosure
Statement will be distributed with the proposed Plan for voting. Approval of the
Disclosure Statement by the Bankruptcy Court does not constitute approval of the Plan by
the Bankruptcy Court or a determination that the Disclosure Statement is accurate in all
respects.

15 2. Source of Information in Disclosure Statement. Unless otherwise
16 noted, those portions of the Plan and this Disclosure Statement providing factual
17 information concerning the Debtor and its assets and liabilities have been prepared from
18 information submitted by the Debtor, its advisors and its retained professionals. The
19 Debtor and other professionals employed by the Debtor have utilized all available,
20 relevant, non-privileged information provided by the Debtor in preparing this Disclosure
Statement and the Plan. Because Holders of Allowed Claims against the Debtor's Estate
will not be paid from the Debtor's ongoing operations, this Disclosure Statement does not
provide financial projections of future operations.

21 3. Disclaimers. This Disclosure Statement contains information that
22 may influence your decision to accept or reject the Plan. Please read this document with
23 care. This Disclosure Statement and the Plan will classify all Claims of creditors into
24 Classes. The treatment of each Class of creditors will be set forth in this Disclosure
Statement and in the Plan. You should carefully examine the treatment of the Class(es) to
which your Claim will be assigned.

1 The financial information contained in this Disclosure Statement has not been
2 subjected to an audit by an independent certified public accountant. For that reason, the
3 Debtor is not able to warrant or represent that the information contained in this Disclosure
4 Statement is without any inaccuracy. To the extent practicable, the information has been
5 prepared from the Debtor's financial books and records and has been reviewed by
6 Debtor's management. Great effort has been made by Debtor's management to ensure
7 that all such information is fairly representative.

8 THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS
9 PROVIDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN OF
10 REORGANIZATION OF THE DEBTOR, AND MAY NOT BE RELIED UPON FOR
11 ANY PURPOSE OTHER THAN TO DECIDE HOW TO VOTE ON THE PLAN. NO
12 PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS
13 OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN
14 THIS DISCLOSURE STATEMENT REGARDING THE PLAN OR THE
15 SOLICITATION OF ACCEPTANCES OF THE PLAN.

16 ALL HOLDERS OF CLAIMS OR INTERESTS IN THE DEBTOR ARE
17 ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN
18 THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN
19 SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT
20 ARE QUALIFIED BY THE PLAN AND THE EXHIBITS ATTACHED TO THE PLAN.
21 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE
22 MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE
23 THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT IN THE
24 FUTURE. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS
25 SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE
26 PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

27 THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN
28 ACCORDANCE WITH BANKRUPTCY CODE § 1125 AND BANKRUPTCY RULE
29 3016(b) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE
30 SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE
31 STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE
32 SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC
33 PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS
34 CONTAINED HEREIN.

35 THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE
36 CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY RAISED IN ANY

1 CONTESTED MATTER, ADVERSARY PROCEEDING, OR OTHER ACTION, OR
2 AS A STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN
3 SETTLEMENT NEGOTIATION. THIS DISCLOSURE STATEMENT SHALL NOT BE
4 ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE
5 CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR
6 OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS
7 AGAINST, OR EQUITY INTERESTS IN, THE DEBTOR.

8 COURT APPROVAL OF THIS DISCLOSURE STATEMENT AND THE
9 ACCOMPANYING PLAN OF REORGANIZATION, INCLUDING EXHIBITS, IF
10 ANY, IS NOT A CERTIFICATION OF THE ACCURACY OF THE CONTENTS
11 THEREOF. FURTHERMORE, BANKRUPTCY COURT APPROVAL OF THESE
12 DOCUMENTS DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S OPINION
13 AS TO WHETHER THE PLAN SHOULD BE APPROVED, DISAPPROVED,
14 CONFIRMED, OR REJECTED.

15 **C. Information Regarding the Plan.**

16 1. Summary. The Plan proposes repayment of Allowed Claims from
17 the Debtor's Cash, from payments to be received from Titan Mining Corporation on the
18 Titan Promissory Note, and from the proceeds from the orderly sale of the Titan Common
19 Stock. Payments to be received from Titan and from the sale of the Titan Common Stock
20 will be deposited into a segregated Allowed Claims Distribution Fund that will be paid to
21 Holders of Allowed Claims pursuant to the Allowed Claims Distribution Procedure over a
22 period of five and one-half (5 ½) years.

23 2. Voting Procedure. The Plan divides the claims of creditors and of
24 interest holders into separate classes. Pursuant to Section 1126 of the Bankruptcy Code,
25 only Holders of Claims in Classes that are impaired by the Plan may vote on the Plan.
26 Generally, this includes creditors who, under the Plan, will receive less than payment in
full of their claims on the Effective Date of the Plan. Holders of Claims or Interests not
impaired by the Plan are deemed to have accepted the Plan and do not have the right to
vote on the Plan. Administrative Claims are not generally classified for purposes of
voting or receiving Distributions under the Plan. In the Bankruptcy Cases, Holders of
Claims or Interests in Classes 1, 2, 3, 4 and 6 are entitled to vote to accept or reject the
Plan: This Disclosure Statement is being distributed for informational purposes to all
Creditors, Interest Holders and parties-in-interests without regard to their right to vote. If
you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of
voting.

1 In order to vote on the Plan, a Creditor must have timely filed a proof of claim,
2 unless its Claim is listed on the Debtor's Schedules and is not identified as disputed,
3 unliquidated, or contingent or has been objected to prior to the Confirmation Hearing.

4 All Creditors entitled to vote on the Plan must cast their vote by completing, dating
5 and signing the ballot which has been mailed to them with this Disclosure Statement. The
6 ballot contains instructions concerning the deadline for submitting the ballot and to what
7 address the ballot should be mailed.

8 3. Confirmation Hearing And Objections. A party in interest may
9 object to confirmation of the Plan and appear at the Confirmation Hearing to pursue such
10 objection. The deadline and instructions for filing and serving any objection to
11 confirmation of the Plan are set forth on the Order Approving Disclosure Statement that
12 was mailed to all Creditors, Interest Holders and parties-in-interest, together with a Ballot,
13 the Disclosure Statement and Plan.

14 The Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of
15 the Bankruptcy Code are satisfied. The Bankruptcy Court must determine whether the
16 Plan has been accepted by each impaired Class entitled to vote on the Plan. Impaired
17 classes entitled to vote on the Plan are those Classes of Claims whose legal, equitable or
18 contractual rights are altered, as defined under Section 1124 of the Bankruptcy Code. An
19 impaired Class of Claims is deemed to have accepted the Plan if at least two-thirds in
20 amount of those Claims who vote and more than one-half in number of those Claims who
21 vote have accepted the Plan. An impaired Class of interests is deemed to have accepted
22 the Plan if the Plan has been accepted by at least two-thirds in amount of the allowed
23 interests who vote on the Plan. Only the votes of those creditors or interested parties
24 whose ballots are timely received will be counted in determining whether a class has
25 accepted the Plan.

26 Even if each Class of Creditors does not accept the Plan, the Plan can be confirmed
under Section 1129(b) of the Bankruptcy Code, so long as one impaired Class of Creditors
accepts the Plan. This is referred to as the "cram down" provision. The failure of each
Class to accept the Plan could result in a conversion of the Bankruptcy Case to a Chapter
7 or dismissal of the Chapter 11.

To confirm the Plan, the Bankruptcy Court must hold a hearing to determine
whether the Plan meets the requirements of Section 1129 of the Bankruptcy Code. The
Confirmation Hearing will be conducted in the courtroom of the Honorable Daniel P.
Collins, United States Bankruptcy Court for the District of Arizona, 230 North First
Avenue, Courtroom 603, Phoenix, Arizona 85003 and is set on the date and time provided
in the Order Approving Disclosure Statement.

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D. Post-Confirmation Status of Debtor.

The Debtor and its wholly owned subsidiaries shall continue to exist after the Effective Date as corporate entities with all the powers of a corporation pursuant to the laws of the State of Nevada and pursuant to their respective certificates of incorporation or formation, bylaws and other formation documents in effect prior to the Effective Date. There are no anticipated changes to the Debtor’s existing officers and directors at this time.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated therein or in a Confirmation Order, on the Effective Date, all Assets in the Estate and all causes of action shall vest in the reorganized Debtor free and clear of all liens, Claims, charges or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, the Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests or causes of action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

II. SUMMARY OF THE DEBTOR’S BUSINESS.

A. Description of the Debtor’s Business Operations.

The Debtor has been a minerals exploration company focused on acquiring and consolidating mining claims, mineral leases, producing mines, and historic mines with production and future growth potential identified through our exploration efforts. The Debtor is currently not holding or managing any mining properties, but rather is researching and investigating new opportunities.

1 **B. Assets and Liabilities of the Debtor.**

2 1. Assets. The Debtor’s primary assets as of the Petition Date were
3 approximately \$250,000 in Cash, prepayments on D & O insurance, and on contracts with
4 OTC Markets and Upeva, retainers paid to restructuring counsel and to special corporate
5 counsel, the Titan Promissory Note in the amount of \$1.025 million, and 2,968,900 shares
6 of Titan Mining Corporation with a value of approximately \$3.5 million, but which likely
7 could not all be sold for that amount over a short amount of time. The Debtor also holds
8 claims and/or indemnification rights against Aviano and SGS, asserted in the Aviano
9 Litigation and in the SGS Litigation. The Debtor will ask the Bankruptcy Court to
10 determine the value of these claims and rights as part of the adjudication of Claims
11 asserted by Aviano, SGS, and other parties, unless they are agreed upon as part of a
12 settlement process.

13 2. Liabilities. The aggregate amount of liquidated Claims that are likely
14 to be asserted in each of the various Classes under the Plan are estimated as follows:

15

Aviano Litigation Claims	\$ 118,211,597
Unsecured Trade Creditor Claims	\$ 24,351
Balmat Litigant Claims	\$ 249,381
Contingent or Barred Claims	\$ 30,099,937
Insider Convertible Debt Claims	\$ 1,076,848

16

17 These amounts will change as Proofs of Claim are filed on or before the Bar Date, and as
18 Claim amounts are liquidated and/or adjudicated. Many of the above amounts are
19 disputed, as set forth on the Debtor’s Schedules, and could be reduced by affirmative
20 defenses or counterclaims, as well as by indemnification obligations of other creditors. In
21 addition, the Aviano Litigation Claims are subject to offset.

22 **III. EVENTS PRECIPITATING THE CHAPTER 11 FILING.**

23 The Debtor’s Chapter 11 Case was filed primarily because of the pre-Petition Date
24 litigation filed against the Debtor and others in multiple courts, as described below. The
25 Aviano Litigation is pending in a state court in Colorado, and the SGS Litigation is
26 pending in Colorado District Court. Both of these lawsuits involve the Balmat Zinc Mine
and related assets (the “Balmat Mining Assets”), the Aviano Litigation relating mostly to
the Debtor’s acquisition of the holding company that owned the Balmat Mining Assets,
and the SGS Litigation arising from the sale of the Balmat Mining Assets to Titan Mining
Corporation (“Titan”).

1 The Aviano Litigation and the SGS Litigation are intertwined for a number of
2 reasons: (1) Aviano agreed to indemnify the Debtor for its liability in the SGS Lawsuit
3 and to pay its attorneys' fees, and the Debtor has claims against Aviano based on that
4 indemnification liability; (2) the Debtor, Bernard Guarnera and David Linsley are parties
5 to both the Aviano Litigation and the SGS Litigation; and (3) Aviano has added a
6 fraudulent conveyance claim against the Debtor in the Aviano Litigation that is based
upon the sale of the Balmat Mining Assets to Titan, which is based on some of the same
facts relevant to the SGS Litigation. The Debtor hopes to resolve these interrelated claims
and issues in one forum as part of a single bankruptcy proceeding.

7 **A. The Balmat Mining Assets Acquisition and Sale.**

8 In November 2015, the Debtor acquired Northern Zinc, LLC ("Northern Zinc"),
9 the owner of the entity that owed the mining property known as the Balmat Zinc Mine and
10 certain mining and processing equipment located in St. Lawrence County, New York (the
11 "Balmat Assets"). After the Debtor acquired the Balmat Assets, it was unable to secure
12 sufficient financing to commence operations at the mine. Furthermore, the Debtor had
13 been unable to continue to make the payments due under its convertible and other debt
14 obligations and to finance the care and maintenance activities of the Balmat Assets.
15 Consequently, the Debtor's board determined that the sale of the Balmat Assets to Titan
16 Mining Corporation ("Titan") was in the best interests of the Debtor and its shareholders.
17 Furthermore, the Debtor's board of directors determined that the benefits and costs
associated with being publicly traded were no longer justifiable leading it to the
conclusion that deregistration of its common stock was appropriate. For these reasons, the
Debtor filed a Form 15 with the Securities and Exchange Commission on November 10,
2016 to voluntarily deregister its common stock under the Securities Exchange Act of
1934, as amended.

18 **B. The Aviano Lawsuit.**

19 The Debtor is currently a defendant in a lawsuit filed by Aviano Financial Group,
20 LLC ("Aviano") stemming from the Debtor's failure to pay amounts due to Aviano in
21 connection with the Debtor's November 2, 2015 purchase of Northern Zinc. This lawsuit
22 was filed in 2017 in the District Court, City and County of Denver, State of Colorado
(Case No. 2017CV030605, Div. 368). Aviano alleges that the Debtor breached the
23 purchase agreement by not paying in full a promissory note it had issued to Aviano, not
24 paying a promissory note for attorneys' fees incurred by Fognani & Faught, and other
attorneys' fees incurred by Aviano in conjunction with the purchase agreement. Aviano's
25 First Amended Complaint also alleges the Debtor breached a purported oral agreement to
protect Aviano from dilution of the 10,000,000 shares of the Debtor's common stock it
26 issued to Aviano as partial consideration for the purchase of Northern Zinc. The Debtor

1 filed counterclaims against Aviano in the Aviano Lawsuit, and also filed a third-party
2 complaint against Bernard Guarnera and David Linsley. Finally, Aviano filed a Second
3 Amended Complaint adding a claim that the Debtor's sale of the Balmat Mining Assets to
Titan Mining Corporation was a fraudulent transfer.

4 **C. SGS Acquisition Company, Ltd. Lawsuit.**

5 On October 4, 2016, SGS Acquisition Company, Ltd. ("SGS") filed a lawsuit in
6 the District Court for the District of Colorado (Case No. 16-cv-02486-MSK) against
7 David Linsley, Bernard Guarnera, Northern Zinc, a wholly owned subsidiary of the
8 Debtor, and the Debtor (the "SGS Lawsuit"). The SGS Lawsuit asserts a claim against
9 Northern Zinc and the Debtor for misappropriation of SGS' trade secrets as it relates to a
10 relationship between Mr. Linsley, Guarnera and SGS and their efforts to acquire the
11 Balmat Mining Assets from Hudbay prior to the Debtor's November 2, 2015 acquisition
12 of the Balmat Mining Assets. The Debtor has denied SGS' allegations and has sought
indemnification from Aviano pursuant to the indemnification rights it obtained when it
discovery was ongoing

13 Aviano initially had undertaken the Debtor's defense of the claims in the SGS
14 Lawsuit but recently failed to pay the defense costs it had undertaken leading to the
15 withdrawal of counsel for Northern Zinc and the Debtor and the filing of a Proof of Claim
16 for counsel's attorneys' fees in the Bankruptcy Court. While Aviano has acknowledged
its indemnification obligations to Northern Zinc and the Debtor, the Debtor cannot
predict, however, whether it will be found liable.

17 **D. Other Litigation.**

18 On October 13, 2017, Aviano along with other non-controlling shareholders of the
19 Debtor put the Debtor on notice of their demand that the Debtor take action on behalf of
20 the Debtor against its Board of Directors and officers to remedy purported breaches of
21 fiduciary duties, gross mismanagement, insider self-dealing and violations of Nevada
22 Revised Statutes Sec. 78.138(7) and Sec. 78.565. The shareholder demand stems from
23 matters related to the Debtor's sale of the Balmat Mining Assets to Titan, allegedly
24 without assessing the fundamental value and fairness of the consideration for the mine and
25 without exploring any alternatives that would preserve value for the Debtor and its
26 shareholders. These claims are related to both the Aviano Litigation and the SGS
Litigation.

1 **IV. EVENTS DURING THE CHAPTER 11 CASES.**

2 The Debtor filed a voluntary petition commencing this Chapter 11 Case on
3 February 21, 2018 (the “Petition Date”). The following are the most significant events
4 that have occurred in the Chapter 11 Case to date:

5 **A. Employment of Debtor’s Professionals.**

6 The Court has entered Orders approving the Debtor’s employment of restructuring
7 counsel, Fennemore Craig, P.C. (Doc. No. 17), and special corporate counsel, Legal &
8 Compliance LLC (Doc. No. 21).

9 **B. Appointment of a Creditors’ Committee.**

10 The Office of the United States Trustee appointed an Official Committee of
11 Unsecured Creditors (the “Committee”), consisting of Michael Nelson Christiansen,
12 Lanesborough, LLC and Aviano Financial Group (Doc. Nos. 42 and 50). The Court
13 approved the retention of Dickinson Wright, PLLC as attorneys for the Committee (Doc.
14 No. 46).

15 **C. Motion for Stay Relief.**

16 SGS Acquisition Company, Ltd. filed a Motion for Stay Relief on April 2, 2018
17 (Doc. No. 33), seeking authority to proceed with the SGS Litigation in the United States
18 District Court for the District of Colorado. The Debtor objected to the Motion at Doc. No.
19 41, and the Bankruptcy Court scheduled a preliminary hearing on the Motion for June 26,
20 2018.

21 **D. Motion to Assume Executory Contract with Upeva, Inc.**

22 The Debtor filed a Motion to assume its business consulting and financial
23 management services contract with Upeva, Inc. (Doc. No. 28) (the “Upeva Motion”). The
24 Office of the United States Trustee objected to the Upeva Motion (Doc. No. 38), and will
25 take discovery of the Debtor before pressing forward on its objection. At a status hearing
26 on May 24, 2018, the Bankruptcy Court scheduled an evidentiary hearing on the Upeva
Motion. *See* Doc. No. 56.

E. Motion to Set Proof of Claims Bar Date.

By Order dated May 24, 2018, the Court approved the Debtor’s request to set a bar
date for filing proofs of claim and established **July 9, 2018** as the deadline to file claims.
See Doc. No. 59.

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F. Rule 2004 Document Requests and Examinations.

The Office of the United States Trustee has filed several Applications for examinations under Federal Bankruptcy Rule 2004, seeking production of documents from principals of the Debtor and from former officers and directors of the Debtor. The Debtor is gathering information responsive to these requests.

G. Speaking Motion to Appoint a Trustee.

The Court has conducted a number of status conferences in the Chapter 11 Case pursuant to 11 U.S.C. § 105. The Committee has asserted at those hearings that a trustee should be appointed to oversee the affairs of the Debtor. At a hearing on May 14, 2018, the Bankruptcy Court took evidence about the management of the Debtor and whether there were officers and directors acting in a fiduciary capacity with respect to the Debtor. At that hearing, the Bankruptcy Court found that there were two people acting in a fiduciary capacity – Mark Osterberg, President and Chief Operating Officer of the Debtor, and Joseph Marchal, Executive Chairman and Chief Executing Officer of the Debtor. See Doc. No. 56.

At the May 14, 2018, the Bankruptcy Court directed the Committee to file its written motion to appoint a trustee by June 12, 2018. It further scheduled a trial commencing on August 1, 2018 on the Motion to appoint a Chapter 11. As of the date of this Disclosure Statement, no written Motion to appoint a Chapter 11 trustee has been filed.

V. DESCRIPTION OF THE PLAN OF REORGANIZATION AND CLASSIFICATION AND TREATMENT OF CLAIMS.

THE FOLLOWING STATEMENTS CONCERNING THE PLAN ARE MERELY A SUMMARY OF THE PLAN AND ARE NOT COMPLETE. THE STATEMENTS ARE QUALIFIED BY THE PLAN. CREDITORS ARE URGED TO CONSULT WITH COUNSEL IN ORDER TO UNDERSTAND THE PLAN FULLY. THE PLAN IS COMPLETE, INASMUCH AS IT PROPOSES A LEGALLY BINDING AGREEMENT BY THE DEBTOR AND ALL THE PARTIES IN THE BANKRUPTCY. AN INTELLIGENT JUDGMENT CANNOT BE MADE WITHOUT READING IT IN FULL.

A. Overview of the Plan.

A copy of the Plan accompanies this Disclosure Statement as Exhibit A. The following is a summary of the material provisions of the Plan. This summary is qualified in its entirety by the specific provisions of the Plan, including the Plan’s definitions of

1 certain terms used below, and any conflict between this summary and the terms of the
2 Plan will be resolved in favor of the Plan.

3 In general, a Chapter 11 plan of reorganization (a) divides claims and interests into
4 separate classes, (b) specifies the property that each class is to receive under the plan, and
5 (c) contains other provisions necessary to the reorganization of the debtor. A chapter 11
6 plan may specify that certain classes of claims or interests are either to be paid in full
7 upon the effective date of the plan, reinstated, or their legal, equitable and contractual
8 rights are to remain unchanged by the reorganization effectuated by the plan. Such
9 classes are referred to under the Bankruptcy Code as “unimpaired.” Debtors solicit
10 accepting votes on their plans only from classes that are impaired and that are to receive
11 some distribution of property pursuant to the Plan. In this case, all Classes under the Plan
12 are “impaired.”

13 **B. Treatment of Claims and Interests That Are Not Classified.**

14 Only Administrative Claims are not classified under the Plan. The holder of every
15 Allowed Administrative Claim will be paid, in full satisfaction of such Claim, (a) a single
16 Cash payment in the Allowed amount of the Claim on the later of the Effective Date or
17 the date on which the Administrative Claim becomes an Allowed Claim; or (b) as
18 otherwise agreed in writing by the holder of the Allowed Claim or ordered by the
19 Bankruptcy Court.

20 **C. Classification of Claims and Interests.**

21 Pursuant to Section 1122 of the Bankruptcy Code, Claims (other than
22 Administrative Claims) and Interests are classified for all purposes, including voting on,
23 confirmation of and distribution pursuant to this Plan, as follows:
24

25	Class Name	Status
26	1 Aviano Netted Litigation Claim	Unsecured, Impaired
	2 Unsecured Trade Creditor Claims	Unsecured, Impaired
	3 Balmat Litigant Claims	Unsecured, Impaired
	4 Contingent or Barred Claims	Unsecured, Impaired, Deemed to Reject
	5 Insider Convertible Debt Claims	Unsecured, Impaired, Votes Not Counted
	6 Interests	Impaired, Entitled to Vote

1 **D. Treatment of Claims and Interests.**

2 1. Treatment of Class 1 Aviano Netted Claim. The Aviano Netted
3 Claim consists of the claims asserted by Aviano in Claim No. 3-1 in the amount of
4 \$118,211,597 against the Debtor, less the amount of the Aviano Indemnification Claims.
5 The Debtor disputes the amount and validity of the Aviano Litigation Claims, and thus the
6 Aviano Netted Claim. The Debtor will file a formal objection to the Proof of Claim filed
7 by Aviano and will ask the Bankruptcy Court to determine the Allowed amount, if any, of
8 the Aviano Litigation Claims, the Aviano Indemnification Claims and the Aviano Netted
9 Claim.

10 The Aviano Indemnification Claims include certain amounts for which Aviano is
11 obligated to indemnify the Debtor with respect to litigation brought against the Debtor and
12 others by SGS (including both amounts the Debtor is determined to owe to SGS, and
13 attorneys' fees payable by the Debtor to its counsel in the SGS Litigation); and amounts
14 set forth in the "Confirmation and Agreement Related to Valarga Group LLC" entered
15 into between Northern Zinc, LLC and Aviano dated as of October 13, 2015. Therefore,
16 determination of the Aviano Netted Claim will depend on the outcome of both the Aviano
17 Litigation and the SGS Litigation.

18 If the Holder of the Aviano Netted Claim votes to accept the Plan, the Debtor and
19 Aviano will agree to an Allowed Aviano Litigation Claim in the aggregate amount of
20 \$715,167.12, reflecting principal of \$600,000.00 and accrued interest of \$115,167.12, to
21 be paid in full satisfaction of the Aviano Litigation Claims. This Allowed Claim, less the
22 amounts of the Aviano Indemnification Claims, whether determined by the Bankruptcy
23 Court or agreed upon by the parties, would be eligible to participate in distributions from
24 the Allowed Claims Distribution Fund commencing on the first Distribution Date that
25 occurs after the amount of the Aviano Netted Claim is determined. If the Holder of the
26 Aviano Netted Claim votes to reject the Plan or objects to confirmation of the Plan, the
Bankruptcy Court will determine the Allowed amount, if any, of both the Aviano
Litigation Claims and the Aviano Indemnification Claims. Aviano would not become
eligible to participate in payments from the Allowed Claims Distribution Fund until after
these amounts are determined and Allowed by the Bankruptcy Court. No amounts will be
reserved or set aside for payment of the Aviano Netted Claim until such Claim becomes
Allowed.

27 2. Treatment of Class 2 Unsecured Trade Creditor Claims. The Class 2
28 Unsecured Trade Creditor Claims are those Claims: (a) that are not listed as "Disputed,"
29 "Contingent" or "Unliquidated" on the Debtor's Schedules, and (b) to which the Debtor
30 has not filed an objection on or before the Confirmation Date. The Debtor will pay
31 Allowed Unsecured Trade Creditor Claims in full and in Cash within thirty (30) days after
32

1 the Effective Date of the Plan. The Class 2 Unsecured Trade Creditor Claims are
2 **impaired** under the Plan.

3 3. Treatment of Class 3 Balmat Litigant Claims. The Class 3 Balmat
4 Litigant Claims are Claims held by Persons, other than Aviano, who are parties to the
5 Aviano Litigation or the SGS Litigation. The Debtor disputes the amount and validity of
6 all of the Balmat Litigant Claims. The Debtor will file formal objections to these claims
7 and will ask the Bankruptcy Court to determine the Allowed amount, if any, of each of the
8 Balmat Litigant Claims.

9 The Bankruptcy Court will determine the Allowed amount, if any, of the Balmat
10 Litigant Claims, and only if, when and to the extent that the Balmat Litigant Claims
11 become Allowed Claims, will Holders of Balmat Litigant Claims become eligible to
12 participate in the Allowed Claims Distribution Procedure. No amounts will be reserved or
13 set aside for payment of the Balmat Litigant Claims before such Claims become Allowed.

14 4. Treatment of Class 4 Contingent or Barred Claims. The Class 4
15 Contingent or Barred Claims are Claims that are not allowable against the Debtor for one
16 of the following reasons: (a) they are contingent claims that should be brought against
17 another entity; (b) they are time-barred; (c) they are not ripe; (d) they are contractual
18 Claims where a condition to payment has either not been satisfied or has been breached;
19 or (e) they were fully satisfied by payments of Cash or stock prior to the Petition Date. To
20 the extent any Holder(s) of Contingent or Barred Claims file Proofs of Claim against the
21 Debtor's Estate, the Debtor will object to those Claims and ask that they be designated as
22 "contingent or barred" and treated under Class 4 of the Plan. The Debtor proposes that all
23 Class 4 Contingent or Barred Claims be disallowed against the Debtor's Estate and
24 receive nothing more on account of those Claims. If, when and to the extent any of the
25 Class 4 Claims become Allowed Claims, they will be paid *pro rata* in installments from
26 the Allowed Claims Distribution Fund on each Distribution Date that occurs after the date
such Claim becomes Allowed. Class 4 Claims are **impaired** under the Plan and the
Holders of Class 4 Claims are deemed to have rejected the Plan, because the Debtor
contemplates that they will receive nothing under the Plan.

5. Treatment of Class 5 Insider Convertible Debt Claims. The Class 5
Insider Convertible Debt Claims consist of the Claims of Edward Brogan and Joseph
Marchal, current officers or directors of the Debtor. Payment on the Class 5 Insider
Convertible Debt Claims will be paid from the Allowed Claims Distribution Fund in
accordance with the Allowed Claims Distribution Procedure, after all Claims in Class 2
have been paid in full. Class 5 Claims are **impaired** under the Plan, but the votes of the
Holders of Class 5 Insider Convertible Debt Claims will not count for purposes of
determining acceptances of the Plan.

1 6. Treatment of Class 6 Interests. The Holders of Class 6 Interests will
2 not receive anything on account of their Interests until all Disputed Claims have been
3 adjudicated and all Allowed Claims have been paid in full in accordance with the Allowed
4 Claims Distribution Procedure. If all Allowed Claims have been paid in full, any
5 remaining Cash in the Allowed Claims Distribution Fund will be distributed to Holders of
6 Interests in the Debtor in accordance with the preferences established upon the issuance of
7 each class of stock in the Debtor.

8 If, after the liquidation of all of the Titan Common Stock, there is insufficient Cash
9 to pay all Allowed Claims in full, all Interests in the Debtor will be canceled, and the
10 Holders of unpaid Allowed Claims will receive common stock in the Debtor, with newly
11 issued shares of the Debtor's common stock to be apportioned *pro rata*, with each
12 Holder's share calculated by dividing the amount of the Holder's unpaid Allowed Claim
13 by the total amount of all unpaid Allowed Claims.

14 **E. Sources of Payment for Holders of Allowed Claims and Interests.**

15 Holders of Allowed Claims and Interests will be paid from the Debtor's Cash as of
16 the Effective Date and from the balance in the Allowed Claims Distribution Fund. The
17 Allowed Claims Distribution Fund will be funded with proceeds from the collection of the
18 Titan Promissory Note and from the orderly sale of the Titan Common Stock.

19 **F. Preservation of Causes of Action.**

20 In accordance with section 1123(b) of the Bankruptcy Code, after the Confirmation
21 Date, the Debtor will retain and may enforce all rights to commence and pursue, as
22 appropriate, any and all causes of action, whether arising before or after the Petition Date,
23 and the Debtor's rights to commence, prosecute, or settle such causes of action shall be
24 preserved notwithstanding the occurrence of the Effective Date. The Debtor may pursue
25 such causes of action, as appropriate, in accordance with the best interests of the Debtor.
26 **No Person may rely on the absence of a specific reference in the Plan or the
Disclosure Statement to any cause of action against them as any indication that the
Debtor will not pursue any and all available causes of action against them. The
Debtor expressly reserves all rights to prosecute any and all causes of action against
any Person, except as otherwise expressly provided in the Plan.**

G. Objections to Claims.

 Objections to the allowance of any Claim may be filed by any party in interest no
later than: (i) forty-five (45) days after the Effective Date; or (ii) on such later date as may
be set by order of the Bankruptcy Court after notice and a hearing. Only the Debtor may
request an extension of the 45-day deadline to object to Claims provided herein.

1 **H. Distributions.**

2 1. Distributions on Account of Claims Allowed as of the Effective Date.
3 Except as otherwise provided in the Plan, a Final Order, or as agreed to by the relevant
4 parties, initial Distributions under the Plan on account of Claims Allowed on or before the
5 Effective Date in Classes 1, 3, 4 and 5 shall be made on the first Distribution Date;
6 *provided, however,* that (1) Allowed Administrative Claims with respect to liabilities
7 incurred by the Debtor in the ordinary course of business during the Chapter 11 Case or
8 assumed by the Debtor prior to the Effective Date shall be paid in accordance with the
9 terms and conditions of any controlling agreement, course of dealing, course of business,
10 or industry practice, and (2) Allowed Professional Fees Claims and Allowed Class 2
11 Claims, unless otherwise agreed, shall be paid in accordance with Articles IV.A.1 and
12 IV.B.2 of this Plan, respectively.

13 2. Distribution on Account of Claims Allowed after the Effective Date.

14 (a) Payments and Distributions on Disputed Claims. Except as
15 otherwise provided in the Plan, a Final Order, or as agreed to by the relevant
16 parties, Distributions under the Plan on account of Disputed Claims that become
17 Allowed after the Effective Date shall be made on the periodic Distribution Date
18 that is at least thirty (30) days after the Disputed Claim becomes an Allowed
19 Claim.

20 (b) Special Rules for Distributions to Holders of Disputed Claims.
21 Notwithstanding any provision otherwise in the Plan and except as otherwise
22 agreed by the relevant parties: (a) no partial payments and no partial Distributions
23 shall be made with respect to a Disputed Claim until all such disputes in connection
24 with such Disputed Claim have been resolved by settlement or Final Order and (b)
25 any Person that holds both an Allowed Claim and a Disputed Claim shall not
26 receive any distribution on the Allowed Claim unless and until all objections to the
27 Disputed Claim have been resolved by settlement or Final Order and all Claims of
28 such Holder have been Allowed.

29 **I. Discharge, Injunction, and Exculpation.**

30 1. Discharge. Pursuant to section 1141(d) of the Bankruptcy Code, and
31 except as otherwise specifically provided in the Plan, the distributions, rights, and
32 treatments that are provided in the Plan shall be in complete satisfaction, discharge, and
33 release, as of the Effective Date, of all Claims, Interests, and causes of action of any
34 nature whatsoever, including any interest accrued on such Claims or Interests from and
35 after the Petition Date, whether known or unknown, regardless of whether any property
36 shall have been distributed or retained pursuant to the Plan on account of such Claims and

1 Interests, and regardless of whether: (1) a Proof of Claim or Interest based upon such
2 debt, right, or Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy
3 Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant
4 to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has
accepted the Plan.

5 2. Releases by the Debtor. Pursuant to section 1123(b) of the
6 Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and
7 valuable consideration, including the service of the Released Parties to facilitate the
8 expeditious reorganization of the Debtor and the implementation of the restructuring
9 contemplated by the Plan, on and after the Effective Date, the Released Parties are
10 deemed released and discharged by the Debtor and the Estate from any and all Claims,
11 obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever,
12 including any derivative Claims asserted on behalf of the Debtor, whether known or
13 unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or
14 otherwise that the Debtor or the Estate would have been legally entitled to assert in its
15 own right or on behalf of the Holder of any Claim or Interest, based on or relating to, or in
16 any manner arising from, in whole or in part, the Debtor, the Chapter 11 Case, the
17 purchase, sale, or rescission of the purchase or sale of any security of the Debtor, the
18 subject matter of, or the transactions or events giving rise to, any Claim or Interest that is
19 treated in the Plan, the business or contractual arrangements between any Debtor and any
20 Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11
Case, the negotiation, formulation, or preparation of the Plan and Disclosure Statement, or
related agreements, instruments, or other documents, upon any other act or omission,
transaction, agreement, event, or other occurrence taking place on or before the Effective
Date, other than Claims or liabilities arising out of or relating to any act or omission of a
Released Party that constitutes a failure to perform the duty to act in good faith, with the
care of an ordinarily prudent person and in a manner the Released Party reasonably
believed to be in the best interest of the Debtor (to the extent such duty is imposed by
applicable non-bankruptcy law) where such failure to perform constitutes willful
misconduct or gross negligence.

21 3. Exculpation. On the Effective Date of this Plan, no Person who was
22 serving as an officer, director or employee of the Debtor on the Petition Date, acting in
23 their capacity as such, nor the Debtor, the Debtor's Estates, or any of the foregoing's
24 respective affiliates, members, advisors, agents or Professionals (collectively, the
25 "Exculpated Parties") shall have or incur any liability to any Person for any act or
26 omission taken or omitted on or after the Petition Date in connection with, related to, or
arising out of, the preparation, filing, negotiation or formulation of this Plan, the pursuit of
confirmation of this Plan including without limitation, the consummation of this Plan or
the implementation or administration of this Plan or the property to be distributed under

1 this Plan, and any such Claim or cause of action shall be deemed released, except for any
2 Claim or cause of action arising from the fraud or willful misconduct of any Exculpated
3 Party. In all respects, the Exculpated Parties shall be entitled to rely upon the advice of
4 counsel with respect to their duties and responsibilities under this Plan; *provided,*
5 *however,* that nothing in this Plan shall, or shall be deemed to, release, affect, or limit any
6 of the rights and obligations of the Exculpated Parties from, or exculpate the Exculpated
7 Parties with respect to, any of the Exculpated Parties' obligations or covenants arising
8 pursuant to this Plan or the Confirmation Order.

9
10 4. Releases by Holders of Claims and Interests. Except for any
11 obligation, claim, cause of action, or liability arising expressly under the Plan or reserved
12 by any Person pursuant to the Plan, on and after the Effective Date, Holders of Claims and
13 Interests shall be deemed to have conclusively, absolutely, unconditionally, irrevocably,
14 and forever, released and discharged the Debtor and the Released Parties from any and all
15 Claims, Interests, obligations, rights, suits, damages, causes of action, remedies, and
16 liabilities whatsoever, including any derivative Claims asserted on behalf of a Debtor,
17 whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law,
18 equity or otherwise, that such Person would have been legally entitled to assert based on
19 or relating to, or in any manner arising from, in whole or in part, the Debtor, the Debtor's
20 restructuring, the Debtor's Chapter 11 Case, the purchase, sale, or rescission of the
21 purchase or sale of any security of the Debtor, the subject matter of, or the transactions or
22 events giving rise to, any Claim or Interest that is treated in the Plan, the business or
23 contractual arrangements between any Debtor and any Released Party, the restructuring of
24 Claims and Interests prior to or in the Chapter 11 Case, the negotiation, formulation, or
25 preparation of the Plan and Disclosure Statement, or related agreements, instruments, or
26 other documents, upon any other act or omission, transaction, agreement, event, or other
occurrence taking place on or before the Effective Date with respect to any of the
foregoing, other than Claims or liabilities arising out of or relating to any act or omission
of the Debtor or of a Released Party that constitutes a failure to perform the duty to act in
good faith, with the care of an ordinarily prudent person and in a manner the Debtor or the
Released Party reasonably believed to be in the best interests of the Debtor (to the extent
such duty is imposed on such Released Party by applicable non-bankruptcy law) where
such failure to perform constitutes willful misconduct or gross negligence.

27 5. Injunction. As of the Effective Date, except as otherwise provided in
28 this Plan, all Persons are hereby permanently enjoined from commencing or continuing, in
29 any manner or in any place, any action or other proceeding, or pursuing any cause of
30 action or Claim, or effectuating any setoff, whether directly, derivatively or otherwise
31 against the Debtor, any of the Released Parties or any of the Exculpated Parties, on
32 account of or respecting any Claims, debts, causes of action, rights or liabilities released

1 or discharged pursuant to this Plan, except to the extent expressly permitted under this
2 Plan.

3 **VI. ACCEPTANCE AND CONFIRMATION.**

4 The following is a brief summary of the provisions of the Bankruptcy Code
5 relevant to acceptance and confirmation of a plan of reorganization. Holders of Claims
6 and Interests are encouraged to review the relevant provisions of the Bankruptcy Code
7 with their own attorneys.

8 **A. Acceptance of the Plan.**

9 This Disclosure Statement is provided in connection with the solicitation of
10 acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan of
11 reorganization by a class of claims as acceptance by holders of at least two-thirds in dollar
12 amount, and more than one-half in number, of the allowed claims of that class that have
13 actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy
14 Code defines acceptance of a plan of reorganization by a class of interests as acceptance
15 by at least two-thirds in amount of the allowed interests of that class that have actually
16 voted or are deemed to have voted to accept or reject a plan.

17 If one or more Impaired Classes rejects the Plan, the Debtor may, in its discretion,
18 nevertheless seek confirmation of the Plan if the Debtor believes that it will be able to
19 meet the requirements of section 1129(b) of the Bankruptcy Code for confirmation of the
20 Plan, despite the lack of acceptance by all Impaired Classes.

21 **B. Confirmation.**

22 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court,
23 after notice, to hold a Confirmation Hearing. Notice of the Confirmation Hearing
24 regarding the Plan has been provided to all known holders of Claims and Interests or their
25 respective representatives along with this Disclosure Statement. The Confirmation
26 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 or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may
object to confirmation of a plan. Any objection to confirmation of the Plan must be in
writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy
Court, must set forth the name of the objecting party, the nature and amount of Claims or
Interests held or asserted by that party against the Debtor's Estate or property, and the
specific basis for the objection. Such objection must be filed with the Bankruptcy Court

1 and served on the Debtor and all those requesting notice on or before the deadline set forth
2 in the notice of Confirmation Hearing.

3 At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court
4 determine that the Plan satisfies the requirements of section 1129 of the Bankruptcy Code.
5 If the Bankruptcy Court so determines, the Bankruptcy Court will enter an order
6 confirming the Plan.

7 **VII. TAX CONSEQUENCES OF PLAN.**

8 Nothing contained in the Disclosure Statement or the Plan shall in any way
9 constitute tax advice. The tax consequences of the Plan on particular creditors are
10 uncertain and may vary depending upon particular circumstances. Accordingly, Holders
11 of Claims and Interests are strongly urged to consult their own tax advisors about the
12 federal, state, local, and foreign income and other tax consequences of the Plan, including
13 with respect to tax reporting and record-keeping requirements.

14 **VIII. RISK FACTORS.**

15 **HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSIDER
16 CAREFULLY THE FOLLOWING FACTORS, IN ADDITION TO THE OTHER
17 INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, BEFORE
18 SUBMITTING A VOTE TO ACCEPT OR REJECT THE PLAN.**

19 **A. Confirmation of the Plan is not Assured.**

20 Although the Debtor believes that the Plan will satisfy all requirements necessary
21 for Confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy
22 Court will reach the same conclusion. There can also be no assurance that modifications
23 to the Plan will not be required for Confirmation or that such modifications would not
24 necessitate resolicitation of votes.

25 **B. The Plan May Be Confirmed Without the Approval of All Creditors 26 Through "Cramdown".**

27 If one or more Impaired Classes of Claims does not accept the Plan, the
28 Bankruptcy Court may nonetheless confirm the Plan at the Debtor's request, if all other
29 conditions for Confirmation have been met and at least one Impaired Class of Claims has
30 accepted the Plan (without including the vote of any Insider in that Class) and, as to each
31 Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the
32 Plan does not discriminate unfairly and is fair and equitable.

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C. The Effective Date Might Be Delayed or Never Occur.

There can be no assurance as to the timing of the Effective Date or that it will occur. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or been waived, the Confirmation Order shall be vacated in accordance with the Plan and such Confirmation Order. In that event, no Distributions would be made.

D. The Value and Marketability of the Titan Common Stock Is Uncertain.

It is difficult to predict how quickly or at what price the Titan Common Stock can be liquidated. Therefore, it is not known how much the periodic distributions will be from the Allowed Claims Distribution Fund.

E. The Amounts of Many Claims Must Be Adjudicated.

Creditors have asserted Claims against the Debtor in substantial amounts. These claims will be Disputed and will need to be adjudicated by the Bankruptcy Court. Allowance of any of these Disputed Claims could significantly affect the percentage payout to creditors.

IX. EXEMPTION FROM SECURITIES ACT REGISTRATION.

The Plan contemplates the issuance of New Common Stock if, and to the extent that, the proceeds from the collection of the Titan Promissory Note and the sale of the Titan Common Stock are insufficient to full repay the Allowed Claims in full.

ANY SECURITIES ISSUED PURSUANT TO THE PLAN WILL NOT BE REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT, OR UNDER ANY STATE SECURITIES LAWS. IT IS INTENDED THAT SECTION 1145 OF THE BANKRUPTCY CODE WILL EXEMPT THE DISTRIBUTION OF THESE SECURITIES FROM THE REGISTRATION REQUIREMENTS OF THE SECURITY ACT. THE SECURITIES CANNOT BE RESOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR UNLESS EXEMPTIONS FROM REGISTRATION ARE AVAILABLE. THE COMMON STOCK IS SPORADICALLY TRADED ON THE OTC MARKETS UNDER THE SYMBOL "SMRS" AND IT IS POSSIBLE THAT NO PUBLIC MARKET WILL BE MAINTAINED OR EVER DEVELOP. IT IS THEREFORE POSSIBLE THAT THE RECIPIENTS OF NEW COMMON STOCK WILL BE REQUIRED TO RETAIN OWNERSHIP OF THE SECURITIES AND BEAR THE ECONOMIC RISK OF THE INVESTMENT IN THE SECURITIES FOR AN INDEFINITE PERIOD.

1
2 This summary explanation is general in nature and has been included in this
3 Disclosure Statement solely for informational purposes. The Debtor makes no
4 representations concerning, and does not provide any opinion or advice with respect to,
5 the securities law matters described above. The Debtor encourages Holders of Claims in
6 Classes 1, 3, 4 and 5 eligible to receive the New Common Stock pursuant to the Plan to
7 consider carefully, and consult with their own attorneys with respect to, securities and
8 bankruptcy law and related matters.

9
10 **X. ALTERNATIVES TO THE PLAN.**

11 Among the possible consequences if the Plan is rejected or if the Bankruptcy Court
12 does not confirm it are the following: (a) an alternative plan could be proposed and
13 confirmed; or (b) the Chapter 11 Case could be converted to a liquidation case under
14 Chapter 7 of the Bankruptcy Code.

15 **A. Alternative Plans.**

16 As discussed above, the Debtor and its professional advisors have explored various
17 alternative scenarios and believe that the Plan enables the Holders of Allowed Claims and
18 Interests to realize the maximum recovery under the circumstances. The Debtor believes
19 that the Plan is the best plan that can be proposed and serves the best interest of the Debtor
20 and other parties in interest.

21 **B. Chapter 7 Liquidation.**

22 The Debtor believes it is in the best position to prosecute its counterclaims, to work
23 with Titan on the most reasonable way to collect on the Titan Promissory Note and to
24 maximize the proceeds from the sale of the Titan Common Stock. Moreover, if the
25 Debtor reorganizes under Chapter 11, Holders of Allowed Claims will be issued New
26 Common Stock in the Debtor, to the extent the proceeds in the Allowed Claims
Liquidation Fund are insufficient to satisfy their Claims. Liquidation of the Debtor under
Chapter 7 of the Bankruptcy Code would not allow creditors to obtain the New Common
Stock as an additional distribution on their Allowed Claims.

XI. RESERVATION OF RIGHTS.

The Plan shall have no force or effect unless the Bankruptcy Court has entered the
Confirmation Order. No statement or provision contained in the Plan, and no taking of
any action by the Debtor with respect to the Plan or the Disclosure Statement shall be or

1 shall be deemed to be an admission or waiver of any rights of the Debtor with respect to
2 the Holders of Claims or Interests prior to the Effective Date.

3 Neither the filing nor Confirmation of the Plan shall be interpreted or deemed to
4 waive the Debtor's rights under the Bankruptcy Code or other applicable law to assert any
5 causes of action or to otherwise seek relief, including, but not limited to, any avoidance
6 actions under Chapter 5 of the Bankruptcy Code or other applicable law. The Debtor
7 reserves the right and shall be entitled to file and prosecute and/or continue the
8 prosecution of any causes of action prior to the closing of the Chapter 11 Case, subject
9 only to the limitations set forth in section 546 of the Bankruptcy Code. The Debtor's right
10 to commence, prosecute and/or continue the prosecution of causes of action shall not be
11 abridged or materially altered in any manner by reason of Confirmation of the Plan. No
12 defendant party to any causes of action shall be entitled to assert any defense based, in
13 whole or in part, upon Confirmation of the Plan, and the Plan's Confirmation shall not
14 have any *res judicata* or collateral estoppel effect upon the commencement, prosecution
15 and/or continuation of any cause of action.

12 **XII. CONCLUSION AND RECOMMENDATIONS.**

13 The Debtor and its professional advisors have analyzed different scenarios and
14 believe that the Plan will provide for a larger distribution to Holders of Allowed Claims
15 and Interests than would otherwise result under an alternative restructuring plan or if the
16 Debtor's assets were liquidated by a Trustee. In addition, any alternative other than
17 confirmation of the Plan could result in extensive delays and increased administrative
18 expenses resulting in potentially smaller distribution to the Holders of Allowed Claims
19 and Interests. Accordingly, the Debtor recommends confirmation of the Plan and urges
20 all Holders of Impaired Claims and Interests to vote to accept the Plan, and to indicate that
21 acceptance by returning their signed Ballots to as to be received by the Debtor no later
22 than the voting deadline set forth on the Ballot.

20 DATE: JUNE 21, 2018

22 STAR MOUNTAIN RESOURCES, INC.

23 By: /s/ Joseph Marchal
24 Title: Chief Executive Officer

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