UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

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

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

As filed with the Bankruptcy Court on May 18, 2009.

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" or "Kingsley") 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 Second Amended Plan of Reorganization dated May 18, 2009 (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's 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) are unimpaired, all members of Class 10 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 the thirtieth day after the Confirmation Order is entered unless the Debtor waives the prerequisites thereto.

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. Michael Guyerson (email: mguyerson@osglaw.com) or Christian C. Onsager (email: consager@osglaw.com) 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 owned 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. An organization chart illustrating the status of Kingsley's ownership and corporate structure is filed as Docket # 69 in this Chapter 11 case.

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. 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 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 liability company which they own 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. Acentus 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.[1]

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.

[1] Prior to this case transfer, College Partnership, under its proper legal name CPI07, Inc., filed a chapter 11 proceeding in the U.S. Bankruptcy Court for the District of Colorado under Case No. 08-13265. This case was dismissed when the Utah filing was transferred to Colorado.

As of the date of filing, the Debtor's 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, Inc. 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, as of the date of this Third 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 $70,000 of College Partnership account receivables in which the Debtor has a security interest. Universal Guardian has disclaimed any interest in the funds, but Daody Management or Mr. Lott claimed an interest therein. Debtor and Daody have settled the adversary proceeding whereby Daody will receive $20,000 and Kingsley will receive the remainder of all proceeds, which settlement has been approved by the Bankruptcy Court.

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 mining or other recovery. In some transactions, it can act as a principal. 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 Third Amended Disclosure Statement, the Debtor has not entered into any formal brokerage or other arrangement with Specialty Minerals. The parties are currently in negotiations for such an arrangement, which the Debtor anticipates will involve a commission paid to the broker on collected proceeds from any business that the broker sources. 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. Debtor has also caused Good Earth Minerals to enter into a non-exclusive arrangement for a mineral rights attorney with extensive industry contacts to attempt to sell some or all of the in-the-ground mineral rights.

III. THE DEBTOR'S 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, the property is in foreclosure.

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 purchased the mineral rights in 1986 for approximately $2.5 Million. The grantor/seller did not retain any interest in the rights whatsoever. 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 and Debtor and Good Earth Minerals will enter into a written agreement confirming the same prior to the confirmation hearing. The only lien against the mineral rights is that of the Class 9 creditor. No other person holds any encumbrance or direct or indirect interest in the mineral rights.

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-grade gypsum used for, among other things, wallboard. Unlike the market for construction-grade material, the market for 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 mineral rights appraised 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 on an extremely conservative estimate of 830,000 mineable tons (since Behre Dolbear only sampled from 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 Dolbear 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 down payment 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. Based on information from Specialty Minerals, the Debtor reasonably anticipated a contract in the first quarter of 2009. However, the worldwide economic situation has apparently caused the particular buyer to slow down negotiations, although it still indicates a strong interest.

Specialty Minerals has also been pursuing other sale avenues and to that end, has been having the material tested 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 derived.

The Debtor has consulted with an engineer and is informed that it may take three to six months to obtain a mining permit at a cost ranging from $25,000 to $100,000. No environmental issues are anticipated, but an Environmental Assessment will be prepared and filed with the Bureau of Land Management.

In addition, as noted, Debtor has caused Good Earth Minerals to enter into a non-exclusive arrangement to attempt to sell some or all of the in-the-ground mineral rights.

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. College Partnership filed for relief under Chapter 7 of the Bankruptcy Code, and the Debtor was granted relief from stay to pursue the collateral. The collateral includes 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. Acentus 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 Universal Guardian, 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. 08-1196. The proceeding was necessary because, although the factor claims no interest in these funds, Daody Management did. The Court has approved a settlement of this case whereby Daody will receive $20,000 and Kingsley will receive the remainder of all proceeds.

The total value of any other College Partnership collateral is uncertain. The receivables consist of possible amounts still owed to College Partnership by the various factors under their factoring and servicing agreements. Kingsley is currently contracting with one or more companies that specialize in auditing factors for a percentage of amounts subsequently recovered as a result, and accordingly there is no cost to Kingsley for this effort. It is not known if any amounts will be recoverable. A second category of receivables consists of those customer accounts regarding which the factors have ceased collection activity. As a result, College Partnership, and therefore Kingsley, are entitled to recover those accounts and undertake collection. The amounts that may be recovered, if any, are not known, but the cost of any such efforts will be de minimis. A third category of receivables consists of credit card charges that were wrongfully claimed as disputed by the customer. Again, Kingsley cannot determine if any such amounts are or will be recovered, but the cost of doing so will be de minimis.

Kingsley has actively marketed the media credits, but their value is highly variable and, as time passes, they become worth less, even if a sale is arranged. For purposes of the Plan, no value is placed on them.

The potential value of the *Acentus* litigation is unknown. Kingsley has not actively pursued prosecution of this suit, but will do so on a contingent fee basis only. Although Kingsley firmly believes in the merits of its claims, the collectability of any judgment that may be awarded is unknown. Any recovery is likely to be after the date that payment to the creditors is required under the Plan, unless the case were sooner settled.

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's Plan is based on its gypsum mineral rights. The Debtor has and continues to pursue every possible avenue to monetize these rights. Dr. Jones' specialty is raising investment funding. In that role, she has been pursuing and continues to pursue potential investors to provide the Debtor with sufficient capital to fund, among other things, some or all of the payment of the general unsecured creditors (Class 7). Up to the date of the Third Amended Disclosure Statement, the economic climate has not been conducive to investing, but the perception is that the private equity market is starting to "thaw." The progress in monetizing the mineral rights has created investment interest, and the Debtor is in discussions as of the date of this Third Amended Disclosure Statement with three or more potential investors (at least three of whom have started due diligence). The structure of an investment, should one be achieved, is likely to take the form of equity capital in return for an ownership interest in Good Earth Minerals (formed to facilitate this type of transaction), with a possible preferential return right in the amount of some of the funding (most likely that portion used to pay the Debtor's creditors).

Alternatively, the Debtor may enter into one or more contracts for sale of quantities of extracted gypsum over time. Specialty Minerals has reported to the Debtor that the quantities under discussion are in the range of 10,000 tons per month at approximately $100 per ton. As noted above, in the event of such a sale contract, the cost of preparing the site for mining and transportation is expected to be paid for by the initial buyer of gypsum and the down payment under such a contract, estimated to be $500,000, would be used to fund Debtor's post-confirmation expenses, including the permitting costs. If such a contract were achieved, payment of Class 7 general unsecured creditors is anticipated by the second month of shipments. However, there is no assurance such a contract will be achieved. Finally, the commission to Specialty Minerals has not yet been negotiated.

However the mineral rights are monetized, the Debtor believes that payment of all creditors in full, with interest, is reasonably anticipated within six months. In the event this does not occur, however, the Plan provides that the Debtor must sell the mineral interests by auction on or before eight (8) months after the Effective Date.

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 and Debtor and Good Earth Minerals will enter into a written agreement by confirmation for the same. As noted, Good Earth Minerals has no creditors and its members have unanimously agreed to this arrangement. If the mineral transaction is an equity investment in Good Earth Minerals, the proceeds of the transaction will provide some or all of the necessary funding of the Plan. If the mineral transaction is for the sale of extracted minerals over time, the down payment on the transaction would be used to fund some or all of the Plan funding. Finally, Debtor will apply the proceeds from the settlement of the adversary proceeding with Daody Management to pay administrative expenses.

The timing payments to holders of Allowed Claims is uncertain because Debtor's only likely source of cash flow is a sale of gypsum, proceeds from an investor, or outright sale of the Mineral Rights. Accordingly, to maintain the flexibility necessary pay for post-confirmation development, permitting, and other expenses necessary to sell gypsum with an uncertain cash flow, the Plan does not require installment payments of a certain amount of money on regular intervals to holders of Allowed Claims. Instead, the Plan provides for distribution of "Available Cash." In the event Debtor arranges a sale of Good Earth Mineral's in-the-ground gypsum rights or an equity investment in the Debtor or in Good Earth Minerals, there would be no future capital and operating costs and expenses and Debtor would be required to distribute all proceeds, less the costs of the transaction, to holders of Allowed Claims. In the event Debtor enters into a sale of extracted gypsum over time, Available Cash would be the cash in excess of the operating costs and expenses needed to fulfill the sales contract, expenses accrued to date as per Exhibit 2, and expenses that may be incurred in the following three months per Exhibit 2.

In the event of cash derived from an investment, the Debtor has assumed that an investor is unlikely to invest without causing the Class 7 creditors to be paid in full because of the Plan's deadline for their payment that would put the Debtor in default if not met.

Ultimately, the time required to satisfy all Allowed Claims depends on the timing of a sale of the gypsum, and Debtor cannot determine with any certainty the date a sale transaction will be consummated.

Although the Debtor technically continues to own the Ramona property, the Debtor suspended efforts to sell or obtain investment funding for it. 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.

The Debtor will retain one employee, Dr. Janice Jones, as the CEO at her current salary of $4500 per month plus benefits, to manage its affairs. Ms. Jones will manage all affairs of the Debtor, including locating investors and negotiating the terms of investment; retaining and overseeing professionals to locate investment sources; retaining and overseeing contractors, engineers and others as needed to permit the gypsum mine and prepare it for production; retaining and overseeing mining professionals to manage the mine and other activities related to disposition of the gypsum, including development of new markets; retaining and overseeing legal and accounting professionals; managing the collection of College Partnership assets; managing the company's bookkeeping, tax filings and other management issues.

The Debtor will fund post-confirmation expenses from the cash it derives from collection of

College Partnership assets and any investment funding it obtains. There is no certainty that the Debtor will obtain such investment or realize on such assets. To the extent it does not, Dr. Jones' salary and benefits will not be paid, but will be accrued, although Dr. Jones will continue to perform her duties as set forth above. Dr. Jones has a high incentive, given the value of the Mineral Rights and her part ownership of the New Horizons claim, as well her equity interests in the Debtor, to continue all possible efforts to monetize the Mineral Rights in all events.

The Debtor proposes to take the steps necessary to obtain a mining permit even though the Debtor may not commence mining operations itself. Whereas the Debtor has been advised that taking such steps may be helpful in selling the Mineral Rights or attracting investment, it is also advised that these steps are not necessary to either.

The Debtor will retain such independent contractors as would be customary, such as accountants and bookkeepers. It may use one or more former employees of College Partnership on a part-time contract basis to assist from time to time in collecting College Partnership receivables.

In addition, the Plan prohibits the Debtor from engaging in any other businesses and from retaining any other employees except Dr. Jones at her current monthly salary of $4,500 per month and related benefits as set forth on Exhibit 2, until holders of Class 7 Allowed Claims 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 March 31, 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): approximately $147,000 (as of March 31, 2009)
>
> Pro West Appraisals: $5,255.68

Fees to Onsager, Staelin & Guyerson, LLC will continue to accrue through confirmation and the Effective Date (estimated at an additional $20,000 to $25,000). 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 $600.00. 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 fifteen months 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 Claims
Class 9	New Horizon Claims
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. 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.

Class 2 (Fidelity Secured Claim) ($1,150,000): 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. 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.

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. 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 unimpaired.

Class 4 (John Grace/New Horizons Secured Claim) ($850,000): The 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 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.

Class 5 (Burg Simpson Secured Claim): The 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.

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 fifteen (15) months from the Effective Date.

Class 7 (General Unsecured Claims) ($440,000): Commencing as soon as practicable after the Effective Date, the Claimants with Class 7 Claims shall receive their Pro Rata share of 80% 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 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 thereafter until paid in full. All payments will be applied first to interest and then to principal.

The Allowed Class 7 Claims shall be paid on or before the date that is six (6) months after the Effective Date. If the Debtor has been unsuccessful causing payment to occur through its efforts within six months, then the Debtor will embark upon an auction process that requires sale of the

Mineral Rights within eight months from the Effective Date. The Debtor believes that the amount of Allowed Claims in Class 7 will approximate $440,000. 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 Acentus Consulting Group filed in the amount of $500,000 have been disallowed in full.

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, shall be subordinated to payment of the Allowed Administrative Claims, Allowed Professional Fee Claims and the Allowed Claims in Classes 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 6, Claimants with Allowed Class 9 Claims shall become entitled to receive distributions of 20% 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 Allowed Class 9 Claims are paid in full. The Class 9 Claims shall accrue interest at the rate of 10% per annum.

Class 10 (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 Fees until paid in full;

Second, to Class 6 (Priority Non-Tax Claims) until Class 6 is paid in full;

Third, 80% to Class 7 (General Unsecured Claims) and 20% 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 (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. Cramdown: If an impaired class does not accept the Plan, the Plan can be "crammed down" or forced on such class upon a showing that the Plan is "fair and equitable." To invoke "cramdown" with regard to a holder of a secured claim, the Plan must provide that the secured creditor realize the indubitable equivalent of its secured claim. To invoke "cramdown" with regard to holders of unsecured claims, the Plan must provide that the unsecured creditors receive under the Plan at least what they would receive in a Chapter 7 liquidation, and that the holders of any claims or interests junior to the unsecured creditors (in this case, the shareholders of the Debtor), will receive nothing until unsecured creditors are paid in full. The Debtor believes that with respect to its secured creditors, its proposed Plan is fair and equitable since the secured claims will remain unimpaired. With regard to unsecured creditors, the Plan proposes to pay the unsecured claims in full with interest.

C. Cash Necessary On Confirmation: The Debtor anticipates it will need less than $1000.00 on the Effective Date to pay Administrative Claims. On the Effective Date, the Debtor estimates it will have cash in the amount of at least $25,000. A Summary of post-confirmation expenses is attached as Exhibit 2.

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 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, a limited liability company owned by Janice Jones and John Grace. 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 within one year of the Debtor's Chapter 11 filing, 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 and 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. Notwithstanding the forgoing, the Plan (to which New Horizons has agreed) effectively treats the claim of New Horizons as if it were unsecured, i.e. as if the lien were avoided as a preference, as far as the payment of other all other creditors is concerned. Accordingly, Debtor does not intend to pursue an action to avoid the lien.

Moreover, under the Plan, New Horizons voluntarily subordinates its lien against the mineral rights and its rights to payment of most of its claim in order to ensure payment of all other creditors more quickly (see discussion below under IX. Liquidation Analysis B. Chapter 7 Comparison). Thus, the Plan already provides a better result for creditors than a successful preference attack, since the result of avoiding the lien would not result in subordination of the

Claim.

The Debtor also transferred the mineral rights to a 90%-owned subsidiary, Good Earth Minerals, LLC in early 2008 to facilitate a possible sale of the rights. Good Earth Minerals has only one class of member interests and is therefore controlled by the Debtor. Since the Debtor continues to own 90% of the member interests, the Debtor is entitled to 90% of the profits generated by the mineral interests. Even if the transfer of the mineral rights to Good Earth Minerals could be avoided, the net result to the estate would only be to recover the additional 10% above the 90% that the Debtor owns. Further, whether the transfer from the Debtor to Good Earth Minerals 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 from Good Earth Minerals until all Allowed Claims have been paid in full. A written agreement to that effect will be presented at the hearing on confirmation of the Plan.

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.

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 80% of all money available to pay Claims will go to the General Unsecured Claims first. Thus, 80% of Available Cash will be distributed to the Class 7 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 six months, if not significantly sooner.

In a Chapter 7 liquidation, the claim of New Horizons would <u>not</u> 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. Though Debtor has determined such an action is not likely to succeed, a chapter 7 trustee could, however, attempt to avoid the lien of New Horizons as a preference under § 547 [2] . If the lien were avoided, New Horizon's Allowed Claim would be paid as an unsecured claim in Class 7 and New Horizons would receive a pro rata distribution of proceeds with other unsecured creditors. The distribution ratios would be reversed from what is provided under the Plan. Thus, under a chapter 7 liquidation, New Horizons would receive 80% of the distributions to general unsecured creditors, and the other unsecured creditors--the holders of claims in Class 7--would receive the other 20%. Under the Plan, the Class 7 unsecured creditors will receive 80% of the distributions and New Horizons will receive only 20% until the

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[2] Conceivably, a trustee might attempt to avoid the lien under § 548 of the Code as a constructive or an actual fraudulent conveyance. However, both would be subject to the defense of solvency, so that a challenge under § 548 would only duplicate the results of a §547 action.

general unsecured creditors (Class 7) are paid in full with interest. See Exhibit 3 hereto.

If the Debtor is correct that the mineral rights are worth more than the Class 6, 7, 8, and 9 claims, then the effect of the subordination is to cause the Class 7 creditors to be paid more quickly. If the Mineral Rights are worth less, than the effect of voluntary subordination is to ensure the Class 7 unsecured creditors a larger distribution than would occur in a Chapter 7 case. A comparison of potential distribution under the Plan and under Chapter 7 is attached as Exhibit 3. As shown, under the Plan, a sale of the assets for approximately $800,000 will result in full payment of the Class 7 Claims, whereas under a Chapter 7 liquidation, such a sale would only return about $100,000 to Class 7. In a Chapter 7, Class 7 is predicted to be paid in full only if the assets are sold for approximately $3.0 million.

A Chapter 7 trustee is statutorily required to liquidated a debtor's estate expeditiously and is entitled only to a fee calculated as a percentage of distributions to creditors.[3] Under the Plan, the Debtor will incur management expenses as shown on Exhibit 2_that are not dependent upon any recovery from the estate's assets. However, the Debtor believes that the Plan as proposed contains significant incentives to management to expeditiously realize on the assets. First, the Plan provides an escalating interest rate on Class 7 claims. Second, Dr. Jones is a 50% owner of New Horizons and the subordination of that claim means that New Horizons will not realize the large majority of its claim until the Debtor monetizes the assets. Third, the Plan provides a relatively short period to repay the Class 7 creditors before the Mineral Rights must be subjected to an auction that ensures their disposition.

In addition, the Debtor believes that the Plan offers two other advantages over a Chapter 7 liquidation. First, the Debtor can monetize the assets for the benefit of creditors by obtaining investment funding or by development of the mine and sale of end product (all of which the Debtor is actively seeking in addition to an outright sale). Second, as discussed above, the Plan avoids potentially lengthy and costly litigation that is likely to delay any distribution, even if the trustee were able to dispose of the assets more expeditiously.

In addition, the Mineral Rights were transferred to Good Earth Minerals, LLC in order to facilitate their 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 from 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

[3] Not to exceed 25% of the first $5000; 10% of the amount between $5000 and $50,000; 5% of the amount between $50,000 and $1,000,000; and 3% on amounts above $1,000,000.

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 priority claims would unsecured creditors receive any payment.

The Debtor has already made significant progress in realizing on the mineral rights, as noted, either through outright sale, short term development or by locating an interested investor. A Chapter 7 trustee may not undertake this rapid development of the mineral rights because it would involve the conduct of business. In addition, to obtain the most favorable sale of the gypsum, Debtor will pay Dr. Jones $4,500 per month (plus benefits) under the Plan to manage the sale of the specialty gypsum, the obtaining of an equity investment or the development and sale of extracted gypsum over time. In contrast, a chapter 7 trustee is compensated only as a percentage of the distributions made to holders of Allowed Claims. A Chapter 7 trustee 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.

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 0.60%) 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

Exhibit 2 to Disclosure Statement

SUMMARY OF POST-CONFIRMATION EXPENSES

Permitting Costs - Initial Engineering	$2,500
Permitting Costs - Completion	$25,000 - $100,000
College Partnership collection costs* *anticipated to be contingent fees Only	$0 - $50,000
Accountant - Tax Preparation	$3,500
BLM Fees	$1,200

Recurring Expense

Salary - J. Jones	$4500 monthly
Benefits - J. Jones	$800 monthly
Expenses (travel etc.)	$500 monthly
Bookkeeping	$500
Rent	$0
Office Expenses	$600 monthly
Total monthly:	$6,900

Exhibit 3 to Disclosure Statement

Chapter 7 Comparison