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IN THE NINTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA

IN AND FOR THE COUNTY OF DOUGLAS

DSM PARTNERS, LTD., a Colorado Limited Partnership Plaintiff, vs. METALAST INTERNATIONAL, LLC., a; Nevada Corporation METALAST INTERNATIONAL, INC., a; Nevada corporation and DOES 1-10 inclusive Defendants.	Case No.: No. 13-cv-0114 Dept. No.: 2

OPPOSITION TO RECEIVERS FIRST STATUS REPORT

With reference to this Court's Order Granting Motion For Appointment of Receiver and Preliminary Injunction to the Receiver, James S. Proctor and his First Status Report ("Report") submitted to the Court on June 13, 2013, the Defendant, David M. Semas hereby responds and presents my opposition ("Rebuttal") to many of the misleading, ambiguous,

erroneous and false statements and allegations contained in the Report.

While the Receiver alleges that he has operated the Receivership following the appointment by the Court on April 25th, 2013 upon the petition of DSM Partners, Ltd. ("DSM"), a secured lender to Metalast International, LLC ("MILLC"), it would appear that he has essentially only acted as accountant and provided minimal offsite managerial oversight.

The Order Granting Motion For Appointment of Receiver and Preliminary Injunction issued by the Court on April 25th, 2013 specifically states on page 2, under item 1. "James Proctor is hereby appointed as Receiver to operate and manage the business of Metalast International, LLC". A self-serving secured lender that is very likely more interested in the return of their investment than that of other unsecured lenders, LLC Members, employees or creditors should not be allowed to entice or unlawfully influence the fiduciary receivership process.

I believe this to be a violation of the Court Order. As the current and former employees will testify, DSM and its principals, Dean and Madylon Meiling are directly involved in the day-to-day operations of MILLC. This incontrovertible fact based allegation includes decisions with reference to the hiring and termination of employees, compensation levels of employees, holding staff meetings, attending conferences, directly contacting alliance partners and customers.

The Meiling's routinely operate out of MILLC's physical location at 2241 Park Place, Bldg. C, Minden, Nevada 89423 about 2-3 days a week. Dean and Madylon Meiling are fully involved in

all aspects of the company including developing "so called" sales and marketing strategies of a business they are entirely unfamiliar with and in an industry they have no knowledge of, or experience in whatsoever. The Meiling's are presently engaged in interviewing and hiring new personnel with little experience in the industry or former MILLC employees not qualified and lacking the proper skill sets to responsibly manage the positions for which they are being considered.

The Receiver appears to have excellent credentials and a good deal of experience serving as a Receiver and Bankruptcy Trustee over his career, but never in the capacity of managing a company in the corrosion control and specialty chemical business. The Defendant does not represent or allege that Mr. Proctor is knowingly misleading the Court or willfully concealing the true facts about his appointment. However, it would appear the hands-on and day-to-day direct management of the Meiling's is in direct conflict with the Court's Order.

Additionally, I find it troubling as to why the Receiver misrepresented to Mr. Ian Burns, Esq., the long-time patent attorney and legal counsel for Metalast International, Inc. ("MII") the fact that he did not disclose that he was only appointed by the court as Receiver for MILLC and not its former Manager MII. In a letter from James S. Proctor of Meridian Advantage to Mr. Burns dated June 3, 2013 (Exhibit 1) the heading begins with "Re: **Metalast**." The very first sentence states: "As you may be aware I have been appointed as Receiver for **Metalast** by Judge Gibbons in the Ninth Judicial District, Depart 1." This clearly attempts to disguise the fact that Mr.

Proctor was only appointed Receiver for Metalast International, LLC or MILLC and not for Metalast International, Inc. or MII. The letter continues and with bullet points requesting copies of the patents and trademarks whether in the names of MILLC or MII. In the case of MII Mr. Proctor has no legal right to request or demand documents to a legal entity in which he has no standing. MII is a separate legal entity that was only the former Manager of MILLC and all communication, written or oral between MII, David M. Semas, Chairman/CEO and Ian Burns are protected under the attorney-client privilege relationship.

What is further disturbing is that Mr. Proctor also requests all assignments of intellectual property, engagement letters or retainer agreements between Ian Burns and MILLC or MII. Mr. Proctor's letter ends below the signature line once again identifying himself as **"Receiver for Metalast"**.

It is unreasonable to believe that such a highly experienced and sophisticated Receiver and Bankruptcy Trustee would make this type misrepresentation in error. Mr. Proctor is well aware that he is only the Receiver for MILLC and not MII. In the unbiased eyes of the Court or from non-interested third parties it would likely appear that this was an intentional act meant catch Ian Burns off guard and effectively create the impression that he has no choice but to cooperate and turn over all documents for both entities MILLC and MII.

Now it has come to my attention that on June 20th, 2013 the Receiver and/or Dean and Madylon Meiling on behalf of MILLC have filed a false Notice of Recordation with the United States Patent and Trademark Office claiming to have the legal right to

amend the Security Agreement with MILLC concerning its undocumented right to the registered trademark name "METALAST" (Exhibit 2). In addition to the obvious, i.e the fact that MII was formed in 1994 seven months prior to MILLC, the METALAST application for trademark in 1995 and the issuance of the trademark name and service mark was granted by the United States Patent and Trademark Office to MII in 1995, reaffirmed on June 21st, 2005 and again corrected on July 10th, 2012 (Exhibit 3). Although the Meiling's legal counsel Janet L. Chubb, Esq. has had numerous discussions with MII's legal counsel, Mike Rounds, Esq. and fully understands the trademark name METALAST has been owned and controlled by MII for nearly 20-years, this type of unprofessional and unethical behavior persists.

In this Rebuttal and specifically on pages 1 and 2 of the Receiver's First Status Report (Exhibit 4) I generally agree with most of the statements made, however I believe there are a few relevant points that the Court should be made aware of. The bullet point facts below were not previously provided by the Plaintiff or Receiver to the Court in any of the initial filings including the Complaint & Petition, Motion For Order Shortening Time, Memorandum of Points and Authorities, various Exhibits and the James S. Proctor, Receiver Report Submitted on June 13th.

The following statements are factually supported by Exhibits as hereinafter identified and attached;

- METALAST International, Inc., a Nevada corporation or MII was incorporated on May 16th, 1994. David M. Semas was the founder of the company and continues to be its majority shareholder with 600,000 shares of common stock of

1,000,000 shares authorized and 868,500 shares of common stock issued or controlling interest equal to 69% ownership (Exhibit 5). The first time the trademark name "METALAST" was used was on May 16th, 1994 by MII as validated by its Nevada incorporation.

- METALAST International, LLC, a Nevada limited liability company or MILLC was formed and the Articles or Organization and the Operating Agreement were filed on December 20th, 1994 or approximately seven months after the incorporation of its Manager MII (Exhibit 6).
- Although not required to under the MILLC Operating Agreement (Exhibit 6), the Manager, David M. Semas, Chairman/CEO of MII has personally guaranteed more than $5,000,000 in loans to MILLC over the last decade.
- Since November 25th, 2009 I have lent MILLC over $2,600,000 of unsecured loans bearing a non-compounded interest rate of 15% per annum (Exhibit 7) versus the DSM Partners, UCC-1 secured loans since July 31st, 2009 bearing a compounded interest rate of 18% per annum (Plaintiff's Exhibit 2).
- I was well aware that my loans would be subordinate to the DSM Partners secured loans. I borrowed these substantial funds against personal real property assets of David M. and Susan O. Semas individually. I further believe its doubtful that most limited liability company Managers or DSM Partners, Ltd. for that matter would have been willing to do the same thing had the situation been reversed. It should be apparent that I believed in MILLC then and under

the right competent and experienced management team and my leadership in the future I still do.

- To date as verified by MILLC 2012-2011 Financial Statements (Exhibit 8) I am owed over $3,500,000 in accrued wages. Although not apparently disclosed to the Court by the Receiver I have not taken a paycheck or even a portion of a paycheck in more than 3-years.

It is my opinion the information stated above is material in that it establishes facts not previously introduced to the Court. It is my hope that after careful review of the information the Court at least begins to see there are two sides to the issue and that the findings presented above paint an entirely different picture than that which was conveyed in the Complaint & Petition, Memorandum of Points and Authorities and the Report.

Page 4, line 15 of the Report states: "The Receiver has spent a significant amount of time dealing with creditors as some have not been paid for many months". Over the past 6-weeks, members of my senior staff, former MILLC employees as well as myself have received a considerable number of unsolicited irate telephone calls from MILLC creditors and vendors. During the conversations the individuals stated the Receiver informed them they will not pay any invoices for work done prior to May 1st, 2013. The creditors and vendors went on to say they had been told that all debts prior to that time were the responsibility of the former Manager, MII and David Semas.

This behavior is not only unprofessional and irresponsible, but it is also borders on slander. In accordance with the MILLC

Operating Agreement, as is the case with most all LLC's, the Manager is not responsible for the legitimate debts of the limited liability company unless fraud or bad faith as a fiduciary was involved (Exhibit 6, Operating Agreement, page 25, Section 11.6 Limitation of Liability). As Mr. Proctor and the Meiling's are well aware, MILLC, MII and David M. Semas were subjected to an unwarranted 12-month long forensic investigation by the Los Angeles Regional Office of the Securities and Exchange Commission and were subsequently exonerated on August 30th, 2010 (Exhibit 9) without so much as a fine, penalty or censure.

The Receiver's assertion that the rent due to the MILLC landlords is understated (page 4, lines 20-26) is entirely incorrect and uniformed. Prior to arbitrarily terminating senior staff of MILLC, including Mr. Jeffrey Mackinen, Senior Vice President of Operations and myself, we had arrived at an amicable verbal agreement with both the landlords that would effectively required a combined payment of approximately $175,000 versus the $555,000 referenced by Mr. Proctor.

I would imagine today that it might be rather difficult to arrive at an amicable solution with the landlords when the Receiver has taken such an unreasonable position as not honoring any debt before May 1st. I have been informed that it is just a matter of weeks if not days before the landlords file for eviction notice on MILLC.

In reference to the legal brief under page 3, line 21-22 Memorandum of Points and Authorities when the Plaintiff states: "The appointment of a receiver for the Company will conserve,

preserve, protect and administer the Company's assets and is in the best interest of the Company, its creditors and its employees", this statement is hollow and is not supported by the true facts nor is it even close to realty.

Considering the Receiver has terminated or caused the resignation of 80% of senior staff and 50% of the entire Company in less than 2-months and alienated nearly all LLC members by refusing to directly return telephone calls and emails the assertion the Receiver is somehow preserving asset value is absurd. Then take into consideration the fact that vendors and creditors have been told that MILLC has no intention of paying any invoice before May 1st, it would have been more accurate to tell the Court "The appointment of a receiver for the Company will squander, disregard, attack and devalue and destroy the Company's assets and not act in the best interest of the Company, its creditors and its employees". If there was ever a case in which a Receiver willfully and intentionally intended to position a business for failure and bankruptcy this is it.

Considering the Receiver and the Meiling's have unwisely chosen to almost immediately terminate all senior management of MILLC that have direct knowledge of numerous business and professional relationships, there is absolutely no doubt that the landlord example above is just the tip of the iceberg.

This type of misinformed observation by the Receiver without any first-hand knowledge of the relationship, the individuals involved or the industry that MILLC serves will undoubtedly cause its failure. It is my contention that this may well have been the intention of DSM Partners, Ltd. and Dean and Madylon

Meiling from the beginning. Having been involved in major acquisitions of public and private companies during the 1980's as a divisional Executive Vice President for Shearson/American Express I can not recall one single occasion where we acquired a company and summarily terminated all senior management without first getting a handle on the business. The transition period at the very least was about 12-18 months.

In the case of MILLC, the Meiling's, or for outward appearance sake the Receiver, terminated the founder and CEO of the Manager for nearly 19-years within 24-hours without cause. The SVP Operations, Jeffrey Mackinen was terminated within 3-weeks and the VP Finance and Investor Relations, Wendi Fauria within 5-weeks. These two individuals were highly qualified and are extremely knowledgeable with nearly two decades of experience in MILLC operations and the metal finishing industry. Mr. Mackinen was a former banking executive with outstanding credentials and held a B.S. Degree in Finance from the University of Southern California. Ms. Wendi Fauria, a former escrow officer and department manager graduated with honors with a B.S. Degree in Accounting from the University of Nevada at Reno and then successfully passed the CPA examination.

After undermining the authority of Mr. Gregory Semas, the Senior Vice President of Operations by holding closed door meetings with junior staff members the Meiling's presented an insulting re-worked and slashed compensation package. With 18-years hands-on experience in the industry and MILLC's most valuable and knowledgeable day-to-day operations and technical sales asset, and Lab/R&D administrator Mr. Gregory Semas was

notified first over the telephone by both the Meiling's that his compensation package would be dramatically reduced. A few days later in a face to face meeting with Madylon Meiling at the MILLC offices, acting as one of the official MILLC manager's (James Proctor was not present in the meeting), Ms. Meiling thought it prudent to present a compensation package that would have effectively cut his very reasonable base salary by 40%.

To add insult to injury Ms. Meiling forced Gregory's resignation (actually asked if he would resign) by then proceeding to unprofessionally inform him of the immediate termination of his sister (after accusing her of being a liar and thief). Ms. Meiling's disgraceful verbal outburst is something rarely seen in the offices of corporate America, and is usually reserved for the pool table rooms of a bowling alley. Ms. Fauria's integrity and honesty is above reproach and for more than 18-years she has had the upmost respect and admiration from MILLC's former auditors and outside CPA firm since the inception of the business. I might add Wendi is also highly regarded by more than 900 LLC Members and has served as the head of the accounting, auditing and tax department who also has a son with autism. The cumulative affect of these unintelligent and senseless actions would be analogous to cutting off one's arms and legs to stop the bleeding.

After I, as the Manager for MILLC have slashed operating costs by more than 50%, totaling nearly $2,000,000 annually, and reduced the monthly burn rate from $350,000 to approximately $120,000 the Receiver and the Meiling's thought it would be a good idea to cut car allowances of the sales staff, reduce their

base salary from a modest $60,000 to $40,000 a year, slightly above the poverty level. Their arbitrary and haphazard management style is virtually demolishing a business that with additional funding had a bright future, as even acknowledged by the Receiver, the Meiling's, employees, LLC members and others.

Instead of spending the first year to understand the business and all of the various corrosion control green MILLC products they jumped in without any real understanding of METALAST or the industry. At this point it's highly doubtful they can even intelligently explain the applications of our chemical products or even how to spell their names and fully understand the size, depth and scope of their market.

Essentially the Receiver and the Meiling's played "small ball" by raising the thermostat level to 72 degrees, firing the plant maintenance lady, eliminating Arrowhead bottled water, doing away with Lab coats and cutting the janitorial service from 2-days a week to once a week, after we had already cut the service from 5-days to 2-days a week. All of these minor cost cutting measures likely won't even cover the cost of the Receiver, consultants or the Meiling's attorney. At the end of the day they have done little to preserve asset value but rather have wreaked havoc and devastated a well run, but under capitalized company that merely needed additional funding.

Most recently, they have gone as far as terminating the receptionist so a telephone answering service is now representing the company. Without a "live person" answering the telephone the word is already spreading throughout the industry that METALAST is about to close its doors.

I think it is also appropriate to explain to the Court that over the past 18-years we have on countless occasions struggled to make payroll, pay for insurance and or pay or bills. Time and time again I was able to raise the capital, borrow the money and keep the company moving forward, that is up until now when an unethical and devious lender reneged on a verbal agreement to infuse $3,000,000 in capital into MILLC in the midst of good faith negotiations. Instead of furthering discussions and attempting to reach an amicable solution, Dean and Madylon Meiling instead chose to engage legal counsel for the specific purpose of removing competent and experienced management of integrity with a proven track record of laying the groundwork for future success.

Case in point would be that it was the former management team that negotiated the METALAST TCP-HF license agreement with the U.S. Navy, partnership with Pratt & Whitney and the lucrative 42% of gross sales royalty arrangement with the Chemetall Americas, a subsidiary of the Chemetall Group with $3.2 billion in annual sales. It was the same team that envisioned and launched the award winning T-REX mobile marketing campaign that was responsible for delivering METALAST TCP-HF specifications from multi-national manufacturers like BAE Systems, FLIR, General Dynamics, Honeywell, Hughes, Lockheed Martin, Raytheon, Sikorsky and others.

If it is the intent of the Receiver and the Meiling's to damage the good name of METALAST in this community they are succeeding. If it is the wish to destroy the METALAST brand...they appear to be achieving the desired results.

Nonetheless the Meiling's are at least funding some dollars toward operations providing they do not bankrupt MILLC in the meantime before I have the chance to once again save the Company from destruction by arranging for additional funding.

The misinterpretation and uninformed observations from the Receiver with reference to car allowances on line 20-21 of page 5 are not worthy of further discussion, as his assumptions are entirely incorrect. Without having access to my decision-making criteria this is nothing more than conjecture and speculation with the Receiver guessing or drawing conclusions without the benefit of actual facts.

On page 6, lines 1-8 the Receiver's assumption of $95 million of equity invested into MILLC over the past 18-years is fairly accurate. The accumulated deficit of $119 million has been validated by auditors and MILLC's outside CPA firm and it also seems to be correct, although with passive losses directly passed through to the LLC members since 1995, this number means little in terms of the future potential value of the business.

The statement by the Receiver on line 11-12 that: "management continued to receive full salaries, car allowances and fringe benefits" is false. I have not been paid a salary in more than 3-years and my monthly car allowance merely accrued.

Line 14 begins with: "There appears to be a large number of personal expenses charged to the Company's credit card". First of all the Company does not have a credit card, it is issued to David M. Semas and not MILLC. In fact MILLC currently owes me $29,627.75 of authorized and legitimate Company charges on my personal American Express credit card of which it refuses to pay

(Exhibit 10). All expenses on the card are fully authorized or if personal in nature, the Company has already been reimbursed.

From $95 million of capital investment into MILLC over the last 18-years with an annual operating budget that has been in the range of $2,500,000 to as high as $5,000,000, the Receiver has attempted to discredit former management by focusing on car allowances and a few expenditures of less than $30,000. This is just another "Red Herring" as the dollars involved would not even cover the monthly interest owed to David Semas for loans extended to MILLC or interest on my back wages due.

The Receiver's comments with reference to the Employment Agreement with Mr. David Semas on lines 16-18 are entirely baseless and obviously ludicrous on the surface considering Mr. Proctor has been paid more from this engagement in the last 6-weeks than I have in 3-years. The allegation that asserts: "These need to be investigated further" is in my opinion just another excuse to run up the Receiver's accounting fees.

Does the Receiver actually think that he is going to find something the Securities and Exchange Commission didn't? This unjustified full-scale 12-month forensic audit by the SEC of MILLC's, MII's, and David Semas' personal records at a purported cost of $1,000,000 didn't produce one shred of evidence of any wrongdoing, misappropriation or misuse of funds.

It should also be noted to the Court that prior to the conclusion of the SEC investigation, the whistleblower responsible for spreading the vicious and malicious rumors and innuendo about corporate malfeasance and misuse of funds took his own life?

Another misrepresentation to the Court can be seen on page 6, line 20-27 in which the Receiver's alleges that Mr. Gregory D. Semas refuses to surrender back to the Company the laptop computer and iPhone **that are Company assets**. In fact this allegation is false as the laptop was purchased using my credit card and in fact the Company does not have a credit card and still owes me $29,627.75 of authorized and legitimate Company charges on my personal American Express credit card.

Further, the claim by the Receiver that there is no evidence that a purported transfer of a Company asset has been included in his income is also uniformed as this occurred in the first quarter of 2013 when MII and David Semas were Managers. I had complete authority to transfer an asset of such a small amount. Ultimately in the scope of things this non-material amount would not have been shown in the first place and if it were in the +$50,000 range it would not have been referenced on the Company's books or tax return until the 2014 CPA review as conducted by the accountancy of Kieckhafer, Schiffer & Company.

In reality the entire line of questioning is not worthy of further discussion because from an accounting prospective with a value of less than $1,000 this is not in the least material, but certainly makes for good reading if the Court was not informed as to the true facts surrounding the hypothetical allegation by the Receiver.

Other than my comments to follow most of the Receiver's allegations on page 6, 7 and 8 of the Report are without the benefit of true and accurate facts. In accordance with the terms and conditions of MILLC Operating Agreement, page 24,

Article XI: "The business of the Company shall be conducted under the exclusive management of the Manager". All operational and management decisions from December of 1994 until April 25th, 2013 where under my complete and absolute authority as the Manager for MILLC. In fact MILLC Members are prohibited from participating in the management of the company (Article XI, Section 11.2).

Page 7 begins with Mr. Proctor assuming something he has no direct knowledge of concerning $10,000 of loans advanced to Gregory Semas and Jeffrey Mackinen. Considering I was the Manager and neither Mr. Proctor nor the Meiling's have any direct or even indirect knowledge of what transpired their unfounded and irresponsible conspiracy theory seems to continue. As previously detailed in the Rebuttal the Manager has complete authority to set compensation levels and under the MILLC Operating Agreement: "**The Manager shall have full, exclusive and complete authority to act for the Company in all matters**".

The Receiver's attempt to continually challenge the terms and conditions of the MILLC Operating Agreement and the Managers exclusive authority to run the business and effectuate the Operating Agreement should not be allowed by the Court. MILLC was operated and Managed by MII and David M. Semas for nearly 20-years in a fiscally responsible manner. After nearly $100 million of capital investment there has never been a hint of lavish expenditures, private jets, limousines, $100,000 sales conferences or luxury condo's or unjustified corporate executive perks. Instead the Receiver choses to nitpick selected items that in total likely wouldn't pay for his consulting fees.

Even from the most skeptical individual, why would a Manager who is owed more than $8,000,000 in loans and wages not be forthcoming to the Court. I was fired without notice, lied to and manipulated by the Meiling's, literally cheated out of expenses due, all while they are trying to unilaterally nullify a valid 10-year Employment Contract.

As described in this Rebuttal on pages 4-5 and supported by Exhibits 2 and 3, the Plaintiff's are now attempting to fraudulently claim ownership title to the registered trademark of METALAST, with the full knowledge that MILLC does not own those rights, nor was DSM Partners, Ltd. entitled to receive a security interest or UCC-1 against MII as the proceeds of the DSM Partners, Ltd. loan went to MILLC.

Decisions made by the Manager from December of 1994 through April 24th, 2013 were that of the Manager and mine and mine alone. They managerial decisions made were always proper, ethical and made as a fiduciary on behalf of all LLC Members, something I suspect that is not happening now.

In so far as lines 6-14 on page 7 the only person that seems to be confused is the Receiver. MII was the Manager on behalf of MILLC and such it would and could invoice under either name, but the funds were always deposited in the MILLC Wells Fargo Bank account. Although in my opinion the Receiver is cleverly attempting to make it appear as though there was some form of wrongdoing or that comingling occurred, nothing could be further from the truth. Under the competent, watchful and diligent leadership of Wendi Fauria, VP Accounting from 1994 until her termination a few weeks ago the MILLC books and records are

accurate and well-maintained. The Receiver's suggestion of otherwise is baseless and without merit.

Unfortunately Mr. Proctor continues to use a disinformation style as consistently employed by the Plaintiff by reporting to the Court statements, which contain innuendos of wrongdoing and are half-truths at best. For example on page 7, line 19, he states "there were disbursements to Wendi Fauria totaling more than $26,000." Mr. Proctor fails to mention that these disbursements were, in fact, loan repayments. In the last few months prior to being removed as Manager, there were numerous occasions where pressing bills needed to be paid and the Company was struggling to bring in financing on time. While Ms. Fauria was under no obligation to do so, she lent MILLC the money from her own personal accounts in order to pay bills on a timely basis. Mr. Proctor's statements paint a far different portrait from what the actual facts show and what were specifically identified on the checks referenced. His continuing statements of half-truths makes it appear as though something criminal or at best, extremely lavish happened and the actual truth is the complete opposite. Given the number of times Mr. Proctor jumps to these types of conspiratorial conclusions one could easily conclude that it might be analogous to "Semas" bashing.

To further support my allegations of the underhanded tactics being employed by the Plaintiff (but in this particular case not the Receiver), their legal counsel Janet L. Chubb, confirmed with MII counsel, Mike Rounds that she had spoken with a representative of my personal mortgage lender informing him that I had been removed as Manager. While she has a "so called"

plausible excuse for doing so the end result was that after more than 9-months of working with me on late monthly loan payments, which I continued to make as agreed upon, within-24 hours of Ms. Chubb's telephone call the 2nd Deed of Trust holder on my personal residence filed a Notice of Default. If this mean spirited display does not rise to the level of underhanded business conduct and unethical professional behavior I don't know what does.

I might add to the Court, the only reason I am in default on a $2,200,000 2nd mortgage on my personal asset is that my wife and I borrowed the money to loan it to METALAST to sustain operations. We do not receive monthly interest payments on our loans made to MILLC, which would now be equal to about $37,000 per month in order to service than $24,000 per month due to the 2nd mortgage lender. This was compounded by the fact that I have not received a paycheck in more than 3-years.

I will not further address the Receiver's final comments as they are baseless. These comments are coming from an individual that is trying to accumulate knowledge, facts, figures and the understanding of the inner workings of long established professional relationships in a mere 7-weeks.

It is rather ironic that in the Receiver's closing he states: "Despite the financial condition of the Company and its past financial transactions there are positive aspects of the Company. Included are some new customers and distributors, an additional QPL certification. Many LLC Members and the employees continue to think that the Company will be able to capitalize on the past efforts and research of the Company".

Who does the Receiver and the Meiling's believe put these relationships in place? The most recent QPL approval received from the Navy for METALAST TCP-HF SP (spray), new distributors coming on board and even developing and implementing the current METALAST distributor based business model was all the hard work of SVP Gregory Semas. It's disingenuous that the Receiver and the Meiling's after a mere 2-months are attempting to take credit and receive kudos for work that has been accomplished and set in place over the last 4-years under my senior management team, all of whom are no longer with MILLC.

Another example of being untruthful and misleading can be viewed in the MILLC members email communication sent to all LLC members on May 21st-May 23rd. The Receiver and the Meiling's approved the specific language and they reported (Exhibit 11) the following: "Our valued employees remain at the Company and nothing else has changed. As we have mentioned in previous correspondence, the Company's sales are continuing on a positive trend. The Receiver and the Company's employees are hopeful for our future. We thank you for your continued support."

Within a matter of days after the email was sent to the LLC members the senior staff of MILLC was terminated and replaced with entirely unqualified junior staff individuals with no senior management experience and marginal qualifications in their respective fields in the IT and accounting department. Essentially, as of today a bookkeeper and computer data base programmer are running MILLC.

Your Honor, I'm hopeful you will come to understand my side of the story and at least make the Receiver tow the line and order the Meiling's completely out of the business, as a former

bond salesmen and a college professor have no knowledge of this industry. The problem in their case is they have no idea what they don't know, which ultimately makes them a liability for all the LLC members, shareholders and even creditors. To provide operating capital at an arms length is one thing, but to jump into the fray without any industry or manufacturing experience is another thing and is very naïve and fiscally irresponsible.

I may have been somewhat critical on what I believe to be constructive criticism about the Receiver's Report and his actions to date, however I am of the opinion that my observations are valid and that the Receiver should stick with the facts in evidence and not jump to conclusions without having all of the intricate details. The only person that has first hand knowledge to all information and facts is myself as the Founder and Manager for MILLC since its formation.

In closing, **Section 8. Indemnification of DMS** of my Employment Agreement legally executed on April 25th, 2010 (Exhibit 12), which replaced my previous Employment Agreement legally executed on January 29th, 2001 (Exhibit 13) specifically provides for the following:

"MILLC and MII shall, to the maximum extent permitted by law, indemnify and hold DMS harmless against expenses and **pay for and advance all out-of-pocket costs including reasonable attorney's fees, courts costs,** judgments, fines, settlements and other amounts actually incurred in connection with any proceeding arising by reason of DMS's employment by MILLC or his actions taken, in good faith, on behalf of MILLC. MILLC shall advance to DMS or offset any expenses and legal fees…".

Essentially the Employment Agreement requires that MILLC pay for and defend litigation that I am involved in as a result of being the Manager of the business. In reference to Mr. Proctor's statement contained on page 6, lines 15-17 of the Report in which he states: "…including the Employment Agreement with David Semas at a time that the company could not afford such an agreement" is without merit. CEO Employment Agreements are not randomly entered into or nullified based on a business's profitability, without mutual consent by the parties involved.

For more than a century, Employment Agreements with CEO's has been a very common practice and by any standards my agreement is certainly reasonable. In 2001 my base salary was $360,000 per year, plus modest perks. In 2010 my base salary was increased to $450,000 or adjusted upwards using a 3% annual CPI over a ten year period. As previously stated, I have voluntarily accrued my wages for the last 3-years and over the preceding 9-year period have gone without receiving a bi-monthly paycheck cumulatively equal to an additional 5-years.

Considering the Meiling's have previously shown themselves to be financial bullies and are doing their very best to deplete my financial resources as a means of gaining control of MILLC, I would ask that you instruct them to honor the terms of this legally binding and valid Employment Agreement. Thank you.

Dated this 25th day of June, 2013
Respectfully Submitted

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David M. Semas
IN PRO PER