Honorable Brian D. Lynch
Chapter 11
Confirmation Hearing Date: August 17, 2016
Hearing Time: 10:30 a.m.
Hearing Location: Tacoma, WA
Voting Deadline: August 10, 2016
Confirmation Objection Deadline: August 10, 2016

IN THE UNITED STATES BANKRUPTCY COURT

WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re:	Case No. 15-45167-BDL
PRECISION INDUSTRIAL CONTRACTORS, INC.,	DISCLOSURE STATEMENT REGARDING DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION DATED JULY 18, 2016
Debtor.	

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Precision Industrial Contractors, Inc. ("Debtor") submits this Disclosure Statement in connection with the solicitation of acceptances of the Debtor's First Amended Plan of Reorganization Dated July 15, 2016 (the "Plan"). A copy of the Plan accompanies this Disclosure Statement.

I. INTRODUCTION AND STATEMENTS REGARDING REPRESENTATIONS, AND PLAN SUMMARY.

A. Definitions.

All terms used in this Disclosure Statement have the same meaning as used in the Plan. In the event of any inconsistency between the Plan and this Disclosure Statement, the Plan will control.

B. Introduction.

On November 5, 2015 (the "Petition Date"), Debtor filed its petition under Chapter 11 of the United States Bankruptcy Code. Since the Petition Date, the Debtor has remained as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

This Disclosure Statement summarizes Debtor's assets and liabilities and explains how creditors will be paid under the proposed Plan. The purpose of the Disclosure Statement is to provide Debtor's creditors with information about the Plan so that creditors and equity interest holders entitled to vote can make an informed decision in voting for or against the Plan. This Disclosure Statement is intended only as an aid to supplement the review of the Plan by creditors and equity interest holders and is qualified in its entirety by reference to the Plan.

Pursuant to the terms of the Plan, certain classes of claims are entitled to vote. If you belong to a class that is entitled to vote, enclosed with this Disclosure Statement is a ballot and a pre-addressed envelope for return of the ballot. If you are entitled to vote but did not receive a ballot or if your ballot is lost or damaged, please contact Majesta P. Racanelli at Sussman Shank LLP, 1000 S.W. Broadway, Suite 1400, Portland, Oregon

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97205-3089, by telephone at (503) 227-1111, by fax at (503) 243-0130, or by email at *mracanelli@sussmanshank.com*.

Debtor believes that confirmation of the Plan is in the best interests of the Debtor and its creditors and equity interest holders, and that creditors and equity interest holders should vote to accept the Plan. You may vote on the Plan by returning the ballot to the address shown in Section VII.A.3 prior to the voting deadline, which is **5:00 p.m. Prevailing Pacific Time on August 10, 2016. Only ballots received by the voting deadline can be counted for purposes of plan confirmation.**

II. HISTORY OF THE DEBTOR AND EVENTS LEADING TO THE FILING OF CHAPTER 11.

A. History.

The Debtor is a Washington corporation based in Woodland, Washington, that is engaged in the industrial construction, dismantling, and moving business, including machinery moving, process piping, equipment installation, concrete plant relocation, steel erection, electrical instrumentation, and demolition. One of its core businesses involves purchasing, dismantling, selling, moving, and installing components from large, no longer operating, paper mills and other industrial facilities. The Debtor was incorporated in 2001 and has grown to a company with annual revenues of $18,347,043 in 2013 and $18,478,827 in 2014. In 2015, the Debtor experienced a significant decrease in revenues, with year to date revenues as of November 5, 2015, the date the Debtor filed its Chapter 11 petition, totaling $8,958,879. The reason for this significant decrease in revenues resulted primarily from the Debtor's purchase of assets in a non-operating paper mill located in Snowflake, Arizona, the seller's breach of its contract with the Debtor that prevented the Debtor from being able to remove and sell a large portion of the assets it purchased, and the time and expense of the litigation resulting therefrom. The chronology of those events is discussed below.

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B. Catalyst Paper Mill Purchase and Resulting Litigation.

On May 16, 2013, the Debtor purchased a large portion of the machinery, piping, wiring, and other salvageable assets in the Catalyst Paper Mill from Snowflake Mill Investors, LLC ("SMI") and Rabin Worldwide, Inc. ("Rabin") (collectively, the "Sellers") for approximately $3.5 million. Under its purchase agreement with the Sellers (the "Snowflake Asset Purchase Agreement"), the Debtor was given one year of unrestricted access to the site to complete the disassembly and removal of the assets it had purchased. At the end of that year, any of the Debtor's purchased assets left on site would revert to the Sellers. Upon execution of the Snowflake Asset Purchase Agreement, the Debtor proceeded with the extraction process, disassembling and removing machinery, equipment, wiring, and piping, etc., readying items for transport, delivering items to the Debtor's buyers, and storing other items on site awaiting sale or shipment to the Debtor's buyers.

Approximately six months after the Debtor purchased the mill assets, SMI began negotiations with Stephen Durkee ("Durkee") and his construction company, Interstate Construction Services, Inc. ("ICS"), for the purchase of the mill site real property and associated buildings. In connection therewith, Durkee formed Snowflake Industrial Park, LLC ("SIP") as a single purpose entity to purchase the real property and buildings from SMI. Unbeknownst to Debtor, on January 27, 2014, SMI and SIP entered into a purchase and sale agreement. In addition to providing for the sale of the real property and buildings to SIP, the purchase and sale agreement contemplated an assignment to SIP of the Seller's interest in the Snowflake Asset Purchase Agreement under which the Debtor had approximately three months remaining to remove its purchased assets from the mill site. The transaction was scheduled to close on February 15, 2014. No notice of this transaction was provided to the Debtor, and neither SMI nor SIP ever contacted the Debtor to discuss an orderly transition of the

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real property to SIP, nor the Sellers' and SIP's continuing obligations to the Debtor under the Snowflake Asset Purchase Agreement.

On February 3, 2014, the Sellers notified the Debtor that they had "discovered" that the Debtor had failed to provide a performance bond as required by the Snowflake Asset Purchase Agreement, and threatened to throw the Debtor off the site if the bond was not provided by February 5, 2014. This caught the Debtor by surprise. By this time the Debtor had been performing its contractual obligations with the Sellers for over nine months, and the Sellers had never complained about the lack of a bond or the Debtor's performance under the Snowflake Asset Purchase Agreement. The Debtor had already extracted a portion of the assets it had purchased, had sold them or stored them on site, and was in the process of staging the remaining assets for removal and sale, or for storage off site. Although the Debtor believed a bond was unnecessary and no longer required as the Sellers had waived any bond requirement by their own actions, in order to resolve the issue and move forward, the Debtor agreed with the Sellers on February 13, 2014 to voluntarily remove its personnel from the site until it had secured the performance bond. In exchange, the Sellers assured the Debtor it would be allowed to return to the site once the bond was provided.

On Friday, February 21, 2014, the Debtor provided the Sellers with a bond and its personnel returned to the work site. On Saturday, February 22, 2014, a representative of the Sellers notified the Debtor that the bond was unacceptable as potentially not covering all of the Debtor's performance obligations under the contract and again threatened to bar the Debtor from access to the site. On February 25, 2014, the Debtor filed a complaint against the Sellers and Ryan Smith (the representative of the Sellers that had challenged the adequacy of the bond language) in the California Superior Court for the County of San Francisco ("the California Lawsuit"), and sought a temporary restraining order against the Sellers, their agents, and assigns, that would

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prohibit the Sellers from further obstructing or interfering with the Debtor's "unrestricted access" to the property. Although the Debtor disputed the Sellers' contention that the bond language was deficient, the Debtor nevertheless proceeded to obtain an amended bond to address the Sellers' concerns, which it provided to the Sellers on February 28, 2014.

At all times while the bond issue was in play, SMI continued with its efforts to close the sale of the real property to SIP. On February 27, 2014, SMI and SIP amended their sale agreement to extend the closing date from February 15, 2014 to February 28, 2014, and on that same day SMI advised its security personnel at the mill site to deny the Debtor access when the Debtor's personnel returned for work. Upon its return to the mill, the Debtor was denied access and remained locked out. At the end of the day on February 28, 2014 (after the sale to SIP had closed), the Sellers notified the Debtor, ***for the very first time***, that SMI had entered into a contract to sell the real property to SIP, that the sale had closed escrow that day, and that SIP was the new owner of the property and was in control of access to the site.

On March 4, 2014, the court in the California Lawsuit entered a temporary restraining order against the Sellers and their assigns, which the Debtor then sought to enforce by providing it to the Sellers, the security personnel at the mill site, and SIP, the new owner and purported assignee of the Sellers' rights and obligations under the Snowflake Asset Purchase Agreement. SIP refused to honor the restraining order, asserting that the California Superior Court had no jurisdiction over SIP or the real property located in Arizona. This necessitated the Debtor's filing of a lawsuit in Arizona federal district court against SIP for its failure to honor the Sellers' obligations under the Snowflake Asset Purchase Agreement (the "Arizona Lawsuit"). In the Arizona Lawsuit, the Debtor asserted claims against SIP, ICS, Stephen Durkee and Alyssa Durkee (the "Durkees") (collectively, the "Arizona Defendants") for tortious interference, conversion,

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civil conspiracy, piercing the corporate veil/alter ego, aiding and abetting tortious conduct, breach of contract, declaratory relief, and unjust enrichment. SIP asserted counterclaims for breach of contract, negligence, negligence per se, conversion, and wrongful conduct.

During the three months remaining under the contract for the Debtor to remove its purchased assets, SIP continued to deny access, only allowing the Debtor to retrieve some of its employees' personal property and a portion of the Debtor's own construction equipment, but none of the assets the Debtor had purchased from the Sellers that remained on site. SIP has now sold and disposed of all of the Debtor's assets that remained on site and has demolished the buildings and sold them for scrap.

In addition to the Debtor being unable to sell and deliver a substantial portion of the mill assets to its buyers, which the Debtor estimates resulted in damages exceeding $11,000,000 for the loss of its property, plus additional sums for consequential damages to its business reputation and relations with its customers and its banking relationships, it has incurred in excess of $1,000,000 in attorney fees and related litigation expenses in pursuing the litigation in California and Arizona. This negatively impacted the Debtor's financial condition and its banking relationships, caused a considerable cash flow shortage, and has been a major distraction to the Debtor's personnel and its business operations. The Debtor intends to continue pursuing the defendants in the California Lawsuit for its damages plus its attorney's fees, and also pursue the Arizona Defendants for similar damages and potentially others, as the Debtor believes they are jointly and severally liable for the damages. If the Debtor obtains a successful recovery in the California Lawsuit, that may alleviate the need to continue pursuing like claims against the Arizona Defendants, although payment by the defendants in the California Lawsuit may give rise to their own claims against the Arizona Defendants for contribution and indemnity. Any recoveries from

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either the defendants in the California Lawsuit or from the Arizona Defendants (i.e., the Snowflake Recoveries) will be distributed as set forth in the Plan and in Section IV.B of this Disclosure Statement.

C. Regents Bank Seeks the Appointment of a Receiver.

As a result of the Debtor's inability to realize the expected revenue from selling the Snowflake mill assets and pay its obligations to Regents Bank, on October 7, 2015, Regents filed a lawsuit against the Debtor and two guarantors of the Regents Bank debt, Schultz and RES, in Clark County Superior Court for breach of contract, breach of guaranties, and for the appointment of a receiver to take possession of the Debtor's assets and sell them to satisfy the obligations owing to Regents. After negotiations with Regents failed and it proceeded with its motion for appointment of a receiver, the Debtor filed Chapter 11 on November 5, 2015.

D. Post-Petition Operations.

The Debtor has resolved many of its operational issues during Chapter 11 and is now experiencing an increase in both business activity and revenues. Since the filing of its Chapter 11 petition, the Debtor has collected many of its older accounts receivable, has generated and continues to generate substantial new business and accounts, and has increased its cash position from a balance of $96,932.21 as of the petition date, to over $780,000 as of June 24, 2016. During that same time period, the Debtor has made significant adequate protection payments to Regents, reducing the principal balance on the Regents loans by over $1 million since filing Chapter 11 on November 5, 2015.

In addition to business revenues from its construction projects, the Debtor is proceeding with its efforts in the California Lawsuit to recover damages from SMI, Rabin, Smith, and Hackman Capital Partners, LLC, the managing member of SMI and Smith's employer, for breach of contract, breach of the implied covenant of good faith

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and fair dealing, intentional interference with contract, intentional, and negligent interference with prospective economic advantage, misrepresentation, and conversion. On April 15, 2016, the Bankruptcy Court approved the employment of Sussman Shank LLP and Allen Matkins Leck Gamble Mallory & Natsis, LLP, as special litigation counsel for the Debtor to pursue the California Lawsuit on a contingency fee basis. The attorneys will be paid 40% of any recoveries in such litigation, and the Debtor will receive 60%. The California Lawsuit was scheduled to go to trial on July 11, 2016, in San Francisco; however, the case has now been assigned to a new judge and the July 11, 2016 trial date has been stricken. The court has scheduled a status conference for July 18, 2016, at which the attorneys for both sides will appear to discuss the status of the case, and following that status conference it is expected the court will schedule a new trial date, possibly before the end of 2016.

The Arizona Defendants have filed proofs of claim in this Chapter 11 case totaling $5,027,736. As a result, the Debtor decided to allow the Arizona Lawsuit to be dismissed without prejudice and, in addition to objecting to the Arizona Defendants' claims, pursue the Debtor's claims against the Arizona Defendants in the Bankruptcy Court. The Arizona Defendants' claims are allegedly based on the Debtor's breach of the Snowflake Asset Purchase Agreement, and for damage caused by the Debtor to the real property purchased by SIP. The Debtor intends to object to those claims and believes those claims are legally and factually unsupportable, are grossly inflated, and will be disallowed.

The defendants in the California Lawsuit have filed counterclaims against the Debtor in the California Lawsuit. The California defendants are stayed from affirmatively asserting those counterclaims by Section 362 of the Bankruptcy Code, other than as a defense to the Debtor's claims. Furthermore, the California defendants did not file a proof of claim in this bankruptcy case asserting any claims against the

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Debtor, and absent the Court authorizing the late filing and allowance of claims by the California defendants, the California defendants will not be entitled to share in any distribution under the Plan.

The Arizona Defendants and the defendants in the California Lawsuit are hereinafter collectively referred to as the "Snowflake Defendants."

E. Debtor's Officers and Directors, Other Insiders, and Transactions with Insiders.

1. Officers and Directors. The Reorganized Debtor's officers and directors are and will continue to be:

a. Rodney E. Schultz, CEO, President; and Director; and

b. Eric Simensen, Vice-President, Operations.

2. The Insiders. The Debtor is a closely held corporation in which 100% of the stock is owned by Rodney E. Schultz. As is common with many closely held corporations, the Debtor's shareholder has contributed capital, made loans to the Debtor, and received loans from the Debtor. Mr. Schultz has also formed other entities that own property which is rented to the Debtor, and which provide other services to the Debtor. The persons and entities involved in these transactions include the following:

Rodney E. Schultz – the Debtor's CEO, president, and director. Annual Salary: $300,000;

Eric Simensen – Vice President, Operations. No relation to Rodney E. Schultz. Annual salary: $116,480.

Martin Miller – Controller. No relation to Rodney E. Schultz. Annual Salary: $127,400;

Tiffany Martell – the Debtor's operations manager, the daughter of Rodney E. Schultz, and a member of Professional Industrial Consultants LLC dba Staffing Solutions and RES Industries LLC. Annual Salary: $83,200;

Tosha Emerson – not an employee of the Debtor. The daughter of Rodney E. Schultz and a member of Professional Industrial Consultants LLC dba Staffing Solutions and RES Industries LLC;

Rodney E. Schultz, Jr. – a field supervisor for the Debtor and the son of

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Rodney E. Schultz. Paid on an hourly basis at $34.00 per hour;

Wyatt Williamson – a welder for the Debtor and the step-son of Rodney E. Schultz. Paid on an hourly basis at $22.50 per hour;

RES Industries LLC ("RES") – a Washington limited liability company that owns the Debtor's headquarters building, shop, and real property located at 1555 Downriver Drive, Woodland, WA, and leases such property to the Debtor; and

Professional Industrial Consultants LLC dba Staffing Solutions ("Staffing") – a Washington limited liability company that provides temporary employment services to the Debtor.

3. The Prepetition Transactions.

a. Rodney E. Schultz – Prior to the filing of this Chapter 11 case, Rodney E. Schultz was receiving an annual salary of approximately $157,000 and associated employee benefits. Mr. Schultz was also receiving additional sums from PIC to pay the mortgage on his residence totaling approximately $10,000 per month. Mr. Schultz also received advances from time to time for income taxes that he was required to pay on the Debtor's taxable income because the Debtor is a Subchapter S corporation and its income is taxed at the shareholder level. At the time of PIC's Chapter 11 filing, Mr. Schultz's shareholder account with PIC reflected that he owed PIC $846,082.76. Upon confirmation of the Plan, the Debtor intends to increase Mr. Schultz's salary to $25,000 per month plus employee benefits, but no longer provide money to pay his mortgage or other personal expenses. Mr. Schultz will be responsible for making his own mortgage payment, paying for property insurance, real property taxes on his residence, and payment of income taxes on the salary he receives from the Debtor. Although the Debtor anticipates it may have sufficient net operating losses that can be carried forward for a period of time to alleviate additional income taxes that Mr. Schultz will owe on the Debtor's income, once those losses have been exhausted and are no longer available, Mr. Schultz will have to pay taxes on the Debtor's income that is retained by the Debtor that he does not receive. When that occurs, the Debtor

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intends to provide Mr. Schultz with tax distributions as necessary to pay the income taxes that will be attributable to the Debtor's income retained by the Debtor and not distributed to Mr. Schultz. The Debtor believes the $25,000 monthly salary to Mr. Schultz is justified and is commensurate with salaries being paid to the CEOs and presidents of other construction companies with 75 to 100 employees and annual revenues exceeding $10,000,000. Furthermore, the Debtor is heavily dependent on Mr. Schultz to continue providing it with future business opportunities and to obtain repeat business from the Debtor's customers with whom Mr. Schultz has developed close business relationships throughout the years.

b. Eric Simensen loaned the Debtor $50,000 shortly after the Chapter 11 filing in order for the Debtor to make payroll when it had not collected sufficient receivables. The loan was repaid the following week. This transaction was subsequently authorized by the Court. Mr. Simensen has made no other loans to the Debtor and has not received any money from the Debtor except for his compensation as an employee.

c. Martin Miller has not provided any money to the Debtor or received any loans from the Debtor. His only connection with the Debtor is that of an employee pursuant to which he receives wages, expense reimbursements, and employee related benefits.

d. Tiffany Martell has not provided any money to the Debtor or received any loans from the Debtor. Her only connections with the Debtor are that of an employee pursuant to which she receives wages, expense reimbursements, and employee related benefits, and as a result of her membership interest in Staffing and RES. Prior to Chapter 11, the Debtor provided loans to Staffing and RES as needed to pay their expenses and otherwise fund their operations. At the time of PIC's Chapter 11 filing, Staffing owed the Debtor $329,075.08 and RES owed the Debtor $491,898.77.

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e. Tosh Emerson is not employed by the Debtor. She has not provided any money to the Debtor or received any loans from the Debtor. Her only connections with the Debtor are the result of her membership interest in Staffing and RES. Prior to Chapter 11, the Debtor provided loans to Staffing and RES as needed to pay their expenses and otherwise fund their operations. At the time of PIC's Chapter 11 filing, Staffing owed the Debtor $329,075.08 and RES owed the Debtor $491,898.77.

f. Rodney E. Schultz, Jr. has not provided any money to the Debtor or received any loans from the Debtor. His only connection with the Debtor is that of an employee pursuant to which he receives wages, expense reimbursements, and employee related benefits.

g. Wyatt Williamson has not provided any money to the Debtor or received any loans from the Debtor. His only connection with the Debtor is that of an employee pursuant to which he receives wages, expense reimbursements, and employee related benefits.

h. RES purchased the Debtor's headquarters building, shop, and related real property located at 1555 Downriver Drive, Woodland, Washington, with a loan from Umpqua Bank that the Debtor guaranteed. RES is renting the property to the Debtor pursuant to a triple-net lease that provides for a rent payment of $20,000 per month, together with the Debtor's obligation to pay insurance, real property taxes, maintenance, and operating expenses for the property. Upon filing Chapter 11, the Debtor, RES, and Regents Bank agreed to reduce the rent payment to $11,000 per month, with the rental savings of $9,000 to be used by the Debtor to make adequate protection payments of $10,000 per month to Regents Bank pursuant to an agreed cash collateral order. Upon confirmation, the $20,000 per month rental payment will be reinstated and the $10,000 per month adequate protection payment to Regents Bank will cease. The Debtor will assume this lease upon confirmation of the Plan, with the

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$9,000 monthly rent reduction permitted by RES during the Chapter 11 case credited against RES's $491,898.77 obligations to the Debtor (see Section II.E.2.h. below).

i. RES also leases the Debtor a parcel of bare land where the Debtor stores equipment located on Goering Road in Woodland, Washington under a month-to-month lease. The Debtor pays RES rent of $5,000 per month for that property. RES is purchasing the property on a contract and the rent payments are necessary for RES to continue making its contract payments for the property. The Debtor believes $5,000 per month rent is the fair rental value of the property and the property is needed by the Debtor because it cannot store all of its equipment at its headquarters building. The Debtor will assume the lease upon confirmation of the Plan.

j. RES borrowed money from the Debtor to purchase real property and construct a house/business entertainment facility in Yuma, Arizona. The bulk of the $491,898.77 that RES owes the Debtor is the result of its purchase and construction of the Yuma property. RES has provided Regents Bank with a trust deed on the Yuma property to further secure the Debtor's obligations to Regents Bank and to obtain Regents Bank's forbearance from pursuing RES and Rodney E. Schultz on their guaranty obligations of the Debtor's obligations to the bank. The Plan provides that RES will either refinance the Yuma Property to pay off its $491,898.77 obligation to the Debtor, with the refinancing proceeds distributed to Regents Bank in exchange for a release of its trust deed, or RES will deed the Yuma Property to the Debtor in order to satisfy RES's remaining obligations to the Debtor and Regents will retain its trust deed on the property.

k. Staffing has no assets of any realizable value as it is only a temporary employment business established to provide temporary workers for the Debtor. The Debtor believes this arrangement remains beneficial to the Debtor as it allows the Debtor to obtain workers from Staffing on an as needed basis without having

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to hire the workers as the Debtor's own employees until it determines whether it needs or desires to do so. This allows the Debtor to have temporary workers available to work on new job orders as needed, and to also evaluate a worker's performance for a period of time when considering whether to offer the worker a full or part-time position as an employee. Staffing's $329,075.08 obligation to the Debtor was incurred primarily due to its failure to recognize and bill the Debtor for its full cost of providing temporary services, including wages to its employees, payroll taxes, and other expenses associated with operating its temporary employment business. Staffing has taken steps to alleviate these issues and is now billing the Debtor a sufficient amount to cover its expenses, including wages, taxes, and other operational expenses. The Debtor intends to continue using Staffing's services post-confirmation. This arrangement is expected to provide Staffing with sufficient funds to pay both its ongoing obligations and to repay the $329,075.08 that is owes the Debtor in installments over 10 years. The Debtor does not believe an accelerated payment schedule is feasible as that would only result in the Debtor having to increase the amount it pays Staffing for its services. If the Debtor does not continue using Staffing's services, Staffing will have no option but to terminate its operations, which would be detrimental to the Debtor because it does not have another source for hiring temporary workers with the skills needed in its business.

F. Limited Representations.

This Disclosure Statement is submitted in accordance with Bankruptcy Code § 1125 for the purpose of soliciting acceptances of the Plan from holders of certain claims. The Court has approved this Disclosure Statement as containing information of a kind, and in sufficient detail, that is adequate to enable you to make an informed judgment whether to vote to accept or reject the Plan.

> THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, SHOULD BE READ

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COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION, THE VALUE OF ITS ASSETS, ARE AUTHORIZED BY THE PROPONENT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THIS IS A SOLICITATION BY THE DEBTOR ONLY AND IT IS NOT A SOLICITATION BY THE DEBTOR'S ATTORNEYS OR ANY OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR. THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF THE DEBTOR'S ATTORNEYS OR ANY OTHER PROFESSIONAL.

UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL CONDITION HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT AUDIT, BUT PREPARED FROM INFORMATION COMPILED BY THE DEBTOR FROM RECORDS MAINTAINED IN THE ORDINARY COURSE OF ITS OPERATIONS. REASONABLE EFFORTS HAVE BEEN MADE TO ACCURATELY PREPARE ALL FINANCIAL INFORMATION WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE INFORMATION AVAILABLE TO THE DEBTOR. HOWEVER, AS TO ALL SUCH FINANCIAL INFORMATION, THE PROPONENT IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ERROR.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON CREDITORS.

G. <u>Voting</u>.

Under the Bankruptcy Code, only holders of claims and equity interests in "impaired" Classes and whose claims or interests have been allowed (or have been temporarily allowed by the Bankruptcy Court pursuant to an order), are entitled to vote on the Plan. The specific treatment of each class under the Plan is set forth in the Plan

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and is summarized in this Disclosure Statement. In general, a claim is "allowed," as that term is used in the Bankruptcy Code; if (i) the claim is listed in the Debtor's schedules of liabilities filed with the Bankruptcy Court as not disputed, contingent, or unliquidated; (ii) a proof of claim has been timely filed with the Bankruptcy Court by the holder of the claim, and no objection to the claim has been filed; or (iii) the Bankruptcy Court has entered an order allowing the claim. If a claim is not allowed, but the holder thereof wishes to vote on the Plan, the holder must timely file a motion with the Bankruptcy Court requesting that the claim be temporarily allowed.

In order for a class of claims to vote to accept the Plan, votes representing at least two-thirds in amount and more than one-half in number of the claims actually voting in that class must be cast in favor of acceptance of the Plan.

Section 1129(b) of the Bankruptcy Code provides that, if the Plan is rejected by one or more impaired classes of claims, the Plan nevertheless may be confirmed by the Court if: (i) the Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting class(es) of claims that are impaired under the Plan; and (ii) at least one class of impaired claims has voted to accept the Plan. These requirements are described in further detail in Section VII of this Disclosure Statement.

A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS IMPORTANT. THE DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.

IN ORDER FOR A VOTE TO BE COUNTED, A BALLOT MUST BE PROPERLY FILLED OUT AND ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. PREVAILING PACIFIC TIME ON JULY 26, 2016 BY THE DEBTOR'S ATTORNEYS AS SET FORTH IN THE BALLOT.

The Debtor believes that confirmation of the Plan is in the best interests of the holders of claims and urges you to accept the Plan.

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III. THE DEBTOR'S ASSETS AND LIABILITIES.

Balance sheets (UST-12, Comparative Balance Sheet) from the Debtor's April and May Rule 2015 monthly operating reports [ECF Document Nos. 213 and 222] are attached hereto as Exhibit B, which shows the Debtor's assets and liabilities for February, March, April, and May, 2016. The projected estimated liquidation value of the Debtor's assets and its estimated liabilities as of the August 2, 2016 hearing on confirmation of the Plan are set forth on the Liquidation Analysis attached hereto as Exhibit C.

IV. GENERAL DESCRIPTION OF THE PLAN.

The following general description of the Plan is for informational purposes only and does not contain all provisions of the Plan. Creditors should not rely on this description for voting purposes but should read the Plan in its entirety. All summaries contained in this Disclosure Statement regarding the Plan do not purport to be complete.

THE PLAN IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE CONTENTS OF THE PLAN AND THIS DISCLOSURE STATEMENT.

A. Introduction.

The following sections of the Disclosure Statement describe the classification and treatment of claims and Interests. Debtor reserves the right to modify the Plan in accordance with Section 1127 of the Bankruptcy Code, both prior to and after the Effective Date.

B. Classification and Treatment of Claims.

The Plan provides for payment in full of all allowed Administrative Expenses and United States Trustee's fees on the Effective Date, and payment of priority tax claims in installments in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. The Plan then establishes 10 classes of claims and interests and sets out the Debtor's

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proposed treatment of each class. The treatment of each class of claims and interests is described in the Plan. Classes 2, 5, 6, 7, 8, and 9 are impaired and the holders of allowed claims in such classes are entitled to vote. Classes 1, 3, 4, and 10 are unimpaired and those classes are deemed to have accepted the Plan.

1. Administrative Expenses. These unclassified expenses include the Debtor's and the Unsecured Creditors' Committee's unpaid professional fees accrued during the case, accrued post-petition payroll and employee benefits, and post-petition taxes and trade payables incurred by the Debtor in the ordinary course of business, which together are anticipated to total approximately $850,000 as of the hearing on confirmation of the Plan. A list of the expenses that comprise the approximately $850,000 is shown on the liquidation analysis attached hereto as Exhibit C. All allowed Administrative Expenses will be paid in full on the later of the Effective Date, when such expenses are allowed, or when such expenses are due pursuant to the Debtor's agreements with its employees, taxing authorities, and trade creditors.

2. Priority Tax Claims. These unclassified claims of state and federal taxing authorities are estimated to total approximately $564,797 after application by the IRS of approximately $600,000 in tax refunds against the Debtor's pre-petition tax obligations. This $600,000 tax refund results from amended income tax returns filed by Rodney E. Schultz to take into account losses incurred by the Debtor that Mr. Schultz was permitted to apply to prior tax years. Because the Debtor is a Subchapter S corporation, all income and losses are taxed at the shareholder level, making the tax refund Mr. Shultz's property rather than the Debtor's. The Debtor currently owes the IRS approximately $963,095 for pre-petition payroll taxes, for which Mr. Schultz is also liable pursuant to the IRS's ability to assess liability for those taxes not only to the Debtor, but also to Mr. Schultz. By applying Mr. Schultz's tax refund to

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his liability for the Debtor's taxes, the Debtor's tax debt to the IRS will be reduced accordingly, leaving approximately $363,095 owed to the IRS to be paid in installments under the Plan. Such claims will be paid in full in equal monthly installments of principal and interest at the Plan Interest Rate, with the final payment due on or before November 5, 2020. Henderson, Bennington & Moshofsky, the Debtor's accountants retained in this case, are currently in the process of working with the IRS and Mr. Schultz's accountants to cause the refund to be applied and the remaining tax liability determined which will be paid in installments under the Plan.

3. Class 1: Non-Tax Priority Claims. These claims are estimated to total approximately $35,000 as of the Effective Date, consisting primarily of employee wage and benefit claims that were due on the Petition Date but were not paid at the commencement of the Chapter 11 case. All allowed Non-Tax Priority Claims will be paid in full on the Effective Date. This class is unimpaired and is deemed to have accepted the Plan.

4. Class 2: Regents Bank Secured Claims. Regents Bank's secured claims are expected to total approximately $2,600,000 as of the Effective Date. Regents will have the option of electing either of the following options for the treatment of its claims.

a. Option 1. The first option will divide the Regents' obligations into two loans, an equipment term loan with a balance of $2,000,000, and an operating line of credit with a balance of approximately $600,000. Regents currently has a perfected, first-priority lien on essentially all of the Debtor's assets (except for titled vehicles) and it will retain its lien on all of its collateral, any replacements, and all proceeds thereof to secure both the equipment term loan and the operating line of credit. The equipment term loan will be paid in equal monthly installments of principal and interest at 5.5% per annum over a period of five years. The operating line of credit

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will provide for advances up to a maximum of $2 million in accordance with customary collateral value requirements and borrowing ratios to be agreed to between the Debtor and Regents and will be for a term of two years. Interest at USD LIBOR (1 month) floating + 3% will accrue and be paid monthly. If not paid in full or renewed at the end of two years, the remaining balance will be converted to a three year term loan and paid in equal monthly installments with interest at the rate in effect at the time of conversion.

b. Option 2. The second option will be to convert the entire $2.6 million claim into a five-year term loan that will be secured by all of Regents' collateral. The term loan will be paid in 60 equal monthly installments of principal and interest at 5.5% per annum over a period of five years.

Regents will continue to retain all of its third-party collateral provided by either RES or Schultz to secure the Reorganized Debtor's obligations; however, as long as the Reorganized Debtor is not in default of its obligations to Regents under the Plan, Regents will not pursue either RES or Schultz, or attempt to realize upon the third-party collateral, for the obligations owing by the Reorganized Debtor, RES, or Schultz to Regents. This class is impaired.

5. Class 3: Ally Financial Secured Claims. Ally's claims consist of motor vehicle installment sale contracts for approximately eight of the Debtor's vehicles. Those contracts are not in default. Ally Financial will retain its liens on the vehicles and the Reorganized Debtor will continue to make the monthly payments required under the contracts. This class is unimpaired and is deemed to have accepted the Plan.

6. Class 4: Chrysler Capital Secured Claims. Chrysler Capital's secured claims consists of an installment sale contract for one vehicle. Chrysler Capital will retain its lien on the vehicle and the Reorganized Debtor will continue to make the monthly payments required under the contract. This class is unimpaired and is deemed to have accepted the Plan.

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7. Class 5: Michelman & Robinson Secured Claim. Michelman & Robinson LLP ("M&R") is a law firm that represented the Debtor prior to the Chapter 11 filing in both the Arizona Lawsuit and California Lawsuit, and on various other matters. M&R filed a proof of claim for $376,423.55 for unpaid fees and expenses. M&R's engagement agreement with the Debtor provided it with an attorney's lien under California law in the claims it was pursuing on behalf of the Debtor to secure its fees and expenses. M&R has agreed to subordinate its lien to payment of the Debtor's contingent attorney fees payable to Sussman Shank and Allen Matkins from any recoveries in the California Lawsuit. Any amounts recovered in the California Lawsuit over and above the amount necessary to pay the attorneys' contingent fees and expenses, will first be used to pay M&R's allowed secured claim and the remainder distributed pursuant to the Plan. If the California Lawsuit recoveries and any additional Snowflake Recoveries from the Arizona Defendants are insufficient to pay M&R's claim in full, the deficiency will be included in the distribution to Class 7 General Unsecured Claims; however, the $1,800,000 plus interest to be paid to Class 7 general unsecured creditors will not be increased if the M&R's Claims are included in the distributions to Class 7 general unsecured claims. This class is impaired.

8. Class 6: Administrative Convenience Claims. This class consists of unsecured claims of $5,000 or less, and any unsecured claims of more than $5,000 that are voluntarily reduced to $5,000. Such claims will be paid in full without interest in twelve equal monthly installments. This class is impaired.

9. Class 7: General Unsecured Claims. This class consists of non-priority unsecured claims such as trade debt and other unsecured claims that are not otherwise classified in the Plan. Based on the Debtor's schedules and proofs of claim filed in the Case, it appears there are approximately $1,800,000 in undisputed claims in this class. The Debtor intends to object to Arizona Defendants' claims and assert

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affirmative claims against them, including, but not limited to, claims for tortious interference, conversion, civil conspiracy, piercing the corporate veil/alter ego, aiding and abetting, breach of contract, breach of the implied covenant of good faith and fair dealing, and unjust enrichment seeking damages likely in excess of $11 million. SMI, Rabin, Smith, and Hackman Capital Partners, LLC, the defendants in the California Lawsuit, did not file proofs of claim in this Chapter 11 case, and unless the Court were to permit them to file their claims late, and to ultimately allow such claims, they will not be entitled to share in any distribution under the Plan. The Debtor will continue to pursue its claims against SMI, Rabin, Smith, and Hackman in the California Lawsuit following confirmation.

Class 7 will receive a total of: (1) up to $1,800,000 plus interest at the Plan Interest Rate, to be paid in equal monthly installments over five years; plus (2) 50% of the Reorganized Debtor's Annual Retained Earnings for five years, to be paid within nine months following the end of each calendar year for the years 2016 through 2020. The Unsecured Creditors Committee will remain in place following confirmation to monitor the Reorganized Debtor's operations and expenditures and approve expenses not included in the budget, or that exceed spending limits imposed by the budget. The Reorganized Debtor and the Committee will each be entitled to seek relief from the Court in the event they cannot agree on an expenditure that exceeds the spending limits or is not provided for in the budget. Payments to unsecured creditors are anticipated to result in payment in full of all general unsecured claims if the Arizona Defendants' claims are disallowed, and if M&R's claims are paid in full from the Snowflake Recoveries. Claims in this class will also receive a portion of the California Lawsuit recoveries and any recoveries from the Arizona Defendants, if funds remain after paying the Debtor's attorney fees and expenses, the secured claim of Michelman & Robinson, up to $1,000,000 to Regents Bank which holds a first-priority, perfected lien in general

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intangibles (general intangibles includes "choses in action" and "causes of action" which includes the Debtor's breach of contract claims against the defendants in the California and Arizona Lawsuits, but does not include tort claims), and certain priority claims as provided in the Plan. Because unsecured creditors are entitled to a share of the Reorganized Debtor's annual retained earnings and potential distributions from recoveries in the California Lawsuit and from the Arizona Defendants, payment in full to unsecured creditors could occur in significantly less time than five years. If any of the Arizona Defendants' Claims are allowed, they will be entitled to share pro rata in the distribution to Class 7 general unsecured creditors; however, the $1,800,000 plus interest to be paid to Class 7 general unsecured creditors will not be increased if the Arizona Defendants' Claims are allowed and included in the distributions to Class 7 general unsecured claims. Regardless of the amount of money available for payment to general unsecured creditors, no creditor in this class will be entitled to receive more than the full amount of its allowed claim plus interest at the Plan Interest Rate from the Effective Date until paid. This class is impaired.

10. Class 8: Capitol Indemnity Corporation Claims. This class consists of the contingent claims of Capitol Indemnity Corporation that provided a performance bond to SMI and Rabin to secure the Debtor's performance under the Snowflake Asset Purchase Agreement. Pursuant to Section 502(e)(1), Capitol Indemnity's claim will be disallowed and Capitol Indemnity will receive no distribution under the plan because: (1) the Snowflake Defendants' claims are disputed and have not been allowed, and (2) Capitol Indemnity's claim is contingent, and will remain so, until the underlying claims of the Snowflake Defendants have been allowed and Capitol Indemnity has paid the Snowflake Defendants on account of their allowed claims. In the event the Snowflake Defendants' claims are allowed and they receive a distribution under the Plan, Capitol Indemnity's rights to receive all or any portion of such

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distribution paid to the Snowflake Defendants will be governed by any agreements between the Snowflake Defendants and Capitol Indemnity, and applicable non-bankruptcy law. This class is impaired.

11. Class 9: Umpqua Bank Guaranty Claims. This class consists of the claims of Umpqua Bank arising out of the Debtor's guaranty of RES's and Schultz's obligations to Umpqua Bank. RES's obligations are secured by a trust deed on RES's real property and improvements which RES leases to the Debtor for its headquarters building and shop. The Reorganized Debtor will assume the Debtor's obligations to Umpqua under the Debtor's guaranty of the RES and Schultz obligations, provided, however, as of the Effective Date, RES's and Schultz's obligations to Umpqua shall be deemed to be free of any defaults resulting from the Debtor's filing Chapter 11. On and after the Effective Date, Umpqua Bank shall have all of its rights and remedies under the RES and Schultz loan documents and the Reorganized Debtor's guaranty of RES's and Schultz's obligations, but Umpqua shall only be entitled to exercise its rights and remedies thereunder in the event of a default occurring after the Effective Date. This class is impaired.

12. Class 10: Equity Interests. This class consists of the equity interests in the Debtor which are owned 100% by Rodney E. Schultz. Shultz will retain his equity interest in the Debtor and will remain the president and 100% equity interest owner of the Reorganized Debtor following confirmation of the Plan. This class is unimpaired and is deemed to have accepted the Plan.

V. APPROVAL OF PLAN.

Under the Bankruptcy Code, creditors holding allowed impaired claims have an opportunity to vote on the Plan prior to its confirmation. The Plan is deemed to be approved by creditors if each class of claims impaired under the Plan votes to approve the Plan by a majority in number and two-thirds in amount of the claims in that class

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which are entitled to vote that vote on the Plan. The Bankruptcy Court must also make certain findings to permit confirmation of the Plan. The Bankruptcy Court can confirm the Plan even if some classes do not accept it, so long as at least one impaired class votes in favor of the Plan and the Bankruptcy Court finds that the Plan does not discriminate unfairly and provides fair and equitable treatment to the class or classes rejecting it. The Debtor will request that the Bankruptcy Court approve such a "cram down" confirmation of the Plan if all classes entitled to vote do not vote in favor of the Plan.

VI. TAX CONSEQUENCES.

THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER. NEITHER THE PROPONENT NOR ITS COUNSEL MAKE ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR OR EQUITY SECURITY HOLDER.

Under the Internal Revenue Code of 1986, as amended, there may be significant federal income tax issues arising under the Plan described in this Disclosure Statement that affect creditors and equity security holders in the case. It is not practicable to present a detailed explanation of every possible federal and state income tax ramification of the Plan.

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VII. ACCEPTANCE AND CONFIRMATION.

A. Voting Procedures.

1. Generally.

Only those creditors whose Claims fall within one or more classes that are impaired under the Plan are eligible to vote to accept or reject the Plan. Ballots will be sent to the known holders of impaired claims whether or not such claims are disputed. However, only the holders of allowed claims (or claims that have been temporarily allowed or have been estimated by the Bankruptcy Court) in one or more impaired classes are entitled to vote on the Plan. A claim to which an objection has been filed is not an allowed claim unless and until the Bankruptcy Court rules on the objection and enters an order allowing the claim. The holder of a disputed claim is not entitled to vote on the Plan unless the holder of such claim requests that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the claim in an appropriate amount solely for the purpose of enabling the holder of such disputed claim to vote on the Plan. If the Bankruptcy Court temporarily allows the claim for voting purposes, the amount that is temporarily allowed will have no bearing or effect on the amount that is ultimately allowed for distribution purposes, or for any other purpose.

2. Incomplete Ballots.

Ballots which are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will be counted as a vote to accept the Plan.

3. Submission of Ballots.

The form of ballot for each of the classes entitled to vote on the Plan will be sent to all creditors along with a copy of the Court approved Disclosure Statement and a copy of the Plan. Creditors should read the Disclosure Statement, Plan, and ballot carefully. If any Creditor has any questions concerning voting procedures, it may

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contact Debtor's attorneys at:

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Attn: Majesta P. Racanelli
1000 S.W. Broadway, Suite 1400
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Telephone: 503-227-1111
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E-mail: mracanelli@sussmanshank.com

Ballot(s) or withdrawals/revocations must be returned to Sussman Shank LLP at the above address by mail, facsimile, e-mail attachment, hand delivery, or courier service by **5:00 p.m. Prevailing Pacific Time on August 10, 2016. Only ballots received by the voting deadline can be counted for purposes of Plan confirmation.**

4. Confirmation Hearing and Plan Objection Deadline.

The Bankruptcy Court will hold a hearing on confirmation of the Plan commencing on August 17, 2016 at 10:30 a.m. Prevailing Pacific Time, in Courtroom I, Union Station Courthouse, 1717 Pacific Avenue, Tacoma, Washington. All objections, if any, to the confirmation of the Plan must be in writing, must state with specificity the grounds for any such objections, and must be filed with the Bankruptcy Court and served upon counsel for Debtor at the following address on or before August 10, 2016:

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Attn: Thomas W. Stilley
1000 S.W. Broadway, Suite 1400
Portland, OR 97205

5. Feasibility.

The Bankruptcy Code requires, as a condition to confirmation, that the Bankruptcy Court find that liquidation of the Reorganized Debtor or the need for future reorganization is not likely to follow after confirmation. For the purpose of determining whether the Plan meets this requirement, the Debtor has prepared projections attached to this Disclosure Statement as Exhibits A-1 and A-2, which show that the payment of

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claims from projected income and other sources as provided in the Plan will be sufficient to make all payments required of the Reorganized Debtor under the Plan without the need for further reorganization.

B. Best Interests of Creditors.

In the event any creditor objects to confirmation of the Plan, Section 1129(a)(7) of the Bankruptcy Code requires that the Plan provide such creditor with as much as it would receive if the Debtor's assets were liquidated in a case under Chapter 7. The Plan is anticipated to pay all allowed claims in full, therefore the Debtor believes the "best interests of creditors" test of Section 1129(a)(7) of the Bankruptcy Code is satisfied. See Chapter 7 liquidation analysis attached hereto as Exhibit C. As shown on Exhibit C, even if there is no recovery from the Snowflake Defendants and the Arizona Defendants' claims are allowed, creditors will still receive more under the Plan than they would if the Debtor were to cease operations and liquidate its assets under Chapter 7. That is because under the Plan unsecured creditors will receive not only guaranteed payments totaling $1,800,000 plus interest, but also 50% of the Reorganized Debtor's Annual Retained Earnings over five years. The retained earnings payments can only be made if the Debtor remains in business rather than ceasing operations. In Chapter 7, if the Arizona Defendants' claims are allowed, distributions to unsecured creditors are projected to total approximately 17.95%, and 56.78% if the Arizona Defendants' claims are disallowed. Under the Plan, if the Arizona Defendants' claims are allowed, distributions to unsecured creditors are projected to total approximately 34.36%, and 100% if the Arizona Defendants' claims are disallowed. Thus, under the Plan, and not taking into account any Snowflake Recoveries, unsecured creditors can be expected to receive almost twice as much under the Plan as they would receive if the Debtor's assets were liquidated in Chapter 7.

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C. Confirmation over Dissenting Class.

In the event that any impaired class of claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at Debtor's request if all other requirements under Section 1129(a) of the Bankruptcy Code, except for Section 1129(a)(8), are satisfied, and if, as to each impaired class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such non-accepting class.

D. Avoidance Actions.

The Reorganized Debtor will investigate and determine whether to pursue preferential transfers, fraudulent transfers, and other avoidance type claims, pursuant to Sections 544, 547, 548, 549, 550, and 551. Once all unsecured claims have been allowed or disallowed, and the Reorganized Debtor has determined the amount that will be needed to pay all allowed claims in full, the Reorganized Debtor, in consultation with the Unsecured Creditors Committee, will evaluate whether it will be beneficial to pursue Avoidance Actions, and after considering the costs, risks, and expense of doing so, determine which ones should be pursued. The Debtor reserves the right to consent to the Committee's pursuit of any of the Avoidance Actions in the event the Committee requests the right to do so.

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VIII. CONCLUSION.

The Debtor believes that confirmation of the Plan is in the best interests of the Debtor and its creditors. Accordingly, the Debtor asks that creditors entitled to vote do so in favor of the Plan on the enclosed ballot and timely return the ballot as described above.

DATED: July 18, 2016.

DEBTOR:

PRECISIONS INDUSTRIAL CONTRACTORS, INC.

/s/ Rodney E. Schultz

Rodney E. Schultz
President

SUSSMAN SHANK LLP

/s/ Thomas W. Stilley

Thomas W. Stilley, WSBA # 21718
Attorneys for Debtor

***23327-002\FIRST AMENDED DISCLOSURE STATEMENT (FINAL) (02347246);2**

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