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IN THE UNITED STATES BANKRUPTCY COURT  
IN AND FOR THE DISTRICT OF ARIZONA

In re	)	In Proceeding Under
	)	Chapter Eleven
S DIAMOND STEEL, INC.,	)	
	)	Case No. 2-16-bk-07846 BKM
	)	
	)	SECOND AMENDED
	)	DISCLOSURE STATEMENT
	)	
Debtor	)	

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## EXHIBITS

- A. Plan of Reorganization
- B. Disbursement Schedule
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- D. Application To Approve Compromise Settlement

## I. INTRODUCTION

On July 11, 2016 Debtor, S Diamond Steel, Inc., (hereinafter referred to as "Debtor"), filed a voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the District of Arizona.

This Disclosure Statement is filed pursuant to 11 U.S.C. §1125 and is intended to provide the holders of claims and interest with adequate information about the Debtor and the Plan so as to enable the creditors to make an informed judgment as to their acceptance or rejection of the Plan.

## II. DEFINITIONS

As utilized in this Disclosure Statement and in the Plan of Reorganization which accompanies this Disclosure Statement, the following definitions apply to the following terms:

1. "Adequate information" means information that would enable a hypothetical reasonable investor typical of holders of claims or interest of the Debtor's estate, to make an informed judgment about the Debtor's Plan of Reorganization.

2. "Allowed and Approved Claim" shall mean all scheduled claims and to which no objection to the claim having been filed. If an objection to a claim is filed, said claim will be allowed to the extent ordered by the Court.

3. "Bankruptcy Code" shall mean the Bankruptcy Code as set forth in Title 11 of the United

1 States Code.

2 4. "Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of  
3 Arizona.  
4

5 5. "Confirmation of the Plan" shall mean the entry of an order by the Bankruptcy Court  
6 confirming the Amended Plan of Reorganization in accordance with §1129 of the Bankruptcy Code.

7 6. "Consummation of the Plan" means the accomplishment of all things required or provided  
8 for under the terms of the Amended Plan.  
9

10 7. "Court" shall mean the United States Bankruptcy Court for the District of Arizona.

11 8. "Creditors" shall mean all persons holding claims for secured and unsecured obligations,  
12 liabilities, demands or claims of any nature whatsoever against the Debtor arising at any time prior  
13 to confirmation of the Plan and administrative creditors.  
14

15 9. "Debtor" shall mean the petitioner in the above-captioned Bankruptcy case.

16 10. "Disclosure Statement" or "Amended Disclosure Statement" shall mean this Amended  
17 Disclosure Statement (hereinafter "Disclosure Statement") filed in this case approved, after notice  
18 and a hearing by the Court as being in conformity with §1125 of the Bankruptcy Code or conditional  
19 approval as a small business case, if applicable.  
20

21 11. "Effective date" shall be thirty (30) days after the entry of an Order Confirming the  
22 Amended Chapter 11 Plan of Reorganization.  
23

24 12. "Petition" means to original Chapter 11 Petition filed by the Debtor.

25 13. "Plan" shall mean the Amended Plan of Reorganization accompanying this Disclosure  
26 Statement as it may be amended, modified and/or supplemented pursuant to which the Debtor  
27 proposes payment in whole or in part of creditors' claims.  
28

1  
2 14. "Plan distribution date" shall be the "effective date" and every 30 days thereafter.

3  
4 15. All other terms not specifically defined by this Disclosure Statement shall have the  
5 meaning as designated in §101 of the Bankruptcy Code or, if not contained therein, their ordinary  
6 meaning.

7  
8 **III. DISCLAIMER**

9 Any representations concerning the Debtor's Amended Plan other than as set forth herein are  
10 unauthorized. This Disclosure Statement is designed to provide information the Debtor deems  
11 material, important and necessary for its creditors to arrive at an informed decision in exercising their  
12 right to accept or reject the Plan. **YOU SHOULD THEREFORE NOT RELY ON ANY OTHER**  
13 **INFORMATION, REPRESENTATIONS OR INDUCEMENTS IN ASSESSING THE**  
14 **MERITS OF THE DEBTOR'S PLAN OTHER THAN THE INFORMATION CONTAINED**  
15 **IN THIS DISCLOSURE STATEMENT.**

16  
17 The Debtor expressly does not warrant nor represent that there are no inaccuracies in the  
18 following Disclosure Statement although the information provided is accurate to the best of its  
19 knowledge, information and belief. Creditors should also be aware that the Court has not undertaken  
20 any individual determination to verify the accuracy of the information contained in this Disclosure  
21 Statement. Finally, the attorney for the Debtor has not made any independent evaluation as to the  
22 accuracy of the information contained herein other than to ascertain that the information contained  
23 herein is generally consistent with information provided by the Debtor. Notwithstanding the  
24 foregoing, the Debtor believes that the information contained herein is correct and accurate and  
25 complies with the requirements of the Bankruptcy Code.  
26  
27  
28

1  
2  
3 **IV. DEBTOR'S BACKGROUND, EVENTS LEADING TO**  
4 **CHAPTER 11 BANKRUPTCY FILING AND OPERATIONS UNDER CHAPTER 11**

5 S Diamond Steel, Inc. (herein "S Diamond" or "Debtor") has been in business as a Steel  
6 fabrication and erection contractor primarily in the states of Arizona, Nevada, New Mexico and  
7 California since 2001. Since 2001, S Diamond has also worked in other states as well as Puerto  
8 Rico.

9 The company initially started out as a sole proprietorship of Miles Stevens doing business  
10 as just S Diamond Steel in 1999 when Stevens started out as a small erection contractor working out  
11 of his home and an adjoining empty lot. As an steel erection contractor Stevens also signed a  
12 Collective Bargaining Agreement ("CBA") with the Arizona Local 75 Ironworker's Union. In  
13 January 2001, Stevens incorporated the business into its current form.  
14

15 In May, 2001, S Diamond moved its principal place of business to a small fabrication shop  
16 on Madison Street in south Phoenix where its business continued to grow in size to approximately  
17 1.2 Million dollars. Initially S Diamond simply leased the building from Rogers Stevenson. At the  
18 time, S Diamond was doing either casino projects in Las Vegas or working on federal government  
19 military bases. When the 911 terrorist attacked occurred in September 2001, nearly all of S  
20 Diamond's jobs shut down - the casino projects simply moth-balled and the government projects  
21 were stopped when access to the government facilities was cut off to civilians due to the potential  
22 for terrorist attacks. Six of eight of S Diamond's customers filed for bankruptcy protection.  
23

24 In March 2002, S Diamond stopped acting as an erection only contractor and became a full  
25 service steel detailing, fabrication, and erection contractor. As a result, S Diamond's success in  
26 obtaining work increased since the general contractors were more willing to turn over the complete  
27  
28

1 "package" of the steel work to one subcontractor (like S Diamond) instead of having to hire three  
2 separate companies to perform the same scope of work.

3  
4 In August 2002, S Diamond became signatory to a second CBA for the districts of California  
5 and Nevada. Later in October 2002, S Diamond started to hire shop labor for purposes of  
6 performing the detailing work and steel fabrication work associated with its new influx of business.

7  
8 In January 2003, Stevenson agreed to sell the 18,000 sq ft building and shop area to Stevens  
9 for \$250,000. Stevens acquired the Madison property and then leased the facility to S Diamond for  
10 approximately \$2,000 per month. From 2003 through 2007, S Diamond's gross revenues from work  
11 increased from around 1.5 million to 12 million. In early 2008, Stevens located a larger facility on  
12 Lower Buckeye Road in south Phoenix whereby he could move the operations. Stevens formed a  
13 Limited Liability Company - MM Stevens, LLC which purchased the 40,000 sq ft existing heavy  
14 shop facility on 5 acres for \$3.0 Million of which \$2.5 Million was borrowed from West Valley  
15 Bank. Stevens personally guaranteed the \$2.5 Million dollar loan which has monthly payment  
16 obligations of \$16,711.36.  
17

18  
19 Once the new facility was purchased, Stevens entered into a 24 month lease agreement with  
20 S Diamond which is automatically extended in 24 month increments unless terminated by either  
21 party. Monthly lease payments by S Diamond is \$18,000 per month as base rent. Annual property  
22 tax assessments (~\$43,716.22 / year) and property insurance (~\$71,018.00 / year) are also provided  
23 by S Diamond as part of the lease agreement. Once the facility was purchases, S Diamond spent the  
24 next three months making approximately \$200,000 in leasehold improvements consisting of  
25 electrical transformers, power upgrades, paint booth modifications, thickened concrete slabs to  
26  
27  
28

1 accommodate the heavy equipment, upgrades to the computer and networking system and exterior  
2 fencing.

3  
4 Since moving in to the Lower Buckeye facility, S Diamond has continued to make periodic  
5 leasehold improvements and upgrades as its business operations expanded (upgrades and  
6 replacements to overhead cranes, reconfiguration of the parking lot, paving of previous dirt portions  
7 of the lot, installation of exterior heavy duty steel racking systems required to store inventory,  
8 installation of canopies, revitalization of a small 1,800 sq ft building now used for packing and some  
9 further concrete pad installations for more equipment. By January 2009, S Diamond's gross sales  
10 increased to \$13.5 million. From 2008 through February 2009, S Diamond continued to operate out  
11 of both the Madison and Lower Buckeye facilities.

12  
13  
14 In late 2007 the great recession hit Arizona. Existing work on hand allowed S Diamond to  
15 continue operations through the first part of 2009 when new project work essentially dried up. By  
16 February 2009, S Diamond was forced to close its operations at the Madison facility (used primarily  
17 for fabrication of smaller light gauge steel work, e.g. handrails and smaller specialty products and  
18 field storage). By January 2010, gross revenues dropped to \$7.2 million (approximately 50% of  
19 2009 revenues).

20  
21 Despite the lagging economy, S Diamond continued to try and obtain new work throughout  
22 Arizona, California, and Nevada. As a Union steel erection contractor however, its efforts in Nevada  
23 and California were unsuccessful with the majority of the new work being awarded to non-union  
24 erection contractors who did not have to pay the large union benefit packages to its employees.  
25 Union apprentice/journeymen, and foreman/general foreman total package wage rates bid out at \$68  
26 and \$78 per hour respectively (in Arizona). Non-union bid rates for these same classes of worker  
27  
28



1 were in the neighborhood of \$45 to \$50 per hour. The \$23 per hour differential in labor rates  
2 required to be paid by S Diamond made it (as well as a majority of other union erection contractors)  
3 non-competitive.  
4

5 In Nevada and California the rate differential was even worse with a Union bid rate for  
6 apprentice/journeymen of \$95 / hour and \$110 per hour for a foreman / general foreman. With the  
7 rate differential upwards of \$60 per hour for the union S Diamond vs the non-union local contractors,  
8 S Diamond was unable to obtain any new work. In July, 2008, S Diamond completed its last job in  
9 Las Vegas Nevada. In October, 2009, S Diamond completed its last job in California. To put this  
10 in perspective, on a typical \$1,000,000 project (detailing, fabrication, and erection), 21 to 27%  
11 constituted the labor component for erection. In Arizona, on a typical \$1,000,000 project, all other  
12 costs being equal, a non-union contractor was able to submit a quote 7% lower than S Diamond  
13 (\$70,000 lower bid). In California and Nevada, on a typical \$1,000,000 project, all other costs being  
14 equal, a non-union contractor was able to submit a quote 16% lower than S Diamond (\$160,000  
15 lower bid).  
16  
17  
18

19 Despite the difficulty in obtaining work and the price differential caused by the union vs.  
20 non-union wages, S Diamond continued to actively submit bid proposals (expenses associated with  
21 preparation of a typical bid exceed \$10,000), maintained its California and Nevada contracting  
22 licenses, and paid for the additional state required contractors insurance and bonding fees through  
23 January 2014 and August 2013 respectively. Annual costs for maintaining the California license  
24 status (\$5,000+) and Nevada status (\$8,000+). After more than 4 years of actively bidding in both  
25 markets without success S Diamond coupled with the Ironworker Union's refusal to permit union  
26 ironworkers to work for S Diamond it became impossible for S Diamond to renew these licenses.  
27  
28

1 For the next two years, S Diamond was still able to obtain work as a union steel erector in  
2 Arizona but sales continued to decline. \$6.8 million in 2011 and \$5.6 million in 2012. In December  
3 2012, the Ironworker's Union through its District Counsel out of California effectively seized all of  
4 the accounts receivables on nearly a dozen projects due to S Diamond claiming delinquent payments  
5 on the union trust fund contributions of approximately \$300,000. S Diamond was able to eventually  
6 negotiate a payment schedule but the eight months of S Diamond having all of its funds tied up was  
7 the beginning of the end for this business. Discussions with the attorneys for the Ironworker's Union  
8 and the Trust made clear that they had every intention of and preferred to put S Diamond completely  
9 out of business.  
10

11  
12 To try and remain competitive S Diamond tried to negotiate with the Union by using Market  
13 Retention Agreements which are frequently used on private funded projects to help offset the wage  
14 differential. Prior to December 2012, S Diamond was frequently approved for such MRA's, however  
15 as part of the Union's effort to put S Diamond out of business, post December 2012, all subsequent  
16 requests were denied thus reducing even further the number of projects that S Diamond could remain  
17 competitive for.  
18  
19

20 With the Union refusing to provide labor and actively seeking to put S Diamond out of  
21 business completely, in March 2013, S Diamond requested that it be allowed to withdraw from the  
22 two Collective Bargaining Agreements. Both Arizona and the California/Nevada unions refused to  
23 allow S Diamond to withdraw claiming that S Diamond would remain subject to the CBA's through  
24 June and August 2014. To add insult to injury, on August 9, 2013, the Arizona Local 75 Union  
25 notified S Diamond that it would no longer send union ironworkers out from the hall. The Union  
26 went further to threaten the union workers that if they continued to work with S Diamond they would  
27  
28

1 be terminated from the union and forfeit all of their past health and pension benefits. The Unions  
2 thus placed S Diamond in a catch 22 situation. On the one hand, the Arizona and California unions  
3 were claiming that S Diamond was subject to the CBA's through 2014 but those same unions were  
4 refusing to allow union ironworkers to work for S Diamond.  
5

6 In February 2014, the California Ironworkers Field Pension Trust made demand on S  
7 Diamond for \$1,310,000 in "withdrawal liability". S Diamond disputed that it had withdrawn from  
8 the Unions as evidenced by the several letters from the Trust fund attorneys claiming that S  
9 Diamond's March 2013 attempted withdrawal was untimely and ineffective. When S Diamond did  
10 not immediately pay up the \$1,310,000 claimed due, the Trust Fund filed suit in the California  
11 Federal District Court (case 2:15-cv-01153).  
12

13 In February 2016, S Diamond participated in a mediation in California to try and resolve the  
14 withdrawal liability lawsuit without success. The Trust Fund's demand at that time was \$1.9 million  
15 dollars payable in full immediately. When the mediation failed, the Trust Fund's attorney's filed a  
16 Motion for Summary Judgment on May 26, 2016. S Diamond's attorneys who had been representing  
17 it in the California lawsuit withdrew just prior to S Diamond's response to the Motion becoming due.  
18 While the Motion for Summary Judgment was still pending, S Diamond filed for Chapter 11  
19 bankruptcy protection - July 11, 2016.  
20  
21

### 22 Post-Petition Events

23

24 S Diamond has remained a tenant at the Lower Buckeye facility throughout the bankruptcy  
25 proceedings and has continued to make its monthly lease payments. For the first six months after  
26 filing bankruptcy and with the Union Trust Fund lawsuit having been stayed, S Diamond was able  
27 to maintain its business operations in good order and started to increase its sales. 2016 sales totaled  
28

1 \$7.95 million - a 35% increase over 2015. S Diamond has actively continued to submit bids and  
2 proposals and its 2017 sales increased to just over \$9 million. It expects 2018 sales to remain at the  
3 \$9 million level based on current projects and ongoing negotiations with several of its customers  
4 who use S Diamond almost exclusively on their projects due to the excellent reputation that Stevens  
5 and his company has established. Because of its ability to prepare in-house the design build erection  
6 and fabrication drawings, fabricate in-house all of the structural and non-structural steel systems and  
7 then perform the actual erection on site of the steel components, S Diamond has established itself  
8 into a very unique niche market. Other than S Diamond, there are only a few equivalent competitors  
9 in the Arizona market who can perform in-house the full structural steel systems from design through  
10 erection.  
11

12  
13 In addition to the Trust Fund suit pending pre-petition in the California Federal District Court  
14 under Case Number 2:15-cv-01153, the Trust Fund continued with its pursuit of S Diamond and its  
15 efforts to shut the business down. In October 2016, the Trust Fund filed a new lawsuit, again in the  
16 California District Court - this time against S Diamond's President and sole shareholder Miles  
17 Stevens, his wife Dana Stevens, the owner of the Lower Buckeye and Madison facilities - MM  
18 Stevens, LLC, and Milco Solutions, Inc., under Case Number 2:16-cv-07791. The 2016 California  
19 lawsuit proceeded down its path, negatively impacting S Diamond and was concluded on October  
20 4, 2017 with a ruling in favor of the Trust Fund.  
21

22  
23 While the 2016 California Federal District Court matter was weaving its way through  
24 litigation, S Diamond responded to the Motion for Relief From Stay filed by California Ironworkers  
25 Field Pension Trust, Board of Trustees. Said Motion was never prosecuted however, the parties  
26 continued down the path of litigation in the Chapter 11 by way of claim objection. On January 19,  
27  
28

1 2017 S Diamond filed its Objection to the Proof of Claim filed by the California Ironworkers Field  
2 Pension Trust. Between March, 2017 and October, 2017 the parties litigated the Objection to the  
3 Proof of Claim holding various depositions and hearing. Not wanting to litigate issues further, the  
4 Parties entered into a Settlement Agreement that was brought before the Bankruptcy Court by way  
5 of an Application to Approve Compromise Settlement. The Settlement Agreement was noticed to  
6 all creditors and it is expected that the Court will approve the Application shortly.  
7

8 With the back-drop of the litigation in Federal District Court and the Bankruptcy Court, S  
9 Diamond continued to move forward with its attempt to reorganize. On July 7, 2017 S Diamond  
10 filed its Motion for Order Authorizing Debtor to Pay Pre-Petition Priority Tax Creditors. This  
11 Motion, which was granted on July 27, 2017 allowed S Diamond to begin paying the priority tax  
12 claims. Said claims have been substantially paid down. For example, the Proof of Claim originally  
13 filed by the Internal Revenue Service showed a priority claim of over \$387,000.00. Prior to July 27,  
14 2017 and after the filing of some missing returns, that claim was amended to reflect a priority claim  
15 of \$348,526.61. Since the entry of the Order authorizing payment, the IRS has amended its claim  
16 four times, the last being on March 30, 2018. This amended claim shows a priority amount of  
17 \$93,923.21. Similar payments were made to the other priority taxing agencies and, as of the filing  
18 of this Amended Disclosure statement the vast majority of the pre petition priority tax claims have  
19 been paid.  
20

21 Lastly, but most important, the Debtor has been working its construction contracts, collecting  
22 revenues and paying its business expenses as they come due. The Debtor is now ready to move  
23 forward with its Second Amended Disclosure Statement and a viable Second Amended Chapter 11  
24 Plan that will address the claims of the pre petition creditors.  
25  
26  
27  
28

1 V. VOTING

2 A. Ballots and Voting Deadline.

3 A ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure  
4 Statement and mailed to creditors entitled to vote. A creditor must (1) carefully review the ballot  
5 and instructions thereon; (2) execute the ballot; and, return it to the address indicated thereon by the  
6 deadline in order to be considered for voting purposes. The Bankruptcy Court has directed that, in  
7 order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be  
8 received no later than the date established by the Bankruptcy Court, with a copy being provided to  
9 the following address: Allan D. NewDelman, P.C., 80 East Columbus Avenue, Phoenix, Arizona  
10 85012. *The enclosed Ballot states the Court established deadline in which all ballots must be filed*  
11 *with the Court and copies provided to Debtor's counsel.*

12 B. Creditors Entitled to Vote.

13 Any creditor of the Debtor, whose claim is impaired under the Debtor's Plan of  
14 Reorganization is entitled to vote. Any claim as to which an objection has been filed (and such  
15 objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the  
16 claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon  
17 Motion by the creditor whose claim is subject to any objection. Such motion must be heard and  
18 determined by the Bankruptcy Court prior to the date established by the Court to confirm the Plan.  
19 In addition, a creditor's vote may be disregarded if the Bankruptcy Court determines that the  
20 creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with  
21 the provisions of the Bankruptcy Code.  
22  
23  
24  
25  
26  
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28

1        C. Definition of Impairment.

2        Under §1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under  
3  
4 a Plan or Reorganization unless, with respect to each claim or equity interest of such class, the Plan:

5        Except as provided in Section 1123(a)(4) of this title, a class of claims or interests  
6  
7 is impaired under a plan unless, with respect to each claim or interest of such class,  
8  
9 the plan –

10            (1) leaves unaltered the legal, equitable, and contractual rights to  
11            which such claim or interest entitles the holder of such claim or  
12            interest;

13            (2) notwithstanding any contractual provision or applicable law that  
14            entitles the holder of such claim or interest to demand or receive  
15            accelerated payment of such claim or interest after the occurrence of  
16            a default –

17            (A) cures any such default that occurred before or after the  
18            commencement of the case under this title, other than a default of a  
19            kind specified in Section 365(b)(2) of this title;

20            (B) reinstates the maturity of such claim or interest for any  
21            damages incurred as a result of any reasonable reliance by such holder  
22            on such contractual provision of such applicable law; and,

23            (C) compensates the holder of such claim or interest for any  
24            damages incurred as a result of any reasonable reliance by such holder  
25            or such contractual provision or such applicable law; and

26            (D) does not otherwise alter the legal, equitable, or contractual  
27            rights to which such claim or interest entitles the holder of such claim  
28            or interest.

29        D. Classes Impaired Under the Plan.

30        Creditors holding claims or interests in Classes 1B, 2, 7, and 8 are impaired under the Plan  
31  
32 and are eligible, subject to the limitations set forth within the Disclosure Statement and Chapter 11

1 Plan of Reorganization, to vote to accept or reject the Plan. Creditors holding claims in Classes 1,  
2 1A, 3, 4, 5, 6, and 9 are not impaired or are non-voting under the Plan and are not entitled to vote  
3 with respect to acceptance or rejection of the Plan.  
4

5 E. Votes Required for Class Acceptance.

6 The Bankruptcy Code defines acceptance of a Plan by a class of creditors as acceptance by  
7 holders of two-thirds in dollar amount and by a majority in number of the claims of that class which  
8 actually cast ballots for acceptance or rejection of the Plan, i.e., acceptance takes place only if two-  
9 thirds in amount and a majority in numbers of the creditors actually voting cast their ballots in favor  
10 of acceptance.  
11

12 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THE BALLOT OR BALLOTS  
13 BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED. ANY  
14 BALLOTS RECEIVED AFTER THIS DATE MAY NOT BE INCLUDED IN ANY  
15 CALCULATION TO DETERMINE WHETHER THE Debtor' CREDITORS HAVE VOTED TO  
16 ACCEPT OR REJECT THE PLAN.  
17

18 THIS IS A SOLICITATION BY THE PROPONENT ONLY AND IS NOT A  
19 SOLICITATION BY THE PROPONENT'S ATTORNEY OR ACCOUNTANT, AND THE  
20 REPRESENTATIONS MADE HEREIN ARE THOSE OF THE PROPONENT AND NOT OF THE  
21 PROPONENT'S ATTORNEY OR ACCOUNTANT, EXCEPT AS OTHERWISE INDICATED.  
22 THE RECORDS SUBSEQUENT TO THE FILING OF THE PETITION FOR REORGANIZATION  
23 HAVE BEEN KEPT BY THE DEBTOR-IN-POSSESSION AND MONTHLY FINANCIAL  
24 REPORTS HAVE BEEN SUBMITTED BY THE DEBTOR-IN-POSSESSION FROM TIME TO  
25 TIME SINCE THE FILING OF THE PETITION. WHILE EVERY REASONABLE EFFORT HAS  
26  
27  
28



1 BEEN MADE TO ENSURE THE ACCURACY OF THE MONTHLY REPORTS, THEIR  
2 ACCURACY CANNOT BE GUARANTEED.

3  
4 **VI. GENERAL INFORMATION AND DISCLOSURE**

5 **Utilizing the Standards of A.C. Williams**

6 **Sources of information.**

7 Information relating to financial matters has been taken from the records of Debtor.  
8  
9 Information of a legal nature has been provided by the counsel of record.

10 **Current Condition of Debtor.**

11 The Debtor has continued to operate its business and has seen increases in gross receipts  
12 since the filing of the case.

13  
14 **The Accounting Process.**

15 The accounting process is conducted using generally accepted accounting principles.  
16 Accounting information is furnished by the Debtor.

17  
18 **Inventory and Asset Description.**

19 See Article XII.

20 **Future Management.**

21 Management of Debtor's affairs will remain with the Debtor.

22  
23 **The Anticipated Future of Debtor's Affairs.**

24 The funds needed to comply with the Debtor's Amended Plan of Reorganization shall come  
25 from the Debtor's business revenues. The Debtor has continued to operate its business and has seen  
26 increases in gross receipts since the filing of this case. The Debtor believes that the construction  
27 economy in Maricopa County has sufficiently stabilized and that since it no longer needs to  
28

1 concentrate on litigation in California, it can and is now concentrating on the job at hand, fabricating  
2 and installing steel structures.

3  
4 **Incidents which led to the filing of the Chapter 11.**

5 See ARTICLE IV of this Disclosure Statement.

6 **Disclaimer regarding the information given.**

7 See ARTICLE III of this Disclosure Statement.

8 **Amount of claims scheduled.**

9  
10 See ARTICLES VII AND VIII.

11 **The estimated return to the creditors if liquidated.**

12 See ARTICLES XI AND XII.

13 **A copy of the proposed plan.**

14  
15 See Exhibit "A" attached hereto.

16 **VII. FINANCIAL INFORMATION**

17 **Administrative Claims.**

18  
19 These claims consist of the expenses of administration of the estate including attorney fees  
20 for Debtor's counsel and any unpaid fees to the U.S. Trustee.

21 **Unsecured Claims.**

22 As reflected in the schedules filed by the Debtor and supplemented by various Proof of Claims  
23 that have been filed, Debtor has general unsecured claims in the amount of \$3,492,504.32.<sup>1</sup> The  
24  
25  
26

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<sup>1</sup>This amount includes \$840,500.00 of scheduled claims to creditors who are deemed "insiders" and one claim,  
in the amount of \$1,893,324.50 listed as "disputed".

Debtor's Second Amended Chapter 11 Plan of Reorganization will be a base Plan with minimum payments of allowed claims to be made as set forth in the attached Disbursement Schedule.

Secured Claims.

As reflected in the schedules filed by the Debtor and supplemented by various Proof of Claims that have been filed, Debtor has secured debt totaling \$2,202,660.94.

Tax Claims. \*

As reflected in Proof of Claims filed by the taxing agencies, the following taxes are owed:

Tax Agency	Claim No.	Priority Unsecured	General Unsecured
CA Franchise Tax Board	4-1	\$ 821.92	\$ 828.28**
ADOR	5-2	\$ 7,100.00	\$ 11,105.61**
IRS	7-2	\$ 93,923.21	\$235,201.47**
AZ DES	8-1	\$ 12,397.15	\$ 200.00**

\*The priority amounts listed are estimated as amounts currently remaining unpaid. Debtor has been paying down the priority tax claims per the Court Order entered on July 27, 2017.

\*\*The general unsecured amount is included in the unsecured calculation above.

**VIII. SUMMARY OF THE PLAN OF REORGANIZATION**

The Plan provides for 9 classes and 2 subclass of claims to be paid or administered in the following manner:

Administrative Claims (Class 1).

These claims are for the expenses of administration of the estate, including attorney fees for Debtor's counsel, fees paid to the Court appointed accountant and to the U.S. Trustee, if any.

*Attorney's Fees:* The total amount of attorneys fees incurred to Debtor's Bankruptcy Counsel, Allan D. NewDelman, as of April 30, 2018 is \$63,868.35 subject to an offset against retainers of \$58,119.10 leaving a balance due through April 30, 2018 of \$5,749.25. Debtor believes, at the time

1 that the Debtor's Second Amended Chapter 11 Plan is confirmed, that there will an additional  
2 attorney's fees administrative expense claim in the approximate amount of \$4,000.00 bringing the  
3 total balance due but not paid to \$9,749.25. The additional \$4,000.00 includes anticipated fees for  
4 administration of the Debtor's Chapter 11 case, for preparing and prosecuting the Debtor's Second  
5 Amended Disclosure Statement and Plan of Reorganization and to cover the anticipated fees through  
6 the confirmation process.  
7

8 This claim shall be paid in cash, or in the amounts allowed by the Court, upon the Plan  
9 distribution date unless otherwise agreed to between the Debtor and the administrative creditor.  
10

11 *Accountant's Fees:* The total amount of accountant fees incurred to Debtor's Court Appointed  
12 accounting firm, Johnson Goff & Company, PLLC, as of March 20, 2018 is \$55,635.00. This claim  
13 shall be paid in cash, or in the amounts allowed by the Court, upon the Plan distribution date unless  
14 otherwise agreed to between the Debtor and the administrative creditor.  
15

16 **This Class is not impaired.**

17 **Administrative Claims (Class 1A).**

18 On January 26, 2017 the Court entered an Order authorizing the appointment of Special  
19 Counsel, Guy W. Bluff of Bluff & Associates to represent the Debtor in all matters described within  
20 the Application to Appoint Special Counsel, specifically related to matters with alleged claimant,  
21 Ironworkers Filed Pension Trust, Board of Trustees. At this time the administrative claim of this  
22 Claimant is not known but any such amounts is subject to an appropriate Application and approval  
23 by the Court. Any amounts so approved shall be paid in cash upon the Plan distribution date unless  
24 otherwise agreed to between the Debtor and the administrative creditor. **This Class is not impaired.**  
25  
26  
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28

1        Internal Revenue Service (Class 1B) - Claim 10-4

2        The Internal Revenue Service, to the extent that it has an administrative claim for post petition  
3 taxes (per the Proof of Claim, in the amount of \$10,852.54), shall be paid within Class 3 as provided  
4 for in the Disbursement Schedule attached as Exhibit "B". **This Class is impaired.**

5        Secured Claim - West Valley National Bank (Class 2) - Claim No. 3-1

6        West Valley National Bank is secured by a lien on all of the Debtor's assets as set forth in its  
7 UCC-1 Financing Statements and its Proof of Claim in the total amount of \$2,202,660.94. In  
8 addition, it holds a Deed of Trust against the real property where the Debtor conducts its business.  
9 The real property is not an asset of this Chapter 11 Estate as the real property is owned by MM  
10 Stevens, LLC. The Debtor shall cure its default under the terms of the loan documents within twelve  
11 (12) months of the effective date. The Debtor shall thereafter abide by all of the terms and conditions  
12 of the Commercial Guaranty associated with the promissory note entered into between MM Stevens,  
13 LLC and West Valley National Bank. **This Class is impaired.**

14        Unsecured Priority Claim - Internal Revenue Service (Class 3) - Claim No. 7-9.

15        The Internal Revenue Service ("IRS") shall have a priority claim in the approximate amount  
16 of \$93,923.21. The priority amount listed is estimated as the Debtor has been paying down the  
17 priority tax claim per the Court Order entered on July 27, 2017. The IRS's priority claim and the  
18 IRS's Administrative claim in the amount of \$10,852.54 for a total amount of \$104,775.75 shall be  
19 paid with interest at the statutory rate set forth in I.R.C. §§6621 and 6622 that is in effect during the  
20 month that the Plan is confirmed, as required by 11 U.S.C. §511. This priority and administrative  
21 amount shall be paid at the rate of \$8,170.00 per month until paid in full. All payments shall be made  
22 payable to the Internal Revenue Service and sent to the following address:  
23  
24  
25  
26  
27  
28

1 David G. Schuetz  
2 Internal Revenue Service  
3 4041 North Central Avenue  
4 MS 5014  
5 Phoenix, AZ 85012-5000

6 The Debtor's failure to comply with the Plan provisions concerning the liability owed to the  
7 IRS which includes, but not limited to, the failure to make the full and timely payments of all amounts  
8 due under the Confirmation Order, except as provided for in a Court ordered moratorium, as well as  
9 full and timely payments of all amounts due for post-confirmation periods, shall constitute a default  
10 of the Plan. If the Debtor fails to cure the default within ten (10) days after written notice of the  
11 default from the IRS or its agents is mailed to the Debtor and the Debtor's attorney, the entire  
12 imposed liability together with any unpaid current liabilities, shall become due and payable  
13 immediately. Further, in the event of a default, the IRS may collect unpaid liabilities through  
14 administrative collection provisions or the judicial remedies as set forth in the Internal Revenue Code.  
15 The IRS shall not be required to seek modification of the automatic stay to collect any tax liabilities  
16 that were not discharged by the confirmation of the Plan and from property that has been revested  
17 with the Debtor.  
18  
19

20 The IRS shall be entitled to any additional interest that accrues as a result of the Debtor's  
21 failure to make payments in accordance with the schedule attached hereto. **This Class in not**  
22 **impaired.**  
23

24 Priority Tax Claim of the Arizona Department of Revenue (Class 4) - Claim No. 5-3

25 The Arizona Department of Revenue ("ADOR") shall have a priority claim in the estimated  
26 amount of \$19,362.14. The priority amount listed is estimated as the Debtor has been paying down  
27 the priority tax claim per the Court Order entered on July 27, 2017. The ADOR's priority claim  
28

1 shall be paid with interest at the statutory rate as set forth in ARS § 42-1123(A), that is in effect  
2 during the month that the Plan is confirmed, as required by 11 U.S.C. §511. This priority amount  
3 shall be paid at the rate of \$1,505.00 per month until paid in full. All payments shall be made  
4 payable to the **Arizona Attorney General** and sent to the following address:  
5

6 Matthew A. Silverman  
7 Bankruptcy & Collection Enforcement Section  
8 1275 West Washington  
9 Phoenix, AZ 85007

10 The Debtor's failure to comply with the Plan provisions concerning the liability owed to the  
11 ADOR, which includes, but not limited to, the failure to make the full and timely payments of all  
12 amounts due under the Confirmation Order as well as full and timely payments of all amounts due  
13 for post-confirmation periods, shall constitute a default of the Plan. If the Debtor fails to cure the  
14 default within ten (10) days after written notice of the default from either the ADOR or its agents, the  
15 entire balance due ADOR shall be immediately due and owing. Further, in the event of a default,  
16 ADOR may enforce the entire amount of its claim, exercise any and all rights and remedies under  
17 applicable non-bankruptcy law which includes, but is not limited to, state tax collection procedures,  
18 and obtain any other such relief deemed appropriate by the Bankruptcy. **This Class is not impaired.**  
19

20 Priority Tax Claim of the Arizona Department of Economic Security (Class 5) - Claim No.  
21

22 8-2

23 The Arizona Department of Economic Security ("ADES") shall have a priority claim in the  
24 estimated amount of \$12,397.15. The priority amount listed is estimated as the Debtor has been  
25 paying down the priority tax claim per the Court Order entered on July 27, 2017. The ADES's  
26 priority claim shall be paid with interest at the statutory rate of 12% per annum. This priority amount  
27  
28

1 shall be paid at the rate of \$967.50 per month until paid in full. All payments shall be made payable  
2 to the **Arizona Department of Economic Security** and sent to the following address:

3  
4 AZ Department of Economic Security  
5 P.O. Box 6028  
6 Phoenix, AZ 85005

7 The Debtor's failure to comply with the Plan provisions concerning the liability owed to the  
8 ADOR, which includes, but not limited to, the failure to make the full and timely payments of all  
9 amounts due under the Confirmation Order as well as full and timely payments of all amounts due  
10 for post-confirmation periods, shall constitute a default of the Plan. If the Debtor fails to cure the  
11 default within ten (10) days after written notice of the default from either the ADES or its agents,  
12 the entire balance due ADES shall be immediately due and owing. Further, in the event of a default,  
13 ADES may enforce the entire amount of its claim, exercise any and all rights and remedies under  
14 applicable non-bankruptcy law which includes, but is not limited to, state tax collection procedures,  
15 and obtain any other such relief deemed appropriate by the Bankruptcy. **This Class is not impaired.**

16  
17 Priority Tax Claim of the California Franchise Tax Board (Class 6) - Claim No. 4

18 The California Franchise Tax Board ("CFTB") shall have a priority claim in the estimated  
19 amount of \$821.92. The priority amount listed is estimated as the Debtor has been paying down the  
20 priority tax claim per the Court Order entered on July 27, 2017. The CFTB's priority claim shall  
21 be paid with interest at its statutory rate of 3% per annum. This priority amount shall be paid at the  
22 rate of \$107.50 per month until paid in full. Payments have begun per Court Order. All payments  
23 shall be made payable to the **California Franchise Tax Board** and sent to the following address:

24  
25  
26 Bankruptcy Section MS A340  
27 Franchise Tax Board  
28 P.O. Box 2952  
Sacramento, CA 95812-2952



The Debtor's failure to comply with the Plan provisions concerning the liability owed to the CFTB, which includes, but not limited to, the failure to make the full and timely payments of all amounts due under the Confirmation Order as well as full and timely payments of all amounts due for post-confirmation periods, shall constitute a default of the Plan. If the Debtor fails to cure the default within ten (10) days after written notice of the default from either the CFTB or its agents, the entire balance due CFTB shall be immediately due and owing. Further, in the event of a default, CFTB may enforce the entire amount of its claim, exercise any and all rights and remedies under applicable non-bankruptcy law which includes, but is not limited to, state tax collection procedures, and obtain any other such relief deemed appropriate by the Bankruptcy. **This Class is not impaired.**

**General Unsecured Claims (Class 7)**

All allowed and approved claims under this Class shall be paid in full from all funds available for distribution as set forth in the Disbursement Schedule attached hereto as Exhibit "B". Interest in this Class shall not be paid unless required by law. It is anticipated that payments under this Class shall begin in month 14 of the Plan and will continue on a pro rata basis through month 64 of the Plan. **This Class is impaired.**

Class 7 shall be made up of the following creditors :

Creditor Name	Claim No.	Claim as of filing date	Claim as of* date of D/S	Projected * Dividend
Century Link Communications, LLC	1	\$ 2,216.23	\$ 2,216.23	\$ 2,216.23
Century Link Communications, LLC	2	\$ 161.33	\$ 161.33	\$ 161.33
California Franchise Tax Board	4	\$ 828.21	\$ 828.21	\$ 828.21
AZ Dep't of Revenue (general)	5-3	\$ 11,105.61	\$ 11,105.61	\$ 11,105.61
Cellco Partnership/Verizon	6	\$ 1,332.89	\$ 1,332.89	\$ 1,332.89
Internal Revenue Service (general)	7-9	\$235,201.47	\$235,201.47	\$235,201.47
Arizona DES (general)	8-1	\$ 200.00	\$ 200.00	\$ 200.00
ACDR Engineering Solutions	NC	\$ 3,625.00	\$ 0.00	\$ 0.00
AIM National Lease	NC	\$ 1,320.00	\$ 1,320.00	\$ 1,320.00
Allied Glass Welding & Supplies	NC	\$ 1,436.54	\$ 0.00	\$ 0.00

1	Amerigas Propane	NC	\$ 1,667.47	\$ 1,667.47	\$ 1,667.47
	Aqua Chill Inc #4	NC	\$ 229.56	\$ 229.56	\$ 229.56
2	Arizona Business Systems	NC	\$ 1,011.72	\$ 0.00	\$ 0.00
	Arizona Galvanizing, Inc.	NC	\$ 448.49	\$ 448.49	\$ 448.49
3	Arizona Iron Supply	NC	\$ 902.16	\$ 902.16	\$ 902.16
	Auto Glass Direct	NC	\$ 810.80	\$ 0.00	\$ 0.00
4	AZ Fulfillment & Storage	NC	\$ 4,900.00	\$ 0.00	\$ 0.00
	AZ Lien & Bond/Western States	NC	\$ 82.25	\$ 82.25	\$ 82.25
5	AZ Wire Rope & Rigging	NC	\$ 356.80	\$ 0.00	\$ 0.00
6	Bertis Paint Inc.	NC	\$ 1,267.16	\$ 0.00	\$ 0.00
	Blade Runner Inc.	NC	\$ 620.00	\$ 0.00	\$ 0.00
7	Bluff & Associates (listed 2x)	NC	\$ 6,767.75	\$ 6,767.75	\$ 6,767.75
	Cintas First Aid & Safety	NC	\$ 765.34	\$ 0.00	\$ 0.00
8	Cleveland Punch & Die	NC	\$ 195.71	\$ 0.00	\$ 0.00
	Continental Testing & Eng	NC	\$ 7,443.00	\$ 0.00	\$ 0.00
9	Coyote Courier Serv	NC	\$ 183.70	\$ 0.00	\$ 0.00
10	Desert Machine Tool & Repair	NC	\$ 5,892.81	\$ 0.00	\$ 0.00
	Desert Power Coating	NC	\$ 7,208.07	\$ 0.00	\$ 0.00
11	Double D Equipment	NC	\$ 11,877.45	\$ 11,877.45	\$ 11,877.45
	Duncan Bolt Company	NC	\$ 11,315.41	\$ 0.00	\$ 0.00
12	Estes Express Lines	NC	\$ 218.92	\$ 218.92	\$ 218.92
	Fastenal Company	NC	\$ 36.59	\$ 36.59	\$ 36.59
13	Grainger Div of WW Grainger	NC	\$ 136.78	\$ 0.00	\$ 0.00
14	Grating Pacific Southwest	NC	\$ 674.00	\$ 674.00	\$ 674.00
	Gwy Inc	NC	\$ 78.50	\$ 78.50	\$ 78.50
15	H&E Equipment Serv	NC	\$ 1,713.17	\$ 0.00	\$ 0.00
	IAO Steel LLC	NC	\$ 9,232.00	\$ 0.00	\$ 0.00
16	Independent Electric Supply	NC	\$ 137.92	\$ 0.00	\$ 0.00
	Ingersoll Rand Company	NC	\$ 1,691.30	\$ 1,691.30	\$ 1,691.30
17	Instel Steel West Calif LLC	NC	\$ 881.65	\$ 881.65	\$ 881.65
18	JL Lewis	NC	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00
	Joseph T Ryserson & Sons	NC	\$ 1.82	\$ 0.00	\$ 0.00
19	KMAC at South Mountain LLC	NC	\$ 559.01	\$ 559.01	\$ 559.01
	Landa & Assoc. Inc.	NC	\$ 9,250.00	\$ 0.00	\$ 0.00
20	Matthew M. Stevens	NC	\$120,000.00	\$120,000.00	\$120,000.00
	MBI Industrial Medicine Inc.	NC	\$ 235.00	\$ 0.00	\$ 0.00
21	McMaster Carr Supply Co	NC	\$ 930.94	\$ 0.00	\$ 0.00
	Merger Metals LLC	NC	\$ 3,317.00	\$ 3,317.00	\$ 3,317.00
22	Metro Lock & Safe Inc.	NC	\$ 623.49	\$ 623.49	\$ 623.49
	Milco Solutions	NC	\$315,000.00	\$315,000.00	\$315,000.00
23	MM Stevens LLC	NC	\$405,500.00	\$405,500.00	\$405,500.00
	NAPA Auto parts	NC	\$ 1,041.63	\$ 1,041.63	\$ 1,041.63
24	National Ornamental & Misc Met	NC	\$ 425.00	\$ 425.00	\$ 425.00
25	Oberfield Precast LLC	NC	\$ 4,590.00	\$ 0.00	\$ 0.00
	Praxair Distribution	NC	\$ 2,049.70	\$ 2,049.70	\$ 2,049.70
26	Prophet Network Integration	NC	\$ 2,190.84	\$ 2,190.84	\$ 2,190.84
	Quicksilver Express Courier	NC	\$ 349.20	\$ 349.20	\$ 349.20
27	Red-D-Arc, Inc.	NC	\$ 10,736.23	\$ 3,171.26	\$ 3,171.26
28					

1	Reliance Metal Center (paid by Court Order)		\$168,859.57	\$ 0.00	\$ 0.00
	Ricoh Office Solutions	NC	\$ 2,435.56	\$ 2,435.56	\$ 2,435.56
2	Smith Pipe & Steel Co	NC	\$ 98,312.37	\$ 0.00	\$ 0.00
	Snell & Wilmer, LLP	NC	\$ 46,651.53	\$ 46,651.53	\$ 6,651.53
3	SOS Exterminating	NC	\$ 168.00	\$ 84.00	\$ 84.00
	Southwest Industrial Rigging	NC	\$ 3,918.85	\$ 2,016.95	\$ 2,016.95
4	Stanley Convergent Security	NC	\$ 176.36	\$ 176.36	\$ 176.36
	State of California	NC	\$ 75.00	\$ 75.00	\$ 75.00
5	Streamline Water Solutions	NC	\$ 259.52	\$ 259.52	\$ 259.52
	Stud Welding Products	NC	\$ 5,708.54	\$ 259.10	\$ 259.10
6	Superior Metal Forming Inc	NC	\$ 14,160.00	\$ 1,218.00	\$ 1,218.00
	Tempe Abrasives, Inc.	NC	\$ 7,488.10	\$ 0.00	\$ 0.00
7	Tyco Integrated Security	NC	\$ 2,807.61	\$ 2,807.61	\$ 2,807.61
	Uline Inc.	NC	\$ 2,807.61	\$ 2,807.61	\$ 2,807.61
8	Unicoa Construction & Indust	NC	\$ 3,687.08	\$ 3,687.08	\$ 3,687.08
	United Rentals	NC	\$ 11,631.18	\$ 0.00	\$ 0.00
9	Universal Life Systems	NC	\$ 2,810.82	\$ 0.00	\$ 0.00
10	Vern Lewis Welding Supply	NC	\$ 4,873.50	\$ 0.00	\$ 0.00
	Your Supply Depot	NC	\$ 7,775.00	\$ 7,775.00	\$ 7,775.00
11					
12	TOTAL		\$1,599,179.82	\$1,164,002.28	\$1,164,022.28

13

14 \* With the exception of Reliance Metal Center, the amounts listed as of the date of this Disclosure

15 Statement and for the Projected Dividend are reduced based upon payment of pre petition claims by

16 joint checks as projects progressed. Payments were not made by the Debtor but rather by general

17 contractors as draws submitted by those contractors were paid by the owner of the project to the

18 general contractor. The dividend under this Plan will provide payment in full of all claims not paid

19 by joint checks.

20

21 \*\* Amount listed on Schedule F is incorrect due to a typographical error. Actual amount owed as

22 of the petition date was only \$128.25. Creditor will be paid the higher amount and will be directed

23 to refund to the Debtor any over payment on its account.

24 General Unsecured Creditor, Board of Trustees of the California Ironworkers Field Pension

25 Trust - (Class 8) Claim No. 9-1

26 Debtor and this Creditor have entered into a Settlement Agreement and a Motion to Approve

27 the same has been filed with the Court. The Motion and Settlement Agreement, attached hereto and

28 incorporated herein by reference as Exhibit "D", in part provides as follows:

1 ALLOWANCE OF PROOF OF CLAIM

2 The full amount of the Pension Fund Claim shall be deemed an "allowed" claim under 11  
3 U.S.C. § 502(b).  
4

5 PAYMENT OF THE CLAIM

6 a. S Diamond Steel, Inc. (as a reorganized debtor) shall pay to the Pension Fund the sum of  
7 \$200,000 within 30 days of the effective date ("Effective Date") of a confirmed plan of  
8 reorganization in the Bankruptcy Case (the "Initial Payment").  
9

10 b. S Diamond Steel, Inc. (as a reorganized debtor), M.M. Stevens, LLC and Milco Solutions,  
11 Inc., Matthew Miles Stevens and Dana Stevens shall execute a promissory note ("Note") in the form  
12 attached as Exhibit A in favor of the Pension Fund in the principal sum of \$1,632,647.46 (One  
13 Million, Six Hundred Thirty-Two Thousand, Six Hundred Forty Seven Dollars and Forty Six Cents)  
14 with interest accruing at the rate of 7.5% simple interest per annum on the principal sum or on such  
15 portion of the principal sum as remains unpaid until it is in paid in full. The note shall be payable  
16 in forty-seven (47) monthly installments of \$39,250.00 with a final payment adjusted for any accrued  
17 but unpaid principal and interest. An estimated amortization schedule is attached hereto. The first  
18 monthly payment shall be made on the fifteenth day of the first full month following the Effective  
19 Date. Each payment thereafter shall be made on the fifteenth day of each consecutive month  
20 thereafter, until paid in full, and on such other terms and conditions set forth in the Note. Stevens  
21 and the Controlled Group will execute and deliver the Note to the Pension Fund on the Effective  
22 Date. The Note may not be assigned to any third party. Additional or otherwise advance payments  
23 may be made at any time to reduce the principal and accruing interest without penalty. The date and  
24 amount of any final payment will be adjusted accordingly.  
25  
26  
27  
28

1 c. If the Pension Fund notifies the Controlled Group, pursuant to the notification provisions  
2 of this agreement, that the Initial Payment or a monthly payment under the Note has not been  
3 received and the Controlled Group fails to cure the missed payment within 60 days, the Pension  
4 Fund may, without further notice or demand, lodge and request entry of the Stipulated Entry of  
5 Judgment against the Stevens and the Controlled Group in the form attached as Exhibit B(attached  
6 to the Settlement Agreement) in the District Court Action. Once the Judgment is entered, the Pension  
7 Fund may register the Judgment in Arizona and take any other necessary enforcement actions.  
8 Stevens and the Controlled Group will not object to registration of the Judgment in Arizona and  
9 hereby waive any right to contest such registration.

12 d. On the date the (Second) Amended Plan becomes effective (the "Effective Date"), S.  
13 Diamond Steel, Inc. (as the reorganized debtor) shall execute and deliver the Note.

#### 15 MUTUAL RELEASE

16 Except for the obligations imposed by this Agreement, Pension Fund, on the one hand, and  
17 the Stevens' and the Controlled Group on the other, hereby release and forever discharge each other  
18 party from any and all claims, demands, liabilities, obligations, debts, attorneys' fees, costs, accounts,  
19 actions, or causes of action which any of the parties have or claim to have as of the date of this  
20 Agreement, in law or equity, whether known or unknown, which pertain to or which arise out of the  
21 facts, circumstances, and/or events which are asserted or could have been asserted in the District  
22 Court Actions or Bankruptcy Court Actions and/or which pertain to, arise out of, or in any way  
23 connect with the past relationships between the parties. The Stevens and the Controlled Group are  
24 released from any and all contracts or agreements which directly or indirectly require that  
25 contributions be made to Pension Fund.

28 **This Class is impaired.**

1        Debtor's Interest (Class 9).

2        Debtor shall retain all of the legal and equitable interest in assets of this estate, as all  
3        reconciliation issues have been met. All estate property shall vest in the Debtor at confirmation.  
4

5        This is a non-voting class.

6                    **IX. RETENTION OF CLAIM PURSUANT TO 11 U.S.C. § 1123(b)(3)**

7        Pursuant to 11 U.S.C. § 1123(b)(3), a Debtor's Chapter 11 Plan may provide for—

8                    (A) the settlement or adjustment of any claim or interest belonging to the debtor or to the  
9                    estate; or (B) the retention and enforcement by the debtor, by the trustee, or by a  
10                  representative of the estate appointed for such purpose, of any such claim or interest

11        As stated in the recently filed Amendment to Schedule B, the Debtor alleges a potential cause  
12        of action in the nature of legal malpractice or other professional negligence, or other legal theories  
13        in contract and/or tort against the Law Firm of Bluff & Associates or other third parties. The claim  
14        stems from the representation of the Debtor in the pre petition defense of the pre petition cause of  
15        action asserted by the California Ironworkers Field Pension Trust and the Board of Trustees for the  
16        California Ironworkers Field Pension Trust. No determination has been made as to whether or not  
17        the Debtor, Reorganized Debtor, or other related parties will pursue the claim or claims as noted  
18        herein. Pursuant to 11 U.S.C. § 1123(b)(3) the Debtor expressly reserves and will retain, post  
19        confirmation, the claim or claims against the Law Firm of Bluff & Associates or other third parties.  
20  
21

22                    **X. DISPUTED CLAIMS**

23        The Debtor reserves the right to verify and object to any proof of claim. Payment of disputed  
24        claims shall be made only after agreement has been reached between the Debtor and the Creditor or  
25        upon the order of the Court. Any and all objections to proofs of claim will be filed within sixty (60)  
26        days of the Effective Date of this plan or will be waived.  
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**XII. MEANS OF EXECUTION/PROJECTION**

This Plan will be a base Plan with payments of all approved and allowed claims to be made as set forth in the attached Disbursement Schedule. The funds necessary for the satisfaction of all approved and allowed claims will be derived from the Debtor's income from its operations and the Debtor believes that it will be successful in the completion of this 100% repayment plan to creditors.

**XIII. CHAPTER 7 LIQUIDATION ANALYSIS**

Pursuant to the provisions of the Bankruptcy Code providing for Court approval of a Plan of Reorganization, the Debtor is required to pay creditors at least as much as creditors would receive in a Chapter 7 liquidation case, after costs of administration and the liquidation of the Debtor's assets. The Liquidation Analysis, stated below, represents an estimate of recovery based upon hypothetical liquidation assumptions whereby a Trustee would conduct the Chapter 7 liquidation to convert assets to cash and settle claims. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the use of estimates and assumptions that, although considered reasonable, are inherently subject to business, economic and competitive contingencies beyond the control of the Debtor. The Debtor's Liquidation Analysis provides selling

1 expenses of 10%. The selling expense of 10% is the amount that the Debtor believes that an auction  
2 house would charge to auction off the Debtor's assets.

### LIQUIDATION ANALYSIS

ASSETS	VALUE	LIEN <sup>2</sup>	VALUE TO ESTATE
Cash	\$ 202.00	\$ 202.00	\$-0-
Bank Account	\$ 254,173.00	\$ 254,173.00	\$-0-
Bank Account	\$ 44,104.00	\$ 44,104.00	\$-0-
Accounts receivable	\$1,173,991.62	\$1,173,991.62	\$-0-
Inventory	\$ 15,490.28	\$ 15,490.28	\$-0-
Office furn. & equip	\$ 17,050.00	\$ 17,050.00	\$-0-
Manufacturing equip	\$ 87,850.00	\$ 87,850.00	\$-0-
Web site	\$ 0.00	\$ 0.00	\$-0-
Claim against Bluff & Associates	\$Unknown	\$ 0.00	\$Unknown

### CHAPTER 7 RECONCILIATION

Property of the Estate not otherwise encumbered	\$0.00
Less Chapter 7 Trustee Fees	< \$0.00 >
Less cost of sale (10% of sale price)	< \$0.00 >
Funds available after liquidation of all assets	\$0.00
Less Chapter 11 Admin. Fees	<119,503.35> <sup>3</sup>
TOTAL AVAILABLE TO UNSECURED CREDITORS:	<\$-0-> or less

16 The Debtor believes that if it tried to sell its business as a going concern that such sale, after  
17 payment of the secured creditor would bring little or no funds for the benefit of the unsecured  
18 creditors of this estate.

20 The Debtor believes that should this case be converted to a case under Chapter 7, that there  
21 would be no funds available to make a distribution to the general unsecured creditors after payment

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25 <sup>2</sup>All property of the estate is subject to the liens of West Valley National Bank who has filed a Proof of Claim  
26 showing as the amount due as of the Petition date of \$2,202,660.94. The Bank is secured by additional non estate  
27 property however, as it relates to this Chapter 11 its secured claim is far in excess of the value of the property of the  
estate.

28 <sup>3</sup>Special Counsel's administrative expense claim not included.



1 of administrative claims, secured claims, priority taxes, selling expenses and payment of the Chapter  
2 7 Trustee's commission.

#### 3 XIV. CRAM-DOWN

4  
5 If all impaired classes do not accept the Plan, the Debtor and Debtor-in-Possession may  
6 attempt to use the "cram-down" provisions of the Bankruptcy Code. The Debtor and Debtor-in-  
7 Possession have not yet decided whether it wishes to use cram-down, and will make such a  
8 determination following the voting on confirmation of the Plan. Cram-down is a colloquial term for  
9 confirmation of a Plan over a dissent of a class of holders of claims of interests. A proponent must  
10 request a cram-down, as the Court cannot consider this alternative on its own motion.  
11

#### 12 XV. TAX CONSEQUENCES

13  
14 Debtor believes that there will be no tax consequence to either itself or to the estate. Debtor  
15 is unable to state whether the creditors in this case will have tax consequences as the Debtor does  
16 not have knowledge as to whether the creditors report on a cash basis, an accrual or modified accrual  
17 basis. The expense to the estate for gaining such knowledge would be prohibitive. Each creditor in  
18 this case, when analyzing the Plan, should consult with its own professional advisors to determine  
19 whether or not acceptance of the Plan by the creditor will result in any adverse tax consequences to  
20 the creditor.  
21

#### 22 XVI. IMPLEMENTATION AND CONSUMMATION OF PLAN

23  
24 The terms of the Plan subsequent to confirmation shall bind the Debtor, any entity acquiring  
25 property under the Plan, and creditor or claimant, whether or not such creditor or claimant has  
26 accepted the Plan. All property of the estate shall vest in the Debtor and shall be free from  
27 attachment, levy, garnishment or execution by creditors bound by the Plan. It shall be the obligation  
28

1 of each creditor participating under the Plan to keep the Debtor advised of its current mailing  
2 address. In the event any payments tendered to creditors are mailed, postage prepaid, addressed (1)  
3 to the address specified in the Debtor's schedules and statement, (2) to the address specified in any  
4 proof of claim filed by a creditor or claimant herein or (3) to the address provided by any such  
5 creditor or claimant for purposes of distribution, and if subsequently the Post Office returns such  
6 distribution due to a lack or insufficiency of address or forwarding address, the Debtor shall retain  
7 such distribution for a period of six months. Thereafter, the distribution shall revert to the Debtor  
8 without further Order of the Court and free and clear of any claim of the named distributee. The  
9 Debtor shall thereafter not be required to mail subsequent distributions to any creditor for whom a  
10 distribution has been returned by the Post Office. The Debtor reserve the right to modify the Plan  
11 in accordance with §1127 of the Bankruptcy Code. The Plan may be modified prior to confirmation  
12 provided that the Plan still complies with §1122 and §1123 of the Bankruptcy Code. The Plan may  
13 be modified subsequent to confirmation and before substantial consummation of the Plan under such  
14 circumstances as may warrant such under §1123 of the Bankruptcy Code. Any holder of a claim or  
15 interest that has been previously accepted or rejected a confirmed Plan, shall be deemed to have  
16 accepted or rejected any subsequently modified Plan unless the holder of such claim or interest  
17 changes its acceptance or rejection of the Plan within the time fixed by the Court.  
18  
19  
20  
21

## 22 XVII. CLOSING OF CASE

23  
24 The Debtor may seek a final decree and an Order closing this case upon the conclusion of  
25 all administrative matters and provided that the Debtor has commenced payments required to be  
26 made pursuant to the Plan of Reorganization.  
27  
28

**ALL CREDITORS SHALL REMAIN BOUND BY TERMS AND CONDITIONS SET FORTH IN THE DEBTOR'S PLAN OF REORGANIZATION. NO CREDITOR SHALL BE ALLOWED TO TAKE ANY COLLECTION ACTION AGAINST THE DEBTOR AS LONG AS THE DEBTOR REMAINS IN COMPLIANCE WITH ITS PLAN OF REORGANIZATION.**

## XVIII. DEFAULT

The Debtors' failure to make any payment due under the Plan, except as specifically set out in Class 3, 4, 5, 6 and 8 herein, within sixty (60) days after demand for payment after its due date shall constitute a default unless the Debtors and the affected creditor agree to delayed payment. Any event of default occurring with respect to one (1) claim shall not be an event of default with respect to any other claim. If any default is cured within the sixty (60) day cure period, then the Creditor shall not be entitled to enforce any remedies which would be otherwise available on account of the default.

The Notice of Default shall be effective when served simultaneously upon the Debtor and Debtor's counsel. Any Notice of Default must be sent in writing to both the Debtor and the Debtor's counsel at the addresses listed below:

**S Diamond Steel, Inc.**  
4205 West Lower Buckeye Road  
Phoenix, AZ 85009

Allan D. NewDelman  
Allan D. NewDelman, P.C.  
80 East Columbus Avenue  
Phoenix, AZ 85012

1 If the default is not timely cured, creditor(s) may pursue any remedy provided by the state  
2 or federal law, including foreclosing any security interest, suing on any promissory note issued or  
3 continued in effect under the Plan.  
4

#### 5 **XIX. QUARTERLY FEES AND REPORTS**

6 Debtor shall continue to pay quarterly fees to the U.S. Trustee System until such time as a  
7 Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding.  
8 Debtor shall continue to file monthly operating reports until such time as the Court enters an Order  
9 confirming this Chapter 11 Plan of Reorganization. At such time, Debtor shall cease filing monthly  
10 operating reports and shall begin filing 90 day reports. These 90 day reports shall be filed until such  
11 time as a Final Decree has been entered in this matter by the Court, closing this Chapter 11  
12 proceeding.  
13  
14

#### 15 **XX. RETENTION OF JURISDICTION**

16 The Bankruptcy Court will retain jurisdiction over this case for purposes of determining the  
17 allowance of claims or objections to claims. The Court will also retain jurisdiction for purposes of  
18 fixing allowances for compensation and/or for purposes of determining the allowability of any other  
19 claimed administrative expenses. The Court will also retain jurisdiction for the purpose of  
20 establishing bar dates and making a determination with respect to all disputed claims. Finally, the  
21 Court shall retain jurisdiction for purposes of determining any dispute arising from the interpretation,  
22 implementation or consummation of the Plan and to implement and enforce the provisions of the  
23 Plan. Notwithstanding anything to the contrary contained herein, the Debtor shall not be bound by  
24 estoppel, the principles of res judicata or collateral estoppel with respect to any term or provision  
25 contained herein in the event the Plan is not confirmed.  
26  
27  
28

1 **XXI. REPRESENTATION**

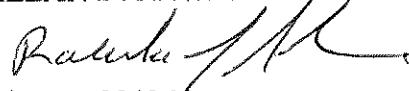
2 No representations concerning the Debtor are authorized by the Debtor other than as set forth  
3 in this statement. Any representation or inducement made to secure your acceptance which is other  
4 than as contained in this statement should not be relied upon by you in arriving at your decision, and  
5 such additional representations and inducements should be reported to counsel for the Debtor, who,  
6 in turn, shall deliver such information to the Bankruptcy Court for such action as may be deemed  
7 appropriate.  
8  
9

10 **XXII. CONCLUSION**

11 It is respectfully submitted that Debtor has given every thought to the complex problems  
12 confronting it, and, with the assistance of counsel, has devised and formulated this Plan with the  
13 hope that the equitableness of the Plan will be considered by the creditors. It is sincerely hoped that  
14 all creditors will join in and consent to the Plan so that they, as well as the Debtor, will receive the  
15 maximum results.  
16

17 DATED this 8 day of May, 2018.

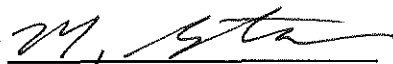
18 ALLAN D. NEWDELMAN, P.C.

19   
20 /s/ ADN 004066

21 Allan D. NewDelman, Esq.  
22 Attorney for Debtor  
23  
24  
25  
26  
27  
28

1  
2 Amended Disclosure Statement above, consisting  
3 of 37 pages plus exhibits is approved as to  
4 form and content:

5  
6 S Diamond Steal, Inc.,

7 By   
8 Matthew Miles Stevens, President  
9 Debtor  
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