

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO**

In re:)	
)	
DRAFT CONTRACTING, LLC)	Case No. 16-12536 MER
)	Chapter 11
Debtor.)	

**DRAFT CONTRACTING, LLC'S DISCLOSURE STATEMENT FOR PLAN OF
REORGANIZATION**

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 bankruptcy case of Draft Contracting, LLC ("Debtor"). This Disclosure Statement contains information about the Debtor and describes the First Amended Plan of Reorganization (the "Plan") filed by the Debtor on December 15, 2016. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.

Pursuant to the terms of the United States Bankruptcy Code, this Disclosure Statement has been presented to and approved by the Bankruptcy Court. Approval of the Bankruptcy Court is required by statute but does not constitute a judgment by the Court as to the desirability of the Plan or as to the value or suitability of any consideration offered under the Plan.

A. Purpose of this Document

The Debtor has prepared this Disclosure Statement to provide information sufficient to permit a creditor to make a reasonably informed decision in exercising the right to vote upon the Plan. The material here presented is intended solely for that purpose and solely for the use of known creditors of the Debtor, and, accordingly, may not be relied upon for any purpose other than determination of how to vote on the Plan.

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;

- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan;
- Why the Debtor and Plan Proponent believe the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and,
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Confirm the Plan*

The hearing at which the Court will determine whether to confirm the Plan will take place on _____ 2017, at _____, in Courtroom C-502, at the Byron Rogers Courthouse, 1929 Stout Street, Denver, Colorado.

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Sender Wasserman Wadsworth P.C., attn. David J. Warner, Esq., 1660 Lincoln St., Suite 2200, Denver, CO 80264 (counsel for the Debtor). See section V.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by _____ or it will not be counted.

3. *Deadline for Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtor by _____.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact David J. Warner, counsel for the Debtor, at (303) 296-1999 or dwarner@sww-legal.com.

II. DEFINITIONS

Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed

thereto in the Plan (see Article I of the Plan entitled “Definitions”).

III. BACKGROUND

A. Description and History of the Debtor’s Business

The Debtor was formed in 2006 by Darby and Pamela Montoya. The company does underground dry utility construction. The company’s main clients are large telecommunication providers. Historically, the company employed 8-12 individuals and was active year-round. The Debtor’s main competitive advantage in the marketplace was its ability to perform new construction, maintenance, and emergency work due to the fact that it did not rely on subcontractors. The company also had very little debt and relied principally on used equipment. The Debtor was an integral part of large construction projects in the Denver metro area before its financial difficulties began. The Debtor estimates that its gross income exceeded \$1 million a year on average from 2007 through 2012. The Debtor also estimates that it worked on 400-500 jobs a year.

B. Events Leading to Chapter 11 Filing

As a closely held family company, the Debtor relies on the efforts of Pamela and Darby Montoya for most of its essential management operations. In or about the year 2013, a severe family crisis had an immediate and severe negative impact on the Montoya family. While dealing with the severe illness confronting their family, the Debtor’s operations became secondary to severe and frequent family emergencies. Not only were current operations impacted, but the Debtor’s efforts to secure future work was severely impeded. Without additional work in the pipeline, Debtor’s expenses and tax burdens stayed the same or increased while the Debtor’s income declined precipitously. Additionally, in 2015, over \$2 million in contracts languished and prevented the Debtors from obtaining new work because of problems with a third-party who was to obtain permits. Eventually, many of these contracts were terminated due to problems with the permitting, yet the Debtor had not been able to bid on new work in the meantime. In early 2016, after a severe winter impeded the Debtor’s performance, the Colorado Department of Revenue seized the Debtor’s offices (rented from a third-party) and all of the Debtor’s equipment. This bankruptcy was filed on March 22, 2016 to regain control over its assets and business operations.

C. Significant Events During the Bankruptcy Case

In addition to the State of Colorado’s seizure of the Debtor’s assets, \$14,621.06 was garnished from the Debtor’s operating account in the 90 days prior to the filing of this bankruptcy case. As a result of the State of Colorado’s actions and other economic factors, the Debtor lacked sufficient capital to continue major operations after May, 2016 and any pending or future contracts were cancelled. While operations have been suspended from May through the date of this Disclosure Statement, the Debtor has located a source of financing that will enable it to resume operations and fund the Plan of Reorganization.

During the pendency of this bankruptcy case, the Debtor reached a settlement with one of its pre-petition creditors that resulted in the Debtor obtaining a backhoe tractor for only the cost of the legal fees it took to maintain a small adversary proceeding and defend a motion for relief from stay.

The Debtor is currently defending a motion for relief from stay against an equipment finance company and a motion to dismiss or convert filed by the United States Trustee. Recently, the Debtor obtained a \$100,000.00 credit facility to restart its business operations and fund its Plan. The Debtor is also in the process of relocating its business and will enjoy lower rent payments in the future.

D. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

E. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article X of the Plan.

G. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in **Exhibit B** which is the Debtor's Schedules A and B which were filed with the Bankruptcy Court. The Debtor's most recent financial statements issued before bankruptcy, each of which was filed with the Bankruptcy Court, are set forth in **Exhibit C**. The most recent monthly operating report filed by the Debtor with the Bankruptcy Court is included as **Exhibit D**. The Debtor's five-year projections for income, expenses, payments, and distributions under the Plan are included as **Exhibit E**.

IV. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

1. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case

which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	None	Paid in full on the Effective Date of the Plan, or according to terms of agreement with creditor if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	None	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	Sender Wasserman Wadsworth P.C. fees of approximately \$10,000.00	Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the Effective Date of the Plan
Clerk's office fees	None	Paid in full on the Effective Date of the Plan
Other administrative expenses	\$52,500 owed to DAP Montoya Holdings for Post-Petition rent	Paid in full on the Effective Date of the Plan or according to separate written agreement
DIP Loan from DAP Montoya, Inc.	\$100,000.00	Paid pursuant to loan documents at 7% interest per year.
Office of the U.S. Trustee Fees	None	Paid in full on the Effective Date of the Plan
TOTAL	\$162,500.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the Petition Date.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
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Department of the Treasury – Internal Revenue Service – Employee withholding taxes.	\$648,922.21	Unknown	Pursuant to an agreement with the IRS, or the Debtor shall pay 100% of the IRS's Section 507(a)(8) Claim through monthly installment payments of a value, as of the Effective Date, equal to the amount of such claim, over a period of 5 years from the Petition Date.
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C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent the value of the collateral exceeds the creditor's claim as provided under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class 1	
Creditor:	Internal Revenue Service
Collateral Description / Value:	All of the Debtor's Personal Property
Total Claim as of Petition Date:	\$1,500.00
Allowed Secured Amount:	\$1,500.00
Unsecured/Deficiency Amount:	\$0.00
Priority of Lien:	First in all but the 2008 Ditch Witch listed below
Insider?	No
Impaired?	Yes
Treatment	
<p><u>Class 1.</u> (<i>Allowed Impaired Secured Claim of the IRS</i>). The IRS holds an Allowed Impaired Secured Claim of \$1,500.00 against all of the Debtor's personal property. The Class 1 Claim of the IRS is fully secured.</p> <p>The Class 1 Claim shall be paid over 5 years at the statutory fixed annual interest rate of 3% with monthly payments of principle and interest of \$26.95 to begin on the fifth of the first full month following the Effective Date until paid in full</p>	
Class 2	
Creditor:	CH Brown Co., LLC
Collateral Description / Value:	2008 Ditch Witch JT3020 directional drill

Priority of Lien:	First
Total Claim as of Petition Date:	\$23,970.73
Allowed Secured Amount:	\$23,970.73
Unsecured/Deficiency Amount:	\$0.00
Insider?	No
Impaired?	Yes
Treatment	
<p><u>Class 2.</u> (Allowed Impaired Secured Claim of C.H. Brown Co., LLC). C.H. Brown Co., LLC holds an Allowed Impaired Secured Claim of \$23,970.73 against the Debtor's 2008 Ditch Witch JT3020 directional drill pursuant to a purchase money security agreement. The Class 2 Claim of C.H. Brown Co., LLC is fully secured.</p> <p>The Class 2 Claim shall be paid over 5 years at the contractual fixed annual interest rate of 13.9% with monthly payments of principle and interest of \$556.52 to begin on the fifth of the first full month following the Effective Date until paid in full.</p>	

Class 3	
Creditor:	Colorado Department of Revenue
Collateral Description / Value:	All of the Debtor's personal property
Priority of Lien:	2 nd behind the IRS and third behind CH Brown on the Ditch Witch
Total Claim as of Petition Date:	\$30,482.07
Allowed Secured Amount:	\$30,482.07
Unsecured/Deficiency Amount:	\$0.00
Insider?	No
Impaired?	Yes
Treatment	
<p><u>Class 3.</u> (Allowed Impaired Secured Claim of the Colorado Department of Revenue). The Colorado Department of Revenue holds an Allowed Impaired Secured Claim of \$30,482.07 against the Debtor's personal property. The Class 3 Claim of the Colorado Department of Revenue is fully secured.</p> <p>The Class 3 Claim shall be paid over 5 years at the statutory fixed annual interest rate of 6% with monthly payments of principle and interest of \$589.30 to begin on the fifth of the first full month following the Effective Date until paid in full.</p>	

Class 4	
Creditor:	Adams County Treasurer

Collateral Description / Value:	All of the Debtor's personal property
Priority of Lien:	3 rd behind the IRS, Colorado Dept. of Revenue and 4 th behind the IRS, Colorado Dept. of Revenue and CH Brown on the Ditch Witch
Total Claim as of Petition Date:	\$8,302.64
Allowed Secured Amount:	\$8,302.64
Unsecured/Deficiency Amount:	\$0.00
Insider?	No
Impaired?	Yes
Treatment	
<p><u>Class 4.</u> (<i>Allowed Impaired Secured Claim of the Adams County Treasurer</i>). The Colorado Adams County Treasurer holds an Allowed Impaired Secured Claim of \$8,302.64 against the Debtor's personal property. The Class 4 Claim of the Adams County Treasurer is fully secured.</p> <p>The Class 4 Claim shall be paid over 5 years at the statutory fixed annual interest rate of 12% with monthly payments of principle and interest of \$184.69 to begin on the fifth of the first full month following the Effective Date until paid in full.</p>	

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

There are no claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan.

3. *Classes of Executory Contract and Unexpired Leases (Class 5)*

Any unexpired leases or executory contracts not otherwise dealt with in the Plan shall be deemed rejected. Under the terms of any lease agreements, in the event that a lease is rejected, the equipment or property will be returned to the lessor, unless the Debtor and lessor otherwise agree.

Any Class 5 claimant asserting a claim for damages arising from rejection of a lease shall file a proof of claim with the Bankruptcy Court by the later of the Effective Date or thirty days after entry of the Order granting the motion to reject or the claim shall be forever barred. The claims held by holders of rejected leases or executory contracts shall be treated as a Class 6 unsecured claim subject to the limitations of Section 502 of the Bankruptcy Code. The Debtor has no executory contracts or unexpired leases.

4. *Classes of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of general unsecured claims against the Debtor:

Class 6	
Creditor:	General Unsecured Creditors
Description:	Unsecured
Impaired?	Yes
Treatment	
<p><u>Class 6(a)-(g). (Unsecured Claims).</u> Classes 6(a)-(g) are each separate unsecured creditor classes and are comprised of creditors holding Allowed Unsecured Claims against either of the Debtors, including any allowed penalty Claims held by any taxing authority which are not related to actual pecuniary loss. Allowed Class 6 Claims shall receive their pro rata share of the Net Profits Fund. Distributions from the Net Profits Fund shall continue for 5 years following the Effective Date. Distributions to Class 6 claimants shall not exceed the amount of the Allowed Unsecured Claims plus interest calculated at two and a half percent (2.5%) per annum. Distributions to the Allowed Class 6 claimants shall be made annually on September 1 and shall commence September 1, 2017.</p> <p>In the alternative, at any time during the term of the Plan and at its sole discretion, the Debtor may distribute \$15,000.00 (the amount projected to be distributed to unsecured creditors under the Plan) less any payments already made under the Plan, as a lump-sum payment to the allowed Class 6 claimants on a pro-rata basis, in full, final, and complete satisfaction of their unsecured claims.</p> <p>Distributions to the Class 6 claimants shall equal at least an aggregate amount of \$5,000.00 over the term of the Plan.</p> <p>A list of the Unsecured Claims is as follows:</p> <p>Class 6(a) – Public Service of Colorado d/b/a Xcel Energy - \$31,851.68 (power bill)</p> <p>Class 6(b) – Department of the Treasury – Internal Revenue Service - \$381,209.52</p> <p>Class 6(c) – First Mercury Insurance Company - \$11,067.95</p> <p>Class 6(d) – Trench Shoring Services - \$6,708.22</p> <p>Class 6(e) – Public Service of Colorado d/b/a Xcel Energy - \$34,187.44 (damage claim)</p> <p>Class 6(f) – Darby Montoya - \$114,000.00</p>	

5. *Classes of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class 7	
Equity Interest Holders:	Darby Montoya 50% Pamela Montoya 50%
Description of Interest:	Membership Interests in LLC
Impaired?	No
Treatment	
In the event the Plan is confirmed as a Consensual Plan, on the Effective Date, all equity interests in the Reorganized Debtor shall be retained by the Debtor's members in the proportions held by such individuals prior to the Petition Date.	

D. Means of Implementing the Plan

Payments and distributions under the Plan will be funded by the following: By a post-petition debtor in possession loan and Debtor's operations. The Debtor plans to focus on directional drilling operations which are generally more profitable than trenching. The Debtor has verified that there are profitable contracts available to it for the year 2017.

The Debtor has reduced expenses and streamlined operations. The Debtor anticipates that its business performance will increase as a result of the infusion of cash from the debtor-in-possession loan.

E. Risk Factors

1. General Economic Risk

The Reorganized Debtor's business may be affected by the general conditions in the economy. If the local construction market does not continue to improve as expected, the Reorganized Debtor will be adversely affected.

In addition to these concerns, fuel costs, taxes, weather conditions as well as the general economy affect the Debtor's business. If these fuel prices or taxes increase, the Reorganized Debtor will be adversely affected.

Finally, the Reorganized Debtor may be forced to expend more than expected to maintain and improve its equipment. If its equipment is damaged or an excessive amount of equipment needs to be replaced, the Reorganized Debtor will be adversely affected.

2. No Guaranteed Payments

The Debtor believes that it will generate profits for distributions as discussed herein. However, in the event that expenses exceed revenues, the Debtor will not generate profits for distributions to unsecured claimants under the Plan.

3. Insufficient Funds to Pay Administrative and Other Claims Due After the Effective Date

The Debtor will have sufficient funds to meet its Effective Date payment obligations to administrative claimants. The Debtor believes that it will generate profits for distributions as discussed herein. However, in the event that expenses greatly exceed revenues, the Debtor may not generate sufficient funds for distribution to administrative claimants and Class 11 claimants under the Plan.

4. *Loss of Property*

The Debtor operates heavy equipment. In the event its equipment or any portion thereof is destroyed or damaged, the Debtor's operations will be adversely affected.

5. *Seasonality*

The Debtor's business is subject to seasonal concerns. There are risks that the Debtor's revenues will not be sufficient in the offseason to fund its operations, resulting in a reduction of its Net Profits. Specifically, during the months of November through March, weather concerns may restrict the Debtor's ability to function. Severe winter weather could lead to even lower revenues during certain months.

6. *Competition*

The construction industry is highly competitive. There are many other companies that directly compete with the Debtor. To the extent that these companies' operations improve and/or other companies enter the market, the Debtor will face increased competition and the Debtor's revenues may not be as estimated.

F. **Executory Contracts and Unexpired Leases**

All unexpired leases and executory contracts between the Debtor and any other Person (if any) which have not prior to the Effective Date of the Plan been affirmatively assumed by the Debtor, will be rejected. The Debtor is not aware of any executory contracts or leases not disclosed in Section IV(C)(3).

G. **Tax Consequences of Plan**

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, and/or Advisors.

V. **CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. **Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1, 2, 3, and 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 5 are unimpaired or are insiders and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was August 29, 2016.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for

voting purposes.

- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section [B.2.].

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the

Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is included in Section VI of this Disclosure Statement.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

2. Ability to Make Future Plan Payments And Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

As shown in **Exhibit E**, the Debtor will have sufficient cash from its operating revenue to pay its secured and unsecured creditors as set forth in the Plan.

VI. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor.

Discharge. On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the Effective Date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VII. LIQUIDATION ANALYSIS

Plan Proponent's Estimated Liquidation Value of Assets

Assets	Scheduled Value	Liquidation Value
Cash on hand	\$0.00	\$0.00
Accounts receivable	\$0.00	\$0.00
Inventory	\$-	\$-
Machinery & equipment	\$Unknown	\$60,000.00
Automobiles	\$-	\$-
Customer lists	\$-	\$-
Lawsuits or other claims against third parties	\$-	\$-
Intangibles	\$-	\$-
Utility Deposits	\$-	\$-
<i>Total Assets at Liquidation Value</i>	\$60,000.00	\$60,000.00
Recoveries by secured creditors	(\$55,952.80)	(\$55,952.80)
Chapter 7 trustee fees and expenses		(\$10,000.00) (estimated)
Chapter 11 administrative expenses	(\$163,000.00) (estimated)	
Priority claims, excluding administrative expense claims	(\$648,922.41)	(\$648,922.41)
Debtor's claimed exemptions	N/A	N/A

Balance for unsecured claims	\$15,000.00	\$0.00
Total dollar amount of unsecured claims	(\$580,000.00)	(\$580,000.00)
Estimated Amount of Distributions in a Plan	\$15,000.00	\$0.00
Percentage of Claims Which Unsecured Creditors Would Receive or Retain in a Chapter 7 Liquidation		0%
Projected Percentage of Claims Which Unsecured Creditors Would Receive in Chapter 11 Plan	3%	

The Debtor believes that confirmation of the Plan is in the best interests of creditors as a liquidation would not result in any return to unsecured creditors. A liquidation would also result in additional administrative costs. The Debtor projects that the return to unsecured creditors will be much higher through a plan of reorganization than a liquidation sale, 3% through the Plan versus no distribution to unsecured creditors in a liquidation.

Another alternative to conversion is dismissal of the bankruptcy case. Again, the Debtor does not believe that dismissal is in the best interests of creditors. Prior to filing, the State of Colorado had already seized the Debtor's assets. If the reorganization is dismissed, a liquidation of the Debtor's assets would almost certainly result in a lower return to unsecured creditors than the distribution proposed by the Debtor.

VIII. MANDATORY DISCLOSURES

The Bankruptcy Code requires disclosure of certain facts:

(a) There are no payments made or promises of the kind specified in Section 1129(a)(4)(A) of the Bankruptcy Code which have not been disclosed to the Court.

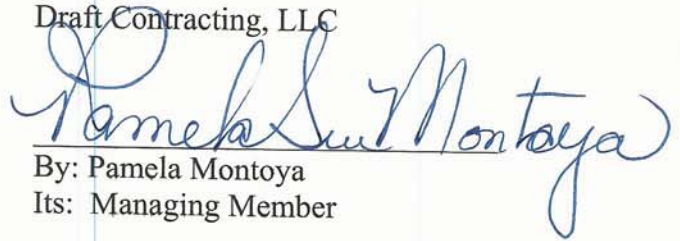
(b) The Reorganized Debtor will remain in control of the assets after confirmation of the Plan for the purpose of operating the business of the Reorganized Debtor. The current management of the Debtor will remain in control of the Reorganized Debtor. The Debtor believes that their continued control is in the best interest of all creditors as described in Section 1129(a)(5) of the Bankruptcy Code.

IX. CONCLUSION

The materials provided in this Disclosure Statement are intended to assist you in voting on the Plan of Reorganization in an informed fashion. Since, if the Plan is confirmed, you will be bound by its terms, you are urged to review this material and make such further inquiries as you may deem appropriate and then cast an informed vote on the Plan.

DATED January 9, 2017.

Draft Contracting, LLC

A handwritten signature in blue ink, appearing to read "Pamela Montoya", is written over a horizontal line.

By: Pamela Montoya

Its: Managing Member

SENDER WASSERMAN WADSWORTH
P.C.

/s/ David J. Warner

David J. Warner, #38708
1660 Lincoln Street, Suite 2200
Denver, Colorado 80264
(303) 296-1999, Fax: (303) 296-7600
ATTORNEYS FOR DEBTOR