

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

In re:	)	
	)	
PRECISION CASTING PROTOTYPES	)	Case No. 16-20113 TBM
AND ENGINEERING, INC.	)	Chapter 11
Debtor.	)	
	)	

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**DISCLOSURE STATEMENT IN SUPPORT OF  
PLAN OF REORGANIZATION DATED JUNE 16, 2017**

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**I. INTRODUCTION**

This is the Disclosure Statement (the “Disclosure Statement”) in the Chapter 11 case of Precision Casting Prototypes and Engineering, Inc. (the “Debtor” or “Precise Cast”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization dated June 16, 2017 (the “Plan”) attached to this Disclosure Statement. A full copy the Plan is attached to this Disclosure Statement as **Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 7 through 16 of this Disclosure Statement. The Plan proposes to pay creditors of the Debtor from the Debtor’s net income. This Plan provides for seven (7) classes of secured claims; three (3) classes of priority claims, one (1) class of unsecured claims; and one (1) class of the Debtor’s equity holders. General unsecured creditors holding allowed claims will receive distributions at approximately thirty-two cents on the dollar (32%) over a period of six (6) years.

**A. Purpose of This Document**

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interest of the type you hold (i.e., what you will receive on your claim 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 believes 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 Objection; 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 Hearing to Approve Disclosure Statement and Confirm Plan*

The Court will set a hearing to determine whether to finally approve this Disclosure Statement by separate order. Such Order will accompany this Disclosure Statement when entered by the Court.

The Court will also set a hearing to confirm the Plan by separate Order. The Debtor shall mail out notice of the Hearing in accordance with the Bankruptcy Code and Rules.

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 the address in subparagraph 4 below. *See Section IV.A* below for a discussion of voting eligibility requirements. **The Debtor will mail out a separate notice of the deadline to return your ballot following Court approval of this Disclosure Statement.**

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor by mail at the address below.

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

If you require additional information about the Plan, you should contact:

Kenneth J. Buechler, Esq.  
Buechler & Garber, LLC  
999 18<sup>th</sup> Street, Suite 1230-S  
Denver, CO 80202  
Telephone: (720) 381-0045  
Fax: (720) 381-0382  
Email: [ken@BandGlawoffice.com](mailto:ken@BandGlawoffice.com)

### **C. Disclaimer**

*The Court may conditionally approve this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation and the fact that the Court approves this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's conditional approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan.*

## **II. BACKGROUND**

### **A. Description and History of the Debtor**

#### *1. History of the Debtor.*

Precise Cast is a veteran owned foundry and machine shop in Colorado serving the entire United States. Precise Cast specializes in rapid prototyping and the precision casting and machining of aluminum, magnesium, and zinc parts primarily for Fortune 500 companies in the aerospace, defense, automotive, commercial vehicle, electronic, and medical device industries. Since 2004, Precise Cast's expert staff uses automation, advanced rapid prototyping technology tools, and the latest precision machining equipment to assure both a high degree of accuracy and quick turn-around times.

The Company has been in business since 2004 and grown to over 27 employees. Mr. Craig Reeves is the Debtor's Chief Executive Officer and a director on the Board of Directors in addition to being the majority shareholder.

Precise Cast is a two-time award winner from the American Foundry Society. Precise Cast also received recognition in 2011 from IMA Magnesium Casting and was named a Colorado Company to Watch in 2013.

Precise Cast operates at 7501 East Dahlia Street in Commerce City, Colorado (the "Property"). Pre-petition, the Debtor entered into a Real Estate Lease (Single Tenant Building) ("Lease") with Lambright, LLC (the "Landlord") for the lease of the Property. The Debtor's manufacturing operations and offices are located at the Property.

Under the terms of the Lease, the Debtor pays monthly rents and charges. On the Petition Date, the monthly rent was \$9,395.83 together with monthly Additional Rent (for property taxes, insurance and maintenance) of approximately \$1,915.59. The term of the lease is five (5) years and three (3) months commencing January 1, 2012. The Debtor has an option to renew the Lease for an additional term of three (3) years provided the Debtor is not then in default. Contemporaneously

with the Lease, the principals of the Debtor, Mr. Craig Reeves, Patrick V. Peterson and Brett Peak, personally guaranteed the obligations of the Debtor to the Landlord.

On March 2, 2015, the Debtor and the Landlord entered into a First Amendment to Lease Agreement (the "Amendment"). Under the terms of the Amendment, the monthly rents were modified from and after April 1, 2017. The term of the Lease was also extended through March 31, 2020 and the Debtor was granted another option to renew the Lease for a subsequent five (5) year period.

At the time of the Amendment, the Debtor was in arrears of its monetary obligations (primarily real estate taxes and common area maintenance charges) under the Lease in the amount of \$41,130.00. As partial consideration for the Amendment, the Debtor, Mr. Reeves and Mr. Peterson executed a Promissory Note in the amount of \$41,130 in favor of the Landlord. Under the terms of the Promissory Note, the Debtor agreed to make monthly installment payments of \$1,000 until July 15, 2019, when the obligation matured. On the Petition Date, the Debtor was in arrears on its rents and charges under the Lease and Amendment in the total amount of \$40,330.57.

## *2. Pre-bankruptcy Financing Transactions*

As more fully set forth below, the Debtor entered into various loan transactions with Bank of The West to finance, among other things, its acquisition of certain equipment, to restructure certain financial obligations, and to buy out a former owner of the Company.

Pre-petition, the Debtor also entered into purchase money security agreements to finance the purchase of certain individual pieces of equipment with Wells Fargo Bank, NA, First Sound Bank, Stearns Bank, and TCF Equipment Finance, Inc., as more fully set forth below.

## *3. Events Leading Up to Bankruptcy Filing*

Prior to filing for relief, Mr. Craig Reeves, the Debtor's current president, was asked to step aside from his role in the day to day management of the Company by the other owners, Mr. Patrick Peterson and Brett Peak. Mr. Peak took over the role as President and day to day operations. The Company was then not managed efficiently or cost effectively, resulting in projects that were over committed, under-performed, and did not generate significant positive cash flow, if at all. Moreover, the Company spent tens of thousands of dollars on creating and implementing an electronic work flow software system. Such system never performed as required and was ultimately abandoned due to its inefficiency.

Following the decline in the Company's finances, Mr. Reeves was asked to step back into the Company and assume the day to day operations. Mr. Reeves consented so long as Mr. Peak agreed to withdraw from the Company. Mr. Peak agreed and the Company took out a loan from Bank of The West to buy out Mr. Peak's interest in the Company.

All together, the Company could not keep up with its debt service pre-petition. The Debtor retained Second Wind Consultants in an effort to negotiate a restructuring agreement with its creditors. Second Wind commissioned an appraisal of the Company's assets from Loeb Appraisal. Based upon such appraisal, the Debtor believed that the value of its assets was not sufficient to satisfy all of its secured creditors in full. Given the cash drain on the Company, the Debtor could also not keep up with its daily operating expenses and fell behind to several key vendors.

Bank of the West commenced a collection action in the District Court, Adams County, Colorado to collect on all of its loans. After reviewing this action and its financial affairs, and consulting with legal counsel, the Debtor elected to seek relief under Chapter 11 of the Bankruptcy Code to reorganize its financial affairs.

#### *4. Significant Events During the Chapter 11 Case*

Immediately after filing, the Debtor sought Court approval to pay its employees for the approximately 6 days of pre-petition wages. The Debtor also sought approval to use cash collateral under 11 U.S.C. §363(b). Following negotiations with its creditors, the Debtor obtained Court approval and paid its employees. Likewise, the Court approved the Debtor's use of cash collateral on a 6 month basis on October 31, 2016.

In connection with its motion to use cash collateral, the Debtor reached a stipulation with TCF Equipment Finance, Inc. Such stipulation provides that in the event of an uncured default of adequate protection payments, TCF shall have relief from the automatic stay to exercise its state law rights and remedies against its collateral. The stipulation was approved by the Court on December 19, 2016.

Pre-petition, the Debtor obtained a worker's compensation insurance policy from Pinnacol Assurance. The Debtor also made certain premium payments to Pinnacol within the 90 days prior to filing. Post-petition, the Debtor entered into an agreement with Pinnacol to assume the insurance policy and waive any claims related to the pre-petition payments. The Court approved the parties agreement on January 10, 2017.

As set forth above, the Debtor entered into the Lease for the Property where it conducts business and operations with its Landlord. Post-petition, the Debtor sought to assume and cure the Lease under 11 U.S.C. § 365. The Debtor proposed to cure its arrears under the Lease as follows: (1) on the 15<sup>th</sup> day of the month following an order approving the Debtor's assumption of the Lease, the Debtor shall make equal monthly installments of \$3,360.88 for a period of 12 months; and, (2) Such payments shall be in addition to the Debtors' required payments under the Lease, Amendment and Promissory Note. On January 3, 2017, the Court granted the Debtor's motion to assume the Lease.

Pre-petition, the Debtor surrendered certain equipment to Wells Fargo Bank. Post-petition, Wells Fargo sought and obtained a Court Order lifting the automatic stay on its collateral to allow it to exercise its state law remedies.

**B. Projected Recovery of Avoidable Transfers**

The Debtor is reviewing payments made to creditors and insiders prior to the Petition Date to determine if any of those transfers are avoidable either as preferences or as fraudulent transfers.

If you received a payment or other transfer within 90 days of the bankruptcy, or within one year of the bankruptcy if you were an insider, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

**C. Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order or was scheduled by the Debtor as undisputed, not contingent, or liquidated, 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 a disputed claim are set forth in Article V of the Plan. The Debtor's Analysis of its Claims is attached hereto as **Exhibit B**.

**D. Current and Historical Financial Conditions**

The Debtor's current income and expenses are set forth in **Exhibit C** which is the Debtor's most recent Monthly Operating Report. Such Exhibit includes the Debtor's most recent Balance Sheet and Profit and Loss Report. All of the Debtor's post-petition monthly operating reports are reflective of the Debtor's current financial condition.

**E. Projected Financial Condition for the Term of the Plan**

The Debtor's forecast of its projected revenues and expenses (the "Forecast") going forward and during the life of its Plan are attached as **Exhibit D**. The Debtor's Forecast is based upon the following assumptions:

- (a) A conservative revenue growth estimated at 2-3% per year, each year, in the Debtor's core casting and machining business;
- (b) The addition of outsourced castings that we machine, providing more revenues;
- (c) No large capital purchases during the life of the Plan, just replacement parts and servicing;
- (d) An increased marketing budget to garner new customers and work;
- (e) Improving and updating the Debtor's marketing plan to attract new customers;
- (f) Monthly payment to TCF commencing September 15, 2017 of \$2,347.41;
- (e) A balloon payment of approximately \$311,676 to BOTW after year 5 of the Plan;
- (f) Consistent and uninterrupted work productivity; and,
- (g) Continued employment of a full staff of approximately 28 people to perform the Debtor's work.

### **III. SUMMARY OF THE PLAN AND REORGANIZATION AND TREATMENT OF CLAIMS**

#### **A. 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 claim 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.

##### *1. Administrative Expenses*

a. Under 11 U.S.C. § 1123(a)(1), certain administrative expense claims are not required to be classified. For purposes of this Plan, such unclassified claims consist of the allowed administrative expense claims under 11 U.S.C. § 507(a)(2). Each holder of an allowed unclassified administrative expense claim will be paid on the Effective Date, as provided herein, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

The following chart lists the Debtor's estimated administrative expenses which are not classified and their proposed treatment under the Plan:

<b><u>Type</u></b>	<b><u>Estimated Amount Owed</u></b>	<b><u>Proposed Treatment</u></b>
Professional Fees, as approved by the Court	Debtor's Bankruptcy Counsel: \$30,000 Debtor's Accountant: \$2,000 Debtor's Employment Counsel: \$2,500 <b>Total Professional Fees \$34,500</b>	All Fee claimants have agreed that their Approved Fees will be paid in full on or before the Effective Date of the Plan, or according to a separate written agreement.
Clerk's Office Fees	None	Paid in full on the Effective Date of the Plan.
Office of the US Trustee Fees	\$650.00	Paid in full on the Effective Date of the Plan.
<b>Total</b>	<b>\$35,050</b>	

b. **Class 1. Administrative Expenses.** Class 1 consists of all other allowed claims entitled to priority under 11 U.S.C. § 507 (except administrative expense claims under 11 U.S.C. § 507(a)(2), priority wage claims under 11 U.S.C. § 507(a)(4), and priority tax claims under 11 U.S.C. § 507(a)(8)). Each holder of an administrative expense claim allowed under 11 U.S.C. § 503 will be paid in full on the effective date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor. This Class includes the filed priority claim of Fastenal Company of \$88.35 pursuant to 11 U.S.C. § 503(b)(9).

## 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 11 U.S.C. § 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 order of relief.

a. **Class 10. Priority Tax Claim of Colorado Department of Revenue.** Class 10 consists of the unsecured priority tax claims of the Colorado Department of Revenue for any unpaid and/or accrued taxes owing as of the Petition Date under 11 U.S.C. § 507(a)(8). The Debtor does not believe that it owes any taxes to the Colorado Department of Revenue as of the Petition Date. To the extent such claims are allowed, they shall bear interest at the Wall Street Journal prime rate on the Effective Date and shall be paid in full within one (1) year of the Effective Date. Any general unsecured claim of any entity asserting a priority tax claim under this section, including any claim for penalties not related to actual pecuniary loss, shall be paid as provided for pursuant to Class 12 of the Plan, unless subordinated by separate order of the Court.



b. **Class 11. Priority Tax Claim of Internal Revenue Service.** Class 11 consists of the unsecured priority tax claims of the Internal Revenue Service for any unpaid and/or accrued taxes owing as of the Petition Date under 11 U.S.C. § 507(a)(8). The Debtor does not believe that it owes any taxes to the IRS as of the Petition Date. The IRS filed a proof of claim in the amount of \$13,070.81 for unassessed liability for the Debtor's 2016 payroll tax obligations and corporate income taxes. The Debtor asserts that it timely paid all pre-petition taxes owing to the IRS and timely filed its required returns. To the extent such claims are allowed, the claims shall bear interest at the Wall Street Journal prime rate on the Effective Date and shall be paid in full within one (1) year of the Effective Date. Any general unsecured claim of any entity asserting a priority tax claim under this section, including any claim for penalties not related to actual pecuniary loss, shall be paid as provided for pursuant to Class 12 of the Plan, unless subordinated by separate order of the Court.

c. **Adams County.** Adams County, Colorado holds a priority secured claim for Business Personal Property taxes for the tax years 2015 and 2016. Adams County filed a proof of claim for a total of \$16,886.08 with interest at 12% per annum. The Debtor shall pay the claim of Adams County in full on the Effective Date. The creditor shall retain its lien on the Debtor's assets, pursuant to 11 U.S.C. § 506(a), with the priority thereof, as existed on the Petition Date pursuant to 11 U.S.C. § 1129(a)(9)(D) and § 1129(b)(2)(A)(i)(I), until the secured claim is paid. With respect to any post-petition taxes which accrued but are not due and owing until the following calendar year, the Debtor will pay such taxes as they become due. Upon payment of the secured portion of its claim, any lien asserted by Adams County against any asset of the Debtor shall be deemed released and of no further force and effect. Any unsecured general claim of Adams County, including any claim for penalties not related to actual pecuniary loss, shall be paid as provided for pursuant to the provisions of Class 12 of the Plan, unless subordinated by separate order of the Court.

### 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 allowed as secured claims 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.

a. **Class 2** consists of the secured claims of Bank of the West ("BOTW"), which is secured by various security agreements and recorded financing statements against all of the assets of the Debtor, pursuant to 11 U.S.C. § 506.

On or about November 17, 2011, Precise Cast took out a loan from Bank of the West ("Bank") in the principal amount of \$407,854.93 (the "First Loan"). The Debtor granted a security interest to the Bank in certain personal property to secure the repayment of the First Loan under a Security Agreement (the "First Security Agreement"). The Bank filed a financing statement with the Colorado Secretary of State on November 22, 2011. The Bank filed a continuation statement on August 25, 2016. The Bank asserts a blanket lien on all of the Debtor's assets arising out of this transaction. The Bank asserts that the current amount owed on the First Loan is \$34,301.96. At the time of the First Loan, the principals of the Debtor, Brett Peak, Patrick Peterson and Mr. Reeves, each executed a personal guaranty for the First Loan.

On or about November 17, 2011, Precise Cast took out another loan from the Bank in the principal amount of \$300,000 (the "Second Loan"). The Second Loan is secured by the First Security Agreement. The principals of the Debtor also personally guaranteed the Second Loan. The Bank asserts that the current amount owed on the Second Loan is \$300,410.64.

On or about January 17, 2012, Precise Cast took out another loan from the Bank in the principal amount of \$317,600.00 (the "Third Loan"). The Debtor granted a security interest to the Bank in certain personal property to secure the repayment of the Third Loan under a second Security Agreement (the "Second Security Agreement"). The Bank filed a financing statement with the Colorado Secretary of State on July 8, 2014. The Bank asserts a blanket lien on all of the Debtor's assets. The Bank asserts that the current amount owed on the Third Loan is \$132,155.29.

On June 25, 2012, the Debtor took out another loan from the Bank in the principal amount of \$123,400 (the "Fourth Loan"). The Debtor granted a security interest to the Bank in certain personal property to secure the repayment of the Fourth Loan under another Security Agreement (the "Third Security Agreement"). The Bank filed a financing statement with the Colorado Secretary of State on July 8, 2014. The Bank asserts a blanket lien on all of the Debtor's assets. The principals of the Debtor also personally guaranteed the Fourth Loan. The Bank asserts that the current amount owed on the Fourth Loan is \$27,063.28.

On August 22, 2014, the Debtor took out another loan from the Bank in the principal amount of \$163,000.00 (the "Fifth Loan"). The Debtor granted a security interest to the Bank in certain personal property to secure the repayment of the Fifth Loan under another Security Agreement (the "Fourth Security Agreement"). The Bank filed a financing statement with the Colorado Secretary of State on July 8, 2014. The Bank asserts a blanket lien on all of the Debtor's assets. Mr. Reeves and Mr. Peterson also personally guaranteed the Fifth Loan. The Bank asserts that the current amount owed on the Fifth Loan is \$138,934.92.

Also on August 22, 2014, the Debtor took out a loan from the Bank in the principal amount of \$267,500 (the "Sixth Loan"). The funds from the Sixth Loan were used to purchase Mr. Brett Peak's stock in the Company. The Debtor granted a security interest to the Bank in certain personal property to secure the repayment of the Sixth Loan under another Security Agreement (the "Fifth Security Agreement"). The Bank filed a financing statement with the Colorado Secretary of State on July 8, 2014. The Bank asserts a blanket lien on all of the Debtor's assets. The principals of the

Debtor also personally guaranteed the Fifth Loan. Upon information and belief, the Bank asserts that the current amount owed on the Fifth Loan is \$227,870.33.

In total, the Debtor took six different loans in the total principal amount of \$1,579,354.93 between 2011 and 2014. As set forth above, the Debtor gave several security agreements to BOTW to secure these loans against all of the Debtor's assets, which were all properly perfected pre-petition.

BOTW filed a proof of claim asserting that the amount of \$857,116.55 was owed on such loans as of the Petition Date. Post-petition, BOTW retained Dickensheet & Associates, Inc. to value its collateral. Dickensheet determined that the fair market value of the Debtor's equipment is \$584,900, and the liquidation value is \$456,959.00. The total market value of the Debtor's assets that are encumbered by BOTW's lien is \$1,314,912.55. Class 2 is impaired under the Plan. The Debtor shall treat the Class 2 Claim as follows:

- (1) BOTW shall have an Allowed Secured Claim in the amount of \$584,900.00, less all adequate protection payments made during the case (approximately \$76,000). Such claim shall bear interest at the rate of four percent (4.00%) per annum. The Debtor shall make equal monthly payments of approximately \$8,500 starting the first day of the first month after the Effective Date, and each month thereafter, for a period of 12 months, then monthly payments of \$10,000 for a period of four (4) years thereafter. Any remaining sums of principal and interest not paid during the 5 years following the Effective Date will be due and payable to the Class 2 Creditor on the 5<sup>th</sup> anniversary of the Effective Date. All payments shall be applied first to costs, then to interest, then to principal.
- (2) The Class 2 claimant shall retain its lien on all of the Debtor's assets listed within the security agreements, in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 2 Secured Claim, pursuant to 11 U.S.C. §506(a).
- (3) The Debtor shall treat any remaining deficiency amount of the Class 2 Claim as a general unsecured claim in accordance with Class 12 of this Plan.
- (4) The Debtor shall have the option to pre-pay the Allowed Secured Claim of BOTW at any time without premium or penalty. The Debtor shall provide BOTW 10 days written notice if the Debtor intends to payoff the Class 2 claim prior to completion of the payments herein.
- (5) In the event of an uncured default by the Debtor of the payments to BOTW, the interest rate on the Class 2 claim shall revert to the contract rate (approximately 5.75%) as of the Petition Date and accrue thereafter according to the loan documents and 11 U.S.C. §506.

b. **Class 3** consists of the secured claim of TCF Equipment Finance, a division of TCF Bank (“TCF”), which is secured by a recorded financing statement against certain equipment owned by the Debtor pursuant to 11 U.S.C. § 506. Pre-petition, the Debtor entered into a promissory note in the principal amount of \$147,417.21 with TCF to finance the purchase of a HAAS VM-6 Vertical Machining Center, Serial No. 1116061 (the “TCF Equipment”). The Debtor granted TCF a security interest in the TCF Equipment which TCF properly perfected pre-petition. As of the Petition Date, TCF asserts that it is owed the sum of \$110,750.42. The Debtor obtained a valuation of the TCF Equipment pre-petition in the amount of \$70,000.00. Post-petition, TCF obtained a “Fair Market In-Place” valuation of \$115,000. Class 3 is impaired under the Plan. The Debtor shall treat the Class 3 Claim as follows:

- (1) TCF shall have an Allowed Secured Claim in the amount of \$110,750.42, less all adequate protection payments made during the case (approximately \$17,500). As of August 1, 2017, the principal balance of the Allowed Secured Claim will be \$96,740.02, together with TCF’s attorneys’ fees of \$7,224.19, for a total of \$103,964.21.
- (2) Commencing September 15, 2017, the Debtor shall make equal monthly payments of \$2,347.41 for a period of 48 months to TCF on account of the Allowed Secured Claim.
- (3) The Class 3 claimant shall retain its lien on all of the Debtor’s equipment listed within the security agreement, in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 3 Secured Claim, pursuant to 11 U.S.C. §506(a).
- (4) The Debtor shall treat any remaining deficiency amount of the Class 3 Claim as a general unsecured claim in accordance with Class 12 of this Plan.
- (5) The Debtor shall have the option to pre-pay the Allowed Secured Claim of TCF at any time without premium or penalty.

c. **Class 4** consists of the first secured claim of Stearns Bank which is secured by a recorded financing statement against certain equipment owned by the Debtor pursuant to 11 U.S.C. § 506. On or about October 16, 2014, the Debtor entered into a Conditional Sales Contract: Sales and Security Agreement with Leco Corporation to purchase a new Leco GDS500A Spectrometer (the “Leco Equipment”) from Leco Corporation in the amount of \$66,436.00 (the “Leco Loan”). The Leco Loan was assigned to Stearns Bank. Under the Leco Loan, the Debtor granted Stearns Bank a security interest in the purchased equipment. Stearns Bank filed a Financing Statement with the Colorado Secretary of State on November 10, 2014. Stearns Bank therefore asserts a perfected lien on such equipment. Stearns Bank filed a proof of claim asserting that it was owed \$50,989.00 on the Petition Date. The Debtor obtained a valuation of the Leco Equipment at \$30,000. Stearns Bank asserts the value of the Leco Equipment is equal to the debt owed. Class 4 is impaired under the Plan. The Debtor shall treat the Class 4 Claim as follows:

- (1) Stearns Bank shall have an Allowed Class 4 Secured Claim in the amount of \$30,000.00, less all adequate protection payments made during the case (approximately \$6,000). Such claim shall bear interest at the rate of four percent (4.00%) per annum. The Debtor shall make equal monthly payments of approximately \$442.00 of principal and interest starting the first day of the first month after the Effective Date, and each month thereafter, for a period of five (5) years.
- (2) The Class 4 claimant shall retain its lien on all of the Debtor's Leco Equipment listed within the security agreement, in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 4 Secured Claim, pursuant to 11 U.S.C. §506(a).
- (3) The Debtor shall treat any remaining deficiency amount of the Class 4 Claim as a general unsecured claim in accordance with Class 12 of this Plan.
- (4) The Debtor shall have the option to pre-pay the Allowed Secured Claim of Stearns Bank at any time without premium or penalty.

d. **Class 5** consists of the second secured claim of Stearns Bank which is secured by a recorded financing statement against certain equipment owned by the Debtor pursuant to 11 U.S.C. § 506. In or around March, 2015, the Debtor entered into a Conditional Sales Contract: Sales and Security Agreement with Industrial Finance-Texas to purchase several pieces of equipment (the "Rotary Equipment") in the amount of \$49,253.72 (the "Industrial Loan"). The Industrial Loan was assigned to Stearns Bank. Under the Industrial Loan, the Debtor granted Stearns Bank a security interest in the Rotary Equipment. Stearns Bank filed a Financing Statement with the Colorado Secretary of State on March 2, 2015. Stearns Bank therefore asserts a perfected lien on such equipment. Stearns Bank filed a proof of claim asserting that as of the Petition Date \$43,124.72 was owed on its Class 5 Claim. The Debtor obtained a valuation of the Rotary Equipment pre-petition of \$7,500.00. Stearns Bank asserts that the value of the Rotary Equipment was equal to the debt. Class 5 is impaired under the Plan. The Debtor shall treat the Class 5 Claim as follows:

- (1) Stearns Bank shall have an Allowed Class 5 Secured Claim in the amount of \$7,500. Such claim shall bear interest at the rate of four percent (4.00%) per annum. The Debtor shall make equal monthly payments of approximately \$138.12 of principal and interest starting the first day of the first month after the Effective Date, and each month thereafter, for a period of five (5) years.
- (2) The Class 5 claimant shall retain its lien on all of the Debtor's Rotary Equipment listed within the security agreement, in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 5 Secured Claim, pursuant to 11 U.S.C. §506(a).

- (3) The Debtor shall treat any remaining deficiency amount of the Class 5 Claim as a general unsecured claim in accordance with Class 12 of this Plan.
- (4) The Debtor shall have the option to pre-pay the Allowed Secured Claim of Stearns Bank at any time without premium or penalty.

e. **Class 6** consists of secured claim of First Sound Bank which is secured by a recorded financing statement against certain equipment owned by the Debtor pursuant to 11 U.S.C. § 506. On or about October 17, 2014, the Debtor entered into a Equipment Finance Agreement with First Sound Bank to acquire a Haas VF-5/40XT CNC Vertical Machining Center (the “First Sound Bank Collateral”) in the amount of \$134,779.80 (the “First Sound Bank Loan”). Under the First Sound Bank Fargo Loan, the Debtor granted First Sound Bank a security interest in the purchased equipment. First Sound Bank filed a Financing Statement with the Colorado Secretary of State on October 24, 2014. First Sound Bank therefore asserts a perfected lien on such equipment. The Debtor asserts that as of the Petition Date First Sound Bank is owed the amount of \$78,756.71. The Debtor obtained a valuation of the First Sound Bank Collateral in the amount of \$57,500. Class 6 is impaired under the Plan. The Debtor shall treat the Class 6 Claim as follows:

- (1) First Sound Bank shall have an Allowed Class 6 Secured Claim in the amount of \$57,500, less the amount of adequate protection payments made during the case (in the approximate amount of \$7,000). Such claim shall bear interest at the rate of four percent (4.00%) per annum. The Debtor shall make equal monthly payments of approximately \$930.03 of principal and interest starting the first day of the first month after the Effective Date, and each month thereafter, for a period of five (5) years.
- (2) The Class 6 claimant shall retain its lien on all of the Debtor’s Rotary Equipment listed within the security agreement, in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 6 Secured Claim, pursuant to 11 U.S.C. §506(a).
- (3) The Debtor shall treat any remaining deficiency amount of the Class 6 Claim as a general unsecured claim in accordance with Class 12 of this Plan.
- (4) The Debtor shall have the option to pre-pay the Allowed Secured Claim of Stearns Bank at any time without premium or penalty.

f. **Class 7** consists of the secured claim of IPFS Corporation which is secured by a Premium Financing Agreement against an insurance policy of the Debtor pursuant to 11 U.S.C. § 506. Pre-petition, the Debtor entered into a Premium Financing Agreement with IPFS to finance the premiums of on its insurance policy with HUB International Services, Inc. The Debtor financed the principal amount of \$9,510.50 and granted IPFS a security interest in the insurance proceeds and excess premiums for any unpaid amounts. The Debtor was required to make monthly payments of



\$995.53 to IPFS. IPFS has filed a proof of claim in the amount of \$5,973.78. The Debtor asserts that such claim is for the full amount owed. The Debtor scheduled pre-petition arrears to IPFS in the amount of \$1,045.41. IPFS is impaired under the Plan. The Debtor shall treat the Class 7 claim as follows:

- (1) On the Effective Date, the Debtor shall assume Premium Financing Agreement and continue to make the required monthly payments under the terms of Agreement, in the amount of \$995.53 per month, until the Agreement is paid in full.
- (2) The Debtor shall cure all arrears on the Agreement, including late charges, interest, and missed payments, which are in the total amount of \$1,045.41 on or before the Effective Date.
- (3) The Class 7 Claimant shall have a secured lien on its collateral in the same priority as existed on the Petition Date, pending payment in full of the Allowed Class 7 Secured Claim, pursuant to 11 U.S.C. §506(a).

g. **Class 8** consists of the secured claim of Wells Fargo Equipment Finance (“Wells Fargo”) which is secured by a recorded financing statement against certain equipment owned by the Debtor pursuant to 11 U.S.C. § 506. On or about November 26, 2014, the Debtor entered into a Combination Loan and Security Agreement with Wells Fargo Equipment Finance, Inc., to acquire a 2014 Projet Model CPX 3500 Max Plus 3D Printer (the “Printer”) in the amount of \$117,840.00 (the “Wells Fargo Loan”). Under the Wells Fargo Loan, the Debtor granted Wells Fargo a security interest in the purchased equipment. Wells Fargo filed a Financing Statement with the Colorado Secretary of State on December 4, 2014. Wells Fargo therefore asserts a perfected lien on such equipment. Post-petition, the Debtor surrendered the Printer to Wells Fargo and Wells Fargo obtained relief from stay. Wells Fargo filed a proof of claim asserting that as of the Petition Date the Debtor owed \$74,686.41 and that the value of the Printer was \$45,000. The Class 8 Claim is impaired under the Plan. The Class 8 Claim shall be treated as follows:

- (1) Wells Fargo shall apply all proceeds from the commercially reasonable sale of the Printer to the Class 8 Claim.
- (2) The Debtor shall treat the deficiency in the approximate amount of \$29,686.41 as an allowed unsecured Class 12 Claim as set forth below.

## 2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (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.

a. **Class 9. Priority Wage Claims.** Class 6 consists of the unsecured priority claims of employees of the Debtor for wages, salaries, commissions, etc., up to \$12,475 per individual earned within the 180 days before the Petition Date, pursuant to 11 U.S.C. § 507(a)(4). To the extent that any priority wage claims are allowed under 11 U.S.C. § 507(a)(4), each holder of a priority wage claim will have an allowed claim for the amount earned in the 180 days prior to the Petition Date in an amount not to exceed \$12,475. Such claims were paid pursuant to the Final Order Authorizing Payment of Pre-Petition Wages, Compensation and Employee benefits on October 31, 2016, by the Bankruptcy Court. Additional claims were filed by Den Uyl Mathews & Long, Inc. (“DUMLI”), in the amount of \$6,155.00 (\$600 of which may be subject to priority treatment) and Arvada Transfer in the amount of \$9031.34 (who filed an untimely claim and did not provide any basis for asserting its grounds for priority). Any remaining portion of or all, as the case may be, of a wage claimant which is not entitled to priority under 11 U.S.C. §507(a)(4), shall be unsecured and be paid pursuant to the provisions of Class 12 of the Plan, unless otherwise provided by a separate Court order.

### 3. *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. Administrative convenience claims are any unsecured claims that are less than an amount that the Court approves as reasonable and necessary for administrative convenience.

a. **Class 12. General Unsecured Claims.** Class 12 shall be comprised of all creditors who hold Allowed Unsecured Claims against the Debtor, including any allowed claims, not subordinated by Order of the Bankruptcy Court, held by any governmental agency which are not related to actual pecuniary loss, by any employee of the Debtor in an amount in excess of \$12,475 or otherwise not subject to treatment under 11 U.S.C. § 507(a)(4), and any deficiency claim of any secured creditor. Class 12 is impaired under the Plan. Class 12 creditors shall receive pro-rata distributions on an annual basis from the Debtor’s Net Available Cash Fund within thirty (30) days of each anniversary of the Effective Date for a period of six (6) years.

### 4. *Equity Interests*

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.

a. **Class 13** consists of the Debtor’s equity interests which are held by Craig Reeves and Patrick Peterson. The Class 13 Equity Interests are Impaired. The treatment of the Class 13 claims are dependent upon whether the Plan is confirmed as a Consensual Plan with the acceptance of each class of creditors or by Cramdown in the event of a rejecting class.



- (1) Consensual Plan: In the event that the Plan is confirmed as a Consensual Plan, with the acceptance of each class, the Class 13 claimants will retain their shareholder interests and therefore hold, collectively, 100% of the shares of the Reorganized Debtor.
- (2) Treatment under Cramdown Plan: The ownership interests of the Debtor's stockholders shall be canceled subject to the provisions of this Plan.
  - (a) New stock certificates will be issued to the Creditors' Trust established pursuant to the terms of the Plan and that certain "Creditors' Trust Agreement", a copy of which is attached to the Plan as Exhibit "A". The stock certificates issued by the Debtor to the Trust shall be held in trust pursuant to the terms of the Creditors' Trust Agreement.
  - (b) Upon confirmation of the Debtor's Plan and transfer of the newly issued shares of common voting stock to the Creditors' Trust, the Creditors' Trust shall transfer eight percent (8%) of all such shares to Mr. Reeves and two percent (2%) of all such stock interests to Mr. Peterson in consideration of their agreement to remain as officers and directors of the Debtor to assist the Debtor with performance of this Plan. On each anniversary of the Effective Date of the Debtor's Plan the Creditors' Trust shall transfer an additional 12.85 percent (12.85%) of the stock certificates then being held by the Creditors' Trust to Mr. Reeves, receiving 80% of the annually transferred stock, and Mr. Peterson, receiving 20% of the annually transferred stock. The Creditors' Trust will transfer such shares to Mr. Reeves and Mr. Peterson as provided for herein as long as the Debtor is not in default under the terms of its Plan and/or pursuant to the provisions of the Creditors' Trust Agreement. In case of an uncured default, all shares issued to Mr. Reeves and Mr. Peterson shall be returned to the Creditors Trust.
  - (c) Following confirmation of the Debtor's Plan and during the pendency of the Debtor's Plan, Mr. Reeves and Mr. Peterson shall be entitled to vote all stockholder interests only to authorize ordinary course of business transactions of the Reorganized Debtor. Transactions outside the ordinary course of the Reorganized Debtor's business shall require approval by the Beneficiaries' Committee established pursuant to the terms of the within Plan to govern the Creditors' Trust as a established herein.

**D. Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the Debtor's income and operations. The Debtor's Forecast is attached as **Exhibit D**.

As set forth above in Section II(E), the Debtor made certain assumptions in connection with its Forecast, including a modest increase in revenues, little to no employee turnover, no large capital purchases during the life of the Plan, and, a balloon payment to BOTW in year five, respectively.

2. *Establishment and funding of bank accounts held by the Debtor.*

On the Effective Date, the Debtor shall establish two separate bank account for funds to be held by the Debtor in order to insure performance of its obligations under the Plan. All funds held by the Reorganized Debtor for distribution under the Plan shall be held in accounts which are insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States. The fund to be established is as follows:

- a. **Creditor Fund:** Upon confirmation of the Debtor's Plan, and prior to the Effective Date, the Debtor will open a separate "Creditor Fund" in a separate, interest bearing account. At the conclusion of each calendar quarter, the Debtor shall calculate its Net Income in accordance with Generally Accepted Accounting Principle ("GAAP"), plus depreciation, less payments to any Allowed Class of priority creditors and shall deposit thirty percent (30%) of its Net Income into the Creditor Fund. Within 30 days of the first anniversary of the Effective Date and continuing each year thereafter, the Debtor shall make pro-rata distributions to each allowed Class 12 unsecured claim.
- b. **Working Capital Account:** After confirmation of the Debtor's Plan, the Debtor shall open and maintain a Working Capital Account to meet its working capital needs such as replacement of furniture, fixtures, equipment, etc., as such items deteriorate or need to be replaced. At the conclusion of each calendar quarter, the Debtor shall calculate its Net Income in accordance with Generally Accepted Accounting Principle ("GAAP"), plus depreciation, less payments to any Allowed Class of priority creditors and shall deposit seventy percent (70%) of its Net Income into the Creditor Fund. In addition, the Debtor shall maintain a minimum of \$15,000.00 in the Working Capital Account during the life of the Plan which will be used to pay any shortfall in any monthly payments to secured and/or priority creditors. Should the Debtor require the use of such reserve for secured and/or priority creditors, the Debtor shall immediately replenish the reserve with the first available Net Available Cash. The Debtor shall properly maintain the records of its Working Capital Account, including any

disbursements out of such account for its capital needs, which shall be available to be reviewed by any creditor in accordance with the Disclosure Statement and the Plan.

3. *Payments to Creditors from Creditor Fund.*

- (a) Commencing on the first anniversary of the Effective Date, the Reorganized Debtor shall distribute the amount in the Creditor Fund to the Allowed Class 12 Creditors in order of priority under the Code. In the event any class of creditors has the same level of priority as another class, both classes shall receive distributions pro-rata. Such amounts shall be mailed within thirty (30) days after the anniversary of the Effective Date. The Debtor shall provide Allowed Class 12 Creditors with a summary calculation of the Creditor Fund for the prior year at the time the distribution is mailed.
- (b) The payments from the Creditor Fund shall continue for a period of six (6) years after the Effective Date of the Plan. Should the funds in the Creditor Fund satisfy the balance due to each Allowed Class 12 Creditor, including their full principal obligation with interest at the Federal mid-term interest rate on one year United States Treasury Bonds as of the Effective Date, prior to the end of six (6) years from the Effective Date, the Debtor's obligations to Allowed Class 12 Creditors shall be deemed satisfied.

4. *Post-confirmation Management.*

After confirmation of the Debtor's Plan, the Debtor will continue to employ Craig Reeves as its President and day to day manager. Mr. Reeves's salary current salary is \$150,000. The Debtor also employs Mr. Peterson to perform, among other things, engineering work for each of its customer projects. Mr. Peterson's salary is also \$105,000. Both officers will continue their roles during the performance of the Plan.

Post-confirmation, the Debtor shall have the authority to hire employees as necessary in the ordinary course of business without notice to or authority from any creditor or other party-in-interest herein. As the scale of the Debtor's operations increases, the Debtor anticipates the need for a larger staff as well as additional time and expense of the executive team. These additional employment costs are built into the Debtor's Forecast.

If the Debtor is successful in performing under the Plan, the Debtor may offer bonuses to its executive team as consideration for their efforts in repaying creditors. Beginning on the Second Anniversary of the Effective Date of the Plan, if the Debtor has met or exceeded its Forecast and no event of default under the Plan has occurred during the preceding year, the Debtor may pay the executive team a bonus based upon their then annual salary as follows:

- a. Second Anniversary: 5% bonus;

- b. Third Anniversary: 10% bonus;
- c. Fourth Anniversary: 15% bonus.
- d. Fifth Anniversary: 20% bonus.

#### **E. Risk Factors**

The proposed Plan has the following risks:

##### **1. *General Economic Risk***

The Debtor's income is affected by general economic conditions. Consequently, its ability to make payments under the Plan could be affected. Should the general economic conditions deteriorate, the Debtor may not see the same sales levels and thus its revenues could decline with the lack of disposable income available to a consumer.

##### **2. *Other Risks.*** The Debtor anticipates the following risk factors:

a. Industry trends. Based upon current industry trend, there is a consistent growth for new manufacturing products which require the machining of new prototypes. The Debtor is well poised in the manufacturing industry to respond to these trends. Based upon prior trends, the Debtor is also able to weather any short downturns due to pullbacks in manufacturing, such as the economic recession of 2008 to 2010. Even during such time, the Debtor was able to cash flow sufficiently to meet its obligations.

b. Governmental. The Debtor projects that regulation of the manufacturing industry will decrease. This will allow larger companies to invest more in new technologies and products. In turn, the Debtor's business should increase. The Debtor's current Forecast however takes into account the current regulations and does not include any increase of this nature due to less manufacturing regulations.

c. Personnel. The Debtor has a series of highly trained machinists for its manufacturing facility. On average, the Debtor takes one to two years to train a new machinist. Thus, the Debtor values its employees as a significant factor in performing its Plan. Should the Debtor lose key employees, the Debtor will necessarily incur the cost of training additional personnel. Conversely, should the Debtor's sales increase beyond the projections, only a few additional personnel need to be added in production to meet the demand.

#### **F. Executory Contracts and Unexpired Leases**

As set forth below, the Plan lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

The Debtor assumes the following executory contracts and/or unexpired leases effective upon the effective date of the Plan:

- i. Lease with Lambright, LLC.
- ii. Pinnacol Assurance.
- iii. IPFS Corporation.

All other executory contracts and unexpired leases that are not listed herein will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

**A proof of claim arising from the rejection of an executory contract or unexpired lease under this section must be filed not later than thirty (30) days after the date of the order confirming this Plan.**

#### **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.***

The following are anticipated tax consequences of the Plan:

- 1. *Tax Consequences to the Debtor of the Plan.*

The Debtor does not believe that the Plan will have any material affect upon the Debtor. The Debtor has no meaningful pre-petition tax liability. To the extent that the Debtor incurs unexpected tax obligations post-petition, and/or make distributions to its owners to pay such tax obligations as the case may be, the Debtor expects to have sufficient income to pay both the tax obligations and make payments under the Plan.

2. *General tax consequences on creditors of any discharge.*

Confirmation of the Plan discharges the Debtor from any debt that arose before the date of such confirmation and any debt of a kind specified in 11 U.S.C. § 502(g), 502(h), or 502(i), whether or not: (i) a proof of claim is filed or deemed filed; (ii) such claim is allowed under 11 U.S.C. § 502; or (iii) the holder of such claim has accepted the Plan. Pursuant to 11 U.S.C. § 1141(d)(5), upon the entry of an order confirming this Plan by the Bankruptcy Court, the reorganized Debtor shall be discharged and released from, and hold all of its property free of all liabilities, liens, claims, and obligations of any nature or description except for those claims, liens, liabilities, and obligations provided for in the Plan. The terms of the confirmed Plan will bind the Debtor and all of its creditors with respect to payment of such claims.

The consequences on creditors of any discharge will result in a realized loss, if applicable, to the creditor. After the Plan is confirmed, any plan consideration will be considered a gain to be offset by the realized loss, if applicable.

#### **IV. 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 all Classes are impaired and that holders of all claims in those classes are therefore entitled to vote to accept or reject the Plan. To the extent a class is not impaired, the Bankruptcy Code provides that creditors whose claims are not impaired 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 January 31, 2017.***

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 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 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 holds 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” of 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 the more than one-half ( $\frac{1}{2}$ ) 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 ( $\frac{2}{3}$ ) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interest accepts the Plan if the holders of at least two-thirds ( $\frac{2}{3}$ ) 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.

Based upon the Debtor’s Assets and Liabilities as of the Petition Date, the Debtor believes that there would be minimal assets available to unsecured creditors in a liquidation. All of the



Debtor's assets, including furniture, fixtures and equipment, accounts and general intangibles, is fully encumbered by the liens of BOTW, TCF, Sterns Bank and First Sound Bank. In a liquidation, the Debtor estimates that the secured creditors would foreclose upon their lien rights and take all proceeds to satisfy its liens. The Debtor's Liquidation Analysis is attached hereto as **Exhibit E** and incorporated herein. Based upon the liquidation values of the Debtor's assets by Dickensheet & Associates, Inc., and Loeb Appraisal, there will not be any net proceeds available for unsecured creditors. Copies of the valuations are available upon request from the undersigned.

#### **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 Debtor is administratively solvent. The Debtor further expects that after the Effective Date, the Debtors will have sufficient cash flow to fund payments to all classes of creditors. See **Exhibit D**.

##### *2. Ability to Make Future Plan Payments and Operate Without Further Reorganization*

The Debtor must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Debtor has provided projected financial information in its Forecast which is attached as **Exhibit D**.

The Debtor's financial projections show that the Debtor will have sufficient annual cash flow to pay all unsecured creditors in full over the Plan's life. The Debtor is in the early stages of reestablishing profitable operations. The Debtor has also employed a project manager to more closely supervise each customer project to make sure it meets the customer's requirements and is profitable for the Company. Based upon its recent turnaround since filing for relief, the Debtor expects to see by steady growth during the life of the Plan.

***You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.***

#### **V. EFFECT OF CONFIRMATION OF PLAN**

##### **A. Discharge of Debtor**

Discharge. Pursuant to 11 U.S.C. §1145(d)(1)(A), confirmation of the Debtor's Plan shall discharge the Debtor from any debt that arose before the date of such confirmation and any debt of

a kind specified in 11 U.S.C. §502(g), 502(h), or 502(I), whether or not: (a) a proof of claim is filed or deemed filed; (b) such claim is allowed under 11 U.S.C. §502; or, (c) the holder of such claim has accepted the plan. Confirmation of the Plan also terminates all rights and interests of equity security holders and general partners provided for by the Plan. The Reorganized Debtor shall be entitled to seek injunctive relief from the Court, if necessary, to enforce any and all provisions of the Plan.

## **B. Modification of Plan**

The Debtor 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.

# **VI. DEFAULT OF PLAN**

6.01 In the event of any default by the Reorganized Debtor of any payment to any class of claimants arising under the terms of this Plan other than payment to CCC, the Reorganized Debtor shall have thirty (30) days within which to cure any default in payments due under this Plan after the date of issuance of written notice from any claim holder.

6.02 Written notice shall be provided to the Reorganized Debtor and to Debtors' counsel. For purposes of this section, the notice to Debtor's counsel shall be served upon Buechler & Garber, LLC, 999 18<sup>th</sup> Street, Suite 1230-S, Denver, Colorado 80202, unless written notice of substitution of legal counsel is served upon the claim holder at least fifteen (15) days prior to the date notice is sent.

6.03 In the event that the Reorganized Debtor fails to cure any default in the requirements to make payment under the Plan, within thirty (30) days from the date that written notice is sent in compliance with paragraph 10.02 of the Plan, the entire amount of the obligations dealt with under the Plan shall be immediately due from the Reorganized Debtor.

# **VII. GENERAL PROVISIONS**

7.01 Definitions and Rules of Construction. The definitions and rules of construction set forth in 11 U.S.C. §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan, and they are supplemented by the following definitions:

- a. "Administrative Expense" shall mean any cost or expense of administration of Chapter 11 allowed under 11 U.S.C. § 503(b).
- b. "Allowed Claim" shall mean (a) an unsecured claim against the Debtor which is set forth in the Debtor's schedules other than an unsecured claim against the Debtors scheduled by the Debtors as unknown, disputed, contingent or unliquidated; (b) an unsecured claim against the Debtors which has been filed pursuant to 11 U.S.C. § 501, and with respect to which no objection to the allowance thereof has been interposed within the deadlines set forth in this Plan, or as to which any objection has been determined by Final Order; provided however, that interest accrued on or after February 9, 2016, shall not be a part of any Allowed Claim. Allowed Claims may include, but are not limited to, claims that arise from the rejection of executory contracts.
- c. "Class" shall mean any class of creditors or interests described in Article II of the Plan.
- d. "Code" shall mean the Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.*, and any amendments thereof.
- e. "Confirmation" shall mean the entry by the Court of an order confirming the Plan in accordance with Chapter 11 of the Code.
- f. "Confirmation Date" shall mean the date on which the Plan is confirmed by the Bankruptcy Court.
- g. "Confirmation Order" shall mean a Final Order of the Bankruptcy Court confirming the Plan in accordance with the provisions of Chapter 11 of the Code.
- h. "Contested Claim" shall mean shall mean any Claim which has been scheduled by the Debtor as disputed, contingent, or unliquidated or any Claim as to which an objection to the allowance thereof has been or will be filed within the deadline for filing of such objections set forth in Article V of this Plan. Contested Claims shall be treated under the provisions of Article V of this Plan until allowance or disallowance of such claim has been determined by a Final Order. Contested claims include claims which the Debtor believe should be objected to in whole or in part. Contested claims further include any claims held by creditors against whom the Debtor believe actions may be brought under 11 U.S.C. §§ 544, 547, 548 or 549.
- i. "Creditor Fund" shall mean that fund created by the Debtor by depositing all of its Net Available Cash at the conclusion of each month during the term of the Plan pending distributions to Allowed Class 12 Claimants as provided for under the Plan. This account shall be segregated in a separate bank account and held in trust pending distribution. In the event the Debtor pursues any preference claims or voidance actions under the Bankruptcy Code, the net proceeds, after payment of legal fees and expenses, will be added to the Creditor Fund
- j. "Disallowed Claim" shall mean any claim or portion thereof that has been disallowed by a Final Order of the Bankruptcy Court.

- k. “Disputed Claim” shall mean any claim which has been scheduled by the Debtor as unknown, disputed, contingent or unliquidated, or any claim as to which an objection has been filed and allowance or disallowance of such claim has not been determined by a Final Order.
- l. “Effective Date” shall mean the first business day following thirty (30) days after the date the order confirming the Plan becomes a Final Order.
- m. “Final Order” shall mean an order or a judgment as to which the time to appeal or seek review or rehearing has expired. In the event that an appeal or petition for rehearing is filed, an order or judgment shall be final unless an Order enters granting a stay pending appeal or petition for rehearing.
- n. “Income” shall mean all of the property of the Estate as defined by 11 U.S.C. §1115, but excluding any exempt portions under any and all applicable Federal and/or State exemption laws.
- o. “Net Available Cash” shall mean the Reorganized Debtor’s Net Income calculated in accordance with Generally Accepted Accounting Principles (“GAAP”), plus depreciation, less payments to Allowed Classes of secured and priority creditors.
- p. “Personal Property” shall mean all of the Debtor’s personal property as identified on the Debtor’s Schedules filed in connection with its Bankruptcy Case, subject to all applicable exemptions.
- q. “Petition Date” shall mean October 13, 2016, the date upon which the Debtor filed for relief.
- r. “Post-petition” shall mean anytime on or subsequent to October 13, 2016.
- s. “Preference Recovery Funds.” All net proceeds from the prosecution of any and all claims pursuant to 11 U.S.C. §§ 544, 547, 548, 549, and 550, in the event the Debtor pursues such claims or actions under the Bankruptcy Code, after payment of legal fees and expenses.
- t. “Pre-petition” shall mean anytime prior to October 13, 2016.
- u. “Pro Rata” shall mean with respect to any claimant, the percentage which the allowed Claim of a creditor bears to the sum of all Allowed Claims in the same class as such Allowed Claim.
- v. “Unimpaired” A class of claims or interests is “unimpaired” in accordance with 11 U.S.C. §1124 if the legal, equitable and/or contractual rights of the holders of such claims or interests are not altered under the Plan.
- w. “Unsecured Claims” shall mean the Allowed Claims against the Debtor which are unsecured and which are other than Allowed Priority Claims and Allowed Administrative Expenses, and shall include any Deficiency Claim(s) arising to the holder of an Allowed Secured Claim, pursuant to the provisions of 11 U.S.C. §506, after a hearing pursuant to the applicable Federal Rules of Bankruptcy Procedure or resulting from any agreement reached between the Claimant and the Debtor in which it was determined that the value of the collateral securing the claim was less than the Allowed Claim.
- x. “Unsecured Creditors” shall mean the holders of allowed Unsecured Claims against the Estate.

- y. “Working Capital Account” shall mean that separate bank account maintained by the Debtor to meet its working capital needs such as replacement of furniture, fixtures, equipment, etc., as such items deteriorate or need to be replaced.

7.02 Retention of Jurisdiction. The Reorganized Debtor reserves the right to reopen the Chapter 11 Case after Confirmation and dismissal for the purposes set forth in this paragraph. The Bankruptcy Court shall retain jurisdiction over the Chapter 11 Case for the following purposes:

- (1) To hear and determine any and all objections to the allowance of Claims or Interests.
- (2) To determine any and all applications for allowances of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan, to the extent such claim was incurred prior to the Effective Date.
- (3) To hear and determine any and all pending applications for the rejection or assumption, or for the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which the Debtor is a party, and to hear and determine any and all Claims arising therefrom.
- (4) To hear and determine any and all applications, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date or instituted by the Reorganized Debtor thereafter.
- (5) To consider any modifications of the Plan, to remedy any defect or omission, or reconcile any inconsistency in the Plan or in any order of the Bankruptcy Court, including the Confirmation Order.
- (6) To hear and determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan.
- (7) To consider and act on the compromise and settlement of any claim or cause of action by or against the Debtor that arose prior to the Petition Date or in connection with the Bankruptcy Case and where the original claim or cause of action is in excess of \$50,000.00.
- (8) To issue orders in aid of execution of the Plan as contemplated by 11 U.S.C. § 1142.
- (9) To determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with the Plan or the Confirmation Order.

7.03 Severability. If any provision in the Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

7.04 Binding Effect. The rights and obligations of any entity named or referred to in the Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

7.05 Captions. The headings contained in this Disclosure Statement and the Plan are for convenience of reference only and do not affect the meaning or interpretation of the Plan.

7.06 Controlling Effect. Unless a rule of law or procedure is supplied by federal law including the Code or the Federal Rules of Bankruptcy Procedure, the laws of the State of Colorado govern the Plan and any agreements, documents, and instruments executed in connection with the Plan, except as otherwise provided in the Plan.

Dated June 16, 2017.

PRECISION CASTING PROTOTYPES  
AND ENGINEERING, INC.

*/s/ Craig Reeves*

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By: Craig Reeves, President

BUECHLER & GARBER, LLC

*/s/ Kenneth J. Buechler*

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