

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
WESTERN DIVISION

In Re: ) Chapter 11  
)  
Preferred Concrete & Excavating Inc. ) No. 16-81114  
)  
Debtor. )  
) Honorable Judge Thomas M. Lynch  
)  
)

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**THIRD AMENDED DISCLOSURE STATEMENT IN SUPPORT OF  
PREFERRED CONCRETE & EXCAVATING INC.'S FOURTH AMENDED  
PLAN OF REORGANIZATION**

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**DATED MAY 3, 2017**

By: /s/ O. Allan Fridman  
Attorney for the Plan Proponent

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THIS DISCLOSURE STATEMENT (“**DISCLOSURE STATEMENT**”) FILED BY THE DEBTOR, PREFERRED CONCRETE & EXCAVATING INC. (THE “**DEBTOR**”), MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE DEBTOR’S PLAN OF REORGANIZATION (THE “**PLAN**”), DATED AS OF THE DATE HEREOF, AND NOTHING CONTAINED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTOR.

ALL CREDITORS AND PARTIES IN INTEREST THAT ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE ENTIRE DISCLOSURE STATEMENT FURNISHED TO THEM AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT, PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION. THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT. EACH CREDITOR AND PARTY IN INTEREST SHOULD READ, CONSIDER AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN. VOTING INSTRUCTIONS ARE CONTAINED IN THE SECTION OF THIS DISCLOSURE STATEMENT TITLED “VOTING INSTRUCTIONS.” TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT BY NO LATER THAN 4:30 P.M., CENTRAL STANDARD TIME, ON UNLESS SUCH DEADLINE IS EXTENDED BY ORDER OF THE COURT.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

NO PERSON IS AUTHORIZED IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS OR DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. SUCH ADDITIONAL REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO IN TURN WILL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR ACTION AS MAY BE DEEMED APPROPRIATE. THE DELIVERY OF THIS DISCLOSURE

STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF THE DATE HEREOF, THIS DISCLOSURE STATEMENT IS DATED AND CREDITORS AND HOLDERS OF INTERESTS ARE ENCOURAGED TO REVIEW THE BANKRUPTCY DOCKET IN THIS CASE IN ORDER TO EVALUATE EVENTS WHICH OCCUR BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE OF THE CONFIRMATION HEARING. ALL CREDITORS WHICH ARE ENTITLED TO VOTE ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT, PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION.

THE DEBTOR HAS ATTEMPTED TO PRESENT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT ACCURATELY AND FAIRLY TO THE BEST OF ITS ABILITY. THE ASSUMPTIONS UNDERLYING THE ANTICIPATION OF FUTURE EVENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE ONLY ASSUMPTIONS OR PREDICTIONS OF FUTURE EVENTS, THERE CAN BE NO ASSURANCE THAT THE EVENTS WILL OCCUR.

IN THE EVENT THAT ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN, (1) THE DEBTOR MAY ALSO SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN WITH RESPECT TO THAT CLASS UNDER THE "CRAM-DOWN" PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE, AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO SUCH REQUIREMENTS OR (2) THE PLAN MAY BE OTHERWISE MODIFIED OR WITHDRAWN.

THE REQUIREMENTS FOR CONFIRMATION, INCLUDING THE VOTE OF HOLDERS OF IMPAIRED CLASSES TO ACCEPT THE PLAN AND CERTAIN OF THE STATUTORY FINDINGS THAT MUST BE MADE BY THE BANKRUPTCY COURT, ARE SET FORTH UNDER THE CAPTION "**ACCEPTANCE OR REJECTION OF THE PLAN.**"

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## I. INTRODUCTION

Preferred Concrete & Excavating Inc. ("Preferred"), the Debtor and Debtor-in-Possession in the above-captioned Chapter 11 Case, submits this Disclosure Statement (the "Disclosure Statement") pursuant to Section 1125 of the Bankruptcy Code (the "Code"), to all of the Debtor's Creditors and Equity Security Holders, in order to disclose material information sufficient to enable them to make an informed decision in exercising their right to vote for acceptance or rejection of the Debtor's Plan of Reorganization dated May 3, 2017.

On \_\_\_\_\_ at \_\_\_\_\_, a hearing to consider confirmation of the Plan will be held by the Court or by any other judge sitting in the Court's place, in Courtroom 3100, of the United States Courthouse, 327 South Church Street, Rockford, IL 61101. A copy of the Plan is attached hereto as Exhibit 2. Throughout this Disclosure Statement, the Debtor refers to terms that have been specifically defined in the Plan. Those definitions are incorporated by reference into this Disclosure Statement. Therefore, to fully understand this Disclosure Statement, Creditors must review the Plan.

At the Consolidated Hearing, the Bankruptcy Court (the "**Court**") will consider whether this Disclosure Statement in accordance with Section 1125(b) of the Bankruptcy Code contains information of a kind and in sufficient detail adequate to enable a hypothetical reasonable investor typical of the holders of Claims of the relevant Voting Classes (as defined below) to make an informed judgment whether to accept or reject the Plan. Approval of this Disclosure Statement by the Bankruptcy Court and the transmittal of this Disclosure Statement does not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan and should not be interpreted as being a recommendation by the Bankruptcy Court either to accept or reject the Plan.

Upon approval of the Disclosure Statement, the Bankruptcy Court shall immediately commence a hearing to consider confirmation of the Plan.

In summary, but subject to more specific details provided herein and in the Plan, the treatment of claims under the Plan contemplates a greater recovery than that which is likely to be achieved under other alternatives for reorganization or liquidation of the Debtor.

Accordingly, the Debtor believes that confirmation of its Plan is in the best interests of the Creditors and recommends that you vote to accept the Plan.

Accompanying or included as exhibits to this Disclosure Statement are the following:

1. A ballot for acceptance or rejection of the Plan;
2. The Plan;
3. Financial Projections of the Debtor;
4. Summary Pages of Debtor's Bankruptcy Operating Reports;
5. A Liquidation Analysis;
6. 12 Month Prepetition Financial;

## **ARTICLE I SUMMARY OF THE PLAN**

### **A. Purpose of This Document.**

The purpose of this Disclosure Statement is to provide the Holders of Claims with adequate information to make an informed judgment about the Plan. This information includes, among other things, (a) the procedures for voting on the Plan, (b) a summary of the Plan and an explanation of how the Plan will function, including the means of implementing and funding the Plan, (c) general information about the history and business of the Debtor prior to the Petition Date, (d) the events leading to the filing of the bankruptcy petition, and (e) a summary of significant events which have occurred to date in this bankruptcy case.

This Disclosure Statement contains important information about the Plan and considerations pertinent to a vote for, or against, the confirmation of the Plan. All parties entitled to cast a ballot are encouraged to review this Disclosure Statement carefully.

Unless otherwise defined herein, all capitalized terms used in this Disclosure Statement have the meanings ascribed to them in the Plan. Any other term used in this Disclosure Statement and not otherwise defined shall have the meaning given to it in the Bankruptcy Code.

The summary of the Plan contained herein addresses only certain provisions of the Plan. As a summary, it is qualified in its entirety by reference to the Plan itself and any Plan Documents, which are referred to therein as being filed prior to Confirmation. Upon Confirmation and the Effective Date, the Plan and the Plan Documents referred to therein shall control and bind the Debtor, all of the Debtor's Creditors, and other parties in interest except as expressly set forth in the Plan.

The Plan Documents (i.e. all documents that aid in effectuating the Plan, including the Exhibits to the Plan), if any, shall be filed with the Bankruptcy Court with this Disclosure Statement; provided, however, that the Debtor may amend the Plan Documents through and including the Confirmation Date. Upon their filing with the Bankruptcy Court, the Plan Documents may be inspected in the Clerk's Office during normal business hours or may be obtained from the Debtor's counsel, O. Allan Fridman at (847) 412-0788.

**B. Who May Vote.**

Only the Holders of Claims which are deemed "Allowed" under the Bankruptcy Code and which are "Impaired" under the terms and provisions of the Plan are permitted to vote to accept or reject the Plan. For purposes of the Plan, the Holders of Allowed Claims in the Voting Classes (i.e. Classes 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, and 21 are Impaired under the Plan and thus may vote

to accept or reject the Plan. Accordingly,) a Ballot is being provided to members of the Voting Classes.

**C. How to Vote.**

Each holder of a Claim in a Voting Class should read this Disclosure Statement, together with the Plan and other exhibits hereto, in their entirety. After carefully reviewing the Plan and this Disclosure Statement and their respective exhibits, please complete the enclosed Ballot, including indicating your vote thereon with respect to the Plan, and return it as provided below. If you are a member of a Voting Class and did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please call O. Allan Fridman, counsel for the Debtor.

**YOU SHOULD COMPLETE AND SIGN THE ENCLOSED BALLOT AND RETURN IT AS DESCRIBED BELOW. IN ORDER TO BE COUNTED, BALLOTS MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED BY NO LATER THAN 4:30 P.M. (CENTRAL STANDARD TIME) ON THE BALLOT DATE DEADLINE OF \_\_\_\_\_ UNLESS SUCH DEADLINE IS EXTENDED BY COURT ORDER.**

All Ballots should be returned and delivered by regular mail, hand delivery or overnight delivery:

Office of the Clerk  
United States Bankruptcy Court Northern District of Illinois  
327 South Church Street  
Rockford, IL 61101

and a copy of the executed Ballot should be mailed to:

O. Allan Fridman  
Attorney for the Debtor  
555 Skokie, Blvd., Suite 500  
Northbrook, IL 60062, Tel: 847-412-0788



As the holder of an Allowed Claim in the voting Classes, your vote on the Plan is extremely important. In order for the Plan to be accepted and thereafter confirmed by the Court without resorting to the "cram-down" provisions of Section 1129(b) of the Bankruptcy Code as to other classes of Allowed Claims, votes representing at least two-thirds in amount and more than one-half in number of Allowed Claims of each impaired Class of Claims that are voting must be cast for the acceptance of the Plan. The Debtor is soliciting acceptances only from members of the Voting Classes. You may be contacted by the Debtor with regard to your vote on the Plan.

Procedures and more information concerning the acceptance and rejection of the Plan are set forth more fully in the section titled "Acceptance or Rejection of the Plan" on page 20.

**D. Confirmation Hearing.**

Pursuant to section 105(d)(2)(B) of the Bankruptcy Code, the Court may order that the hearing ("Consolidated Hearing") on the approval of this Disclosure Statement shall be consolidated with the hearing on the confirmation of the Plan, which hearing has been set for., at the United States Bankruptcy Court for the Northern District of Illinois, Courtroom 3100, Rockford, Illinois. The Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the hearing.

Objections to confirmation of the Plan or to approval of the Disclosure Statement shall be filed with the Court on or before June 8, 2017, and served by the same date on the Debtor, Debtor's counsel and the United States Trustee.

**ARTICLE II  
SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIM  
AND EQUITY INTERESTS**

**A. Introduction.**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under

Chapter 11, a debtor is authorized to reorganize and/or liquidate its business for the benefit of itself and its creditors and equity holders. The formulation of a plan is the principal objective of a Chapter 11 case. In general, a Chapter 11 plan (i) divides Claims and equity interests into separate classes, (ii) specifies the property that each class is to receive under such plan, and (iii) contains other provisions necessary to the reorganization and/or liquidation of the Debtor. Chapter 11 does not require each holder of a claim or equity interest to vote in favor of the plan in order for the Bankruptcy Court to confirm the plan. However, a plan must be accepted by the holders of at least one impaired class of Claims without considering the votes of "insiders" within the meaning of the Bankruptcy Code.

The Plan provides for payments on the Effective Date which is the first business day 30 days after the confirmation date. The plan provides for unsecured creditors to be paid 10% of their allowed claim in semiannual payments over 5 years from the Effective Date, priority wage claims will be paid in full on the Effective Date and Priority and Secured Tax claim will be paid in full within 60 months from the Petition date.

**B. Unclassified Administrative.**

Except as otherwise provided below, each Holder of an Allowed Administrative Expense Claim shall be paid (a) on the Effective Date, an amount in Cash equal to the Allowed Amount of its Administrative Expense Claim, in accordance with § 1129(a)(9)(A) of the Bankruptcy Code, (b) under such other terms as may be agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor, or (c) as otherwise ordered by order of the Bankruptcy Court. The Debtor estimates these claims will be approximately \$30,000.

All fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code, 28 U.S.C. §§ 1911-1930, through the Effective Date shall be paid to the United States

Trustee by the Debtor when due. Following the Effective Date, any such fees required pursuant to 28 U.S.C. § 1930(a)(6) arising or accruing from Distributions made by the Debtor or made under the Plan shall also be paid by the Debtor. All such payments to the United States Trustee shall be in the appropriate sum required pursuant to 28 U.S.C. § 1930(a)(6) based upon the applicable disbursements for the relevant post-confirmation periods and shall be made within the time period set forth in 28 U.S.C. § 1930(a)(6), until the earlier of (i) the closing of the Bankruptcy Case by the issuance of a Final Order by the Bankruptcy Court on the Final Decree Date, or (ii) the entry of an order by the Bankruptcy Court dismissing the Reorganization Case or converting the Reorganization Case to another chapter under the Bankruptcy Code. The Debtor shall provide to the United States Trustee quarterly post-confirmation payment reports indicating the disbursements for the relevant periods.

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under § 507(a)(2) of the Code. 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. Professional Fees of the Debtor until confirmation and a final award of fees and costs to the Debtor's attorneys, the final amount of the attorneys' fees cannot be determined. All administrative expenses are subject to court approval. Administrative expenses will be paid by appropriate court order after notice and hearing. The Debtor estimates administrative expenses will be approximately \$30,000.00.

**C. Unclassified Priority Claims.**

Priority tax claims are unsecured income, employment and other taxes described by 507(a)(8) of the Bankruptcy Code. The Allowed Tax Claims, if any, will be paid in full within 60 equal monthly installments from the petition date plus statutory interest. This treatment of Claims

is intended to comply with the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code.

**D. Classification and Treatment of Claims and Equity Interests.**

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify the Claims of a debtor's creditors and interests of a debtor's equity holders. The Plan divides the Claims and Equity Interests into five classes.

Section 101 (5) of the Bankruptcy Code defines "claim" as a "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured," or a "right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, disputed, undisputed, secured or unsecured." The Debtor is required under § 1122 of the Bankruptcy Code to classify the Claims and Equity Interests into separate Classes, which contain Claims, and Equity Interests that are substantially similar to the other Claims and Equity Interests within such Class.

The Debtor believes that it has classified all Claims and Equity Interests in compliance with the provisions of § 1122 of the Bankruptcy Code. However, it is possible that a Holder of a Claim or another interested party may challenge the classification of Claims and Equity Interests contained in the Plan and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the Debtor's present intent, to the extent permitted by the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to provide for whatever classification might be required by the Bankruptcy Court for Confirmation and to use the Plan acceptances received in this solicitation for the purpose of obtaining the approval of the Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder

was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. A reclassification of Claims after approval of the Disclosure Statement might necessitate a re-solicitation of acceptances or rejections of the Plan.

Set forth below is also a summary of each Class of Claims and Equity Interests and the expected Distributions under the Plan to Holders of Allowed Claims against the Debtor. Any estimates of Claims set forth in this Disclosure Statement are approximate and are based on amounts scheduled by the Debtor. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Equity Interests pursuant to the Plan shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever) and Allowed Equity Interests.

Overview of Claims and Equity Interest: The following table briefly summarizes the classification and treatment of Claims and Equity Interests:

<b>Class Name</b>	<b>Amount (Approx)</b>	<b>Proposed Treatment</b>	<b>Vote</b>
Class 1 Administrative and Expense Claims	\$30,000.00	Paid in full in cash on the Effective Date	No
Class 2 Secured Claims of Internal Revenue Service	\$181,465.73	Unimpaired. The Allowed Claim to be paid in accordance with 1129(a)(9)(D) in equal monthly installments over a period of 60 months from the petition date	No

Class 3 Secured Tax Claims Illinois Department of Revenue	\$71,678.30	Unimpaired. The Allowed Claim to be paid in accordance with 1129(a)(9)(D) in equal monthly installments over a period of 60 months from the petition date	No
Class 4 Secured Claim of J.P. Morgan Chase	\$14,034.12	Unimpaired. Paid according to terms of pre-petition financing agreement.	No
Class 5 Priority Pension Claims Laborers' Pension/Health/Welfare Funds	\$4,914.50	Unimpaired. Paid in full in cash on the Effective Date.	No
Class 6 Priority Claims the Construction Industry Welfare Fund of Rockford, Illinois and The Construction Industry Retirement Fund of Rockford, Illinois	\$8,872.02 *	Unimpaired. Paid in full in cash on the Effective Date .	No
Class 7 Priority Claims of the Fox Valley Construction Workers Funds	\$1,524.40	Unimpaired. Paid in full in cash on the Effective Date .	No
Class 8 Priority Claims Illinois Department of Employment Security	\$35,885.87	Unimpaired. The Allowed Claim to be paid in accordance with 1129(a)(9)(D) in equal monthly installments over a period of 60 months from the petition date.	No
Class 9 Unsecured Claim Illinois Department of Employment Security	\$40,129.64	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 10 Unsecured Tax Claims Internal Revenue Service	\$622.96	Unimpaired. On the Effective Date, this class shall be paid in full as a convenience class claim Class 20.	No

Class 11 Unsecured Pension Claims Laborers' Pension Health and Welfare Funds	\$36,989.28	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 12 Unsecured Pension Claims Structural Iron Workers Local Union 1	\$1,914.30	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 13 Unsecured Pension Claims Structural Iron Workers Local Union 498	\$4,045.46	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 14 Unsecured Cement Masons Union Local 502, Saving Fund Welfare and Pension	\$6,211.46	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 15 Unsecured Fox Valley Laborers Fringe Benefit Funds	\$42,881.64	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes

Class 16 Unsecured the Construction Industry Welfare Fund of Rockford, Illinois and The Construction Industry Retirement Fund of Rockford, Illinois	\$233,084.60	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 17 Unsecured Central Laborers' Pension Fund Claims 10 and 11	\$172,253.14 \$261,142.95	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 18 Unsecured Fox Valley Construction Workers Funds	\$126,792.26	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 19 Carpenters Pension Fund of Illinois	\$5,955.78	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	Yes
Class 20 Convenience Class	\$1,000	Unimpaired. On the Effective Date, this class shall be paid in full.	No
Class 21 General Unsecured Claims	\$446,847.38	Impaired. Beginning on the Effective Date, this class shall receive, in full satisfaction, settlement and release and discharge of its unsecured claim a pro-rata share of the Unsecured Dividend	Yes



		paid in semiannual installments and continuing and each January 31 <sup>st</sup> and July 31 <sup>st</sup> of each following year for 5 years from the Effective Date.	
Class 22 Equity Interest	10,000	Impaired. Debtor shall cancel all its shares of the Reorganized Debtor Connie Hartman and Gerald Hartman shall pay the sum of \$10,000 for their equity interest in the Reorganized Debtor.	

Attached hereto as Exhibit 3 are the Debtor's estimates of Claims to be treated under the Plan.

The following describes the treatment of each Class of Claims and Interests under the Plan.

**Class 1: Administrative Claims.**

All debts incurred during the Bankruptcy Case, but as yet unpaid, will be paid in full upon the Effective Date or as otherwise agreed upon by the Creditor. These include the Claims of: (i) the Debtor's attorneys and accountants and the U.S. Trustee's Fees and (ii) debts incurred by the Debtor after the commencement of its Bankruptcy Case in the ordinary course of its business. The exact amount of these Claims is not known at this time; however, for purposes of this Disclosure Statement they have been estimated at \$30,000.

**Class 2: Secured Tax Claims Internal Revenue Service.**

Class 2 Consists of the IRS's secured claim against the property of the Debtor. The IRS claims a secured claim against the property of the Debtor in the amount of \$181,465.73. The payments commenced on July 25, 2016, as adequate protection payments pursuant to the cash collateral order and will be paid in full in equal monthly installments an finishing no later than 60 months from the petition date with statutory interest of 4%, unless the holder thereof agrees to a different treatment. This treatment of Allowed Tax Claims is intended to comply with the requirements of Section 1129(a)(9)(D) of the Bankruptcy Code.

In full satisfaction, settlement, release, and discharge of and in exchange for each Class 2 Allowed Tax Claim, each holder of an Allowed Class 2 Claim shall receive and/or retain:

A. Its lien on the property owned by the Debtor, with the same validity, enforceability, perfection and priority as it had on the Petition Date and as may have been acquired during this Chapter 11 case pursuant to Orders entered by the Bankruptcy Court, until the Allowed Class 2 Claims are paid in full; and,

B. Payment of the entire unpaid balance of the Allowed Class 2 Claim, including any accrued statutory interest, shall be paid in equal monthly payments over 60-month period from the petition date, as described:

The IRS will receive a stream of monthly payments by the Debtor in the amounts set forth (listed under the monthly payments column under Proposed Interest Schedule) to be paid at a fixed statutory rate of interest of four percent (4%) per annum in the amount of \$3,346.19 in 60 monthly payments, paying principal and interest commencing on July 25, 2016 pursuant to the cash collateral order docket Number 42 and continuing on the 25th day of each consecutive month thereafter, or the first business day thereafter if such date falls on a weekend or holiday listed in Bankruptcy Rule 9006, for the remainder of the 60 months from the petition date.

**Class 3: Secured Claims of the Illinois Department of Revenue.**

Class 3 consists of the Secured Claim of the Illinois Department of Revenue (“IDOR”) The Allowed Tax Claims, of the IDOR shall be paid in full in equal monthly installments starting with the Effective Date and finishing no later than 60 Months of the petition date in with allowed statutory interest of four percent (4%) per annum. This treatment of Allowed Tax Claims is intended to comply with the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code.

IDOR shall retain its lien on the property owned by the Debtor, with the same validity,

enforceability, perfection and priority as it had on the Petition Date and as may have been acquired during this Chapter 11 case pursuant to Orders entered by the Bankruptcy Court, until the Allowed Class 3 Claims are paid in full; and, The Class is unimpaired and is not entitled to vote.

**Class 4: Secured Claims of J.P. Morgan Chase.**

Class 4 consists of the Secured Claims of J.P. Morgan Chase (“Chase”) secured by a 2010 Chevrolet Suburban. Chase has filed a proof of claim, in the amount of \$14,034.12 paid at the contract rate of \$578.62 per month. The Chase loan was a 5-year installment agreement and will be paid in full per the terms of the agreement until July 1, 2018. The Class is unimpaired and is not entitled to vote.

**Class 5: Priority Pension Claims Laborers' Pension, Health and Welfare Funds.**

The Class 5 consists of the priority claims of the Laborers' Pension/Health/Welfare Funds and consists of the allowed priority claims for contributions to an employee benefit plan for actual hours worked by employees in the 180 days before the petition date pursuant to 11 USC 507 (a)(4) and (5). Each Holder of an Allowed Union Priority Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim the amount of the allowed priority claim on the Effective Date. The Class 5 claimant filed a Proof of Claim showing \$4,914.50 as a priority amount. The Class is unimpaired and is not entitled to vote.

**Class 6: Priority Claims the Construction Industry Welfare Fund of Rockford, Illinois and The Construction Industry Retirement Fund of Rockford, Illinois.**

The Class 6 consists of the priority claims of the Construction Industry Welfare Fund of Rockford, Illinois and The Construction Industry Retirement Fund of Rockford, Illinois (“Construction Industry”) and consists of the allowed priority claims for contributions to an employee benefit plan for actual hours worked by employees in the 180 days before the petition date pursuant to 11 USC 507 (a)(4) and (5). Each Holder of an Allowed Union Priority Claim shall

receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim the amount of the allowed priority claim on the Effective Date.

The Class 6 claimant filed a Proof of Claim No 9 alleging a \$41,087.93 as a priority amount of its claim. The Debtor disputed this amount and filed an objection to the priority portion of this proof of claim. The Debtor had calculated the amount due for the 180 days prior to be \$8,638.47. After the Debtor's claim objection and agreed audit the Court entered an order on the Debtors objection reflecting a priority amount of \$8,872.02.

**Class 7: Priority Claims of the Fox Valley Construction Workers Funds.**

The Class 7 consists of the priority claims of the Laborers' Pension/Health/Welfare Funds and consists of the allowed priority claims for contributions to an employee benefit plan for actual hours worked by employees in the 180 days before the petition date pursuant to 11 USC 507 (a)(4) and (5). Each Holder of an Allowed Union Priority Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim the amount of the allowed priority claim on the Effective Date. The Class 7 claimant filed a Proof of Claim showing \$1,524.40 as a priority amount. The Class is unimpaired and is not entitled to vote.

**Class 8: Priority Claims of the Illinois Department of Employment Security.**

The Class 8 consists of the priority claims of the Illinois Department of Employment Security ("IDES") and consists of the allowed priority claims for taxes pursuant to 11 USC 507. The claim will be paid at \$747.62 per month<sup>1</sup>. The payments will commence on the Effective Date and continue each month for a period concluding on the 60th month from the petition date with statutory interest until the claims are paid in full, unless the holder thereof agrees to a different

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<sup>1</sup> The payments must be completed within 60 months of the petition date pursuant to 11 USS 1129, this estimate is based on a 48 month payment schedule based on an estimated distribution date. Should payments begin later then this period will decrease causing payments to increase.

treatment. This treatment of Allowed Tax Claims is intended to comply with the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code.

**Class 9: Unsecured Claim Illinois Department of Employment Security.**

The Class 9 claimants consists of the unsecured portion of the IDES claim approximate \$40,129.64. On the Effective Date, the Illinois Department of Employment Security shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims a pro-rata share of the Unsecured Dividend. The Class is impaired and is entitled to vote.

**Class 10: Unsecured Tax Claims Internal Revenue Service.**

The Class 10 claimants consists of the unsecured portion of the IRS's claim approximate \$622.96. This claim will be paid as a Convenience Class claim. The Class is unimpaired and is not entitled to vote.

**Class 11: Unsecured Pension Claims Laborers' Pension Health and Welfare Funds.**

On the Effective Date, the Laborers' Pension Health and Welfare Funds shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims a pro-rata share of the Unsecured Dividend. The class filed a proof of claim showing an unsecured amount of \$41,903.78. The Class is impaired and is entitled to vote.

**Class 12: Unsecured Pension Claims Structural Iron Workers Local Union 1.**

On the Effective Date, the Pension Claims Structural Iron Workers Local Union 1 shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class was scheduled by the Debtor as \$4,045.46. The Class is impaired and is entitled to vote.

**Class 13: Unsecured Pension Claims Structural Iron Workers Local Union 498.**

On the Effective Date, the Pension Claims Structural Iron Workers Local Union 498 shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class was scheduled by the Debtor as \$4,045.46. The Class is impaired and is entitled to vote.

**Class 14: Unsecured Cement Masons Union Local 502, Saving Fund Welfare and Pension.**

On the Effective Date, Unsecured Cement Masons Union Local 502, Saving Fund Welfare and Pension shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class filed a proof of claim of \$6,211,46. The Class is impaired and is entitled to vote.

**Class 15: Unsecured Pension Claims Fox Valley Laborers Fringe Benefit Funds.**

On the Effective Date, the Pension Claims Fox Valley Laborers Fringe Benefit Funds shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class filed a proof of claim of \$42,881.64. The Class is impaired and is entitled to vote.

**Class 16: Unsecured the Construction Industry Welfare Fund of Rockford, Illinois and The Construction Industry Retirement Fund of Rockford.**

On the Effective Date, the Construction Industry Welfare Fund of Rockford, Illinois and the Construction Industry Retirement Fund of shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class filed a proof of claim \$274,172.39 with a priority claim of \$41,087.93. After the Debtor's claim objection the Court reduced the allowed claim to a total claim of \$241,956.48 with a priority amount of \$8,872.02 being paid above as Class 6. Therefore, the total Class 16 claim is

\$233,084.60. The Class is impaired and is entitled to vote.

**Class 17: Unsecured Claim of Central Laborers' Pension Fund Claims 10 and 11.**

On the Effective Date, the Central Laborers' Pension Fund Claims 10 and 11 shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend. The class filed a proof of claim claiming \$172,253.14 and \$261,142.95 in secured claims. The Class is impaired and is entitled to vote.

**Class 18: Unsecured Claim of Unsecured Fox Valley Construction Workers Funds.**

On the Effective Date, the Central Laborers' Pension Fund Claims 10 and 11 shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend . The class filed a proof of claim in the amount of \$126,792.26. The Class is impaired and is entitled to vote

**Class 19: Unsecured Carpenters Pension Fund of Illinois.**

On the Effective Date, the Central Laborers' Pension Fund Claims 10 and 11 shall receive, in full satisfaction, settlement and release and discharge of its unsecured Claims pro-rata share of the Unsecured Dividend . The class filed a proof of claim in the amount of \$126,792.26. The Class is impaired and is entitled to vote

**Class 20: Unsecured Claim/ Convenience Class.**

The Debtor has claims that in aggregate are less than \$1,000 and are minimal, and because the “paperwork” involved with claims will be costly to administer over the life of the Plan, the Debtor proposes to pay the entire amount of these claims on the Effective Date. The Class is unimpaired and is not entitled to vote.

**Class 21: General Unsecured Claims.**

The Class claims are all the other claims against the Debtor that are neither secured nor entitled to priority. This Class claims are being paid according to the Unsecured Dividend. The Unsecured Dividend will begin on the Effective Date and on each subsequent January 31 and July 31 ending on January 31, 2022, a total of Ten (10) percent of the allowed amount of their claims, in equal semiannual installments, for a total of 10 payments.

**Class 22: Equity Security Holder.**

The 100% of the ownership of Connie Hartman and Gerald Hartman shall be cancelled on the Effective Date of the Plan. The Equity Interest holder shall pay to the Reorganized Debtor the sum of Ten Thousand Dollars (\$10,000.00) this amount shall be the Debtor New Value Contribution.

In the event, there is a non-accepting class, and the class member files an objection to the confirmation of the plan then the New Value Contribution shall be subject to higher or better offers. The triggering event of the Auction shall be the filing of an objection to the confirmation of the Debtor's Plan. The Debtor will publish a notice approved by the court for a new value auction in a newspaper published in the location of the Debtor, the terms of the auction will be subject to court approval at a later date. If an entity offers more than the New Value Contribution for the purchase of the equity in the Reorganized Debtor, the Debtor shall conduct an auction for the sale of the equity in the Reorganized Debtor at the Confirmation Hearing. The highest and best offer at the auction shall constitute the New Value Contribution and the offeror shall constitute the new Interest holder(s) in the Reorganized Debtor.

If, in addition to the proposed contributions of Connie Hartman and Gerald Hartman



pursuant to the terms of this Plan, at least one Qualified Bid<sup>2</sup> for the New value has been received, the Debtor will proceed with the Equity Auction to be held at the confirmation hearing. As soon as practicable after the conclusion of the Auction, the Debtor, (a) shall review each Qualified Bid on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummation of the transaction, (b) shall determine which Qualified Bid is the highest or otherwise best offer (the “Winning Bid<sup>3</sup>”), and the bidder making the Winning Bid (the “Winning Bidder”), and (c) reject at any time before entry of the Confirmation Hearing, any bid that, is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Debtor, its estate and creditors (the “Bid Analysis”). Secured Creditors may credit bid their allowed secured debt at the auction. At the conclusion of the Bid Analysis<sup>4</sup>, the Debtor shall ask the Bankruptcy Court to enter an order authorizing the Debtor to consummate the Sale of the Equity upon the terms of the Winning Bid, to the Winning Bidder, and to execute such additional documentation as is reasonably necessary to close such Sale upon the terms of the Winning Bid, the Motion will attach all bids received by the Debtor along with a statement why such bid was accepted or rejected. The Court may approve the Sale on the basis of factors it deems reasonable and fair under the circumstances. Notwithstanding anything contained herein to the contrary, the sale of the Equity in the Reorganized Debtor to any Winning Bidder is contingent upon the entry of an order by the Bankruptcy Court confirming this Plan.

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<sup>2</sup> A Qualified Bid is defined herein as a bid made by a person familiar in the concrete business and who by the deadline provide (i) a written offer to the Debtor on or before the Confirmation Hearing setting forth the offeror’s name, contact information and amount of offer; (ii) prior to the Confirmation Hearing, submit a cashier’s check in the amount of \$10,000.00 payable to the Debtor, as a refundable Deposit and provide evidence of ability to pay any additional amounts offered; (iii) make an offer in excess of the New Value Contribution; and (iv) be present at the Confirmation Hearing

<sup>3</sup> Winning Bid is defined as the highest best qualified offer as determined at the conclusion of the auction.

<sup>4</sup> Bid Analysis is defined as a report listing all bids received including amounts offered, background of the bidder and reasons for acceptance or rejection of the bid.

Notwithstanding anything to the contrary contained in this Plan, if Gerald Hartman and Connie Hartman are not the Winning Bidders, then (i) Gerald Hartman and Connie Hartman shall not make the New Value Contribution to the Reorganized Debtor, (ii) the Equity Interests shall be cancelled and extinguished on the Effective Date.

Parties wishing to overbid the current offer of the New Value Contribution for the equity interests in the Reorganized Debtor must (i) provide a written offer to the Debtor on or before the Confirmation Hearing setting forth the offeror's name, contact information and amount of offer; (ii) prior to the Confirmation Hearing, submit a cashier's check in the amount of \$10,000.00 payable to the Debtor, as a refundable Deposit and provide evidence of ability to pay any additional amounts offered; (iii) make an offer in excess of the New Value Contribution; and (iv) be present at the Confirmation Hearing. All offers and submissions of Deposits must be made on or before the Confirmation Hearing and sent to Debtor's counsel: O. Allan Fridman, 555 Skokie Blvd. Suite 500, Northbrook, Il 60062.

**E. Determination of Claims.**

Unless otherwise ordered by the Bankruptcy Court, and except as to any late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases, if any, all objections to Claims shall be filed with the Bankruptcy Court by no later than thirty (30) days following the Effective Date (unless such period is extended by the Bankruptcy Court), and the Confirmation Order shall contain appropriate language to that effect. Holders of Unsecured Claims that have not filed such Claims on or before the Bar Date shall serve notice of any request to the Bankruptcy Court for allowance to file late Unsecured Claims on the Debtor's Counsel and such other parties as the Bankruptcy Court may direct. If the Bankruptcy Court grants the request to file a late Unsecured Claim, such Unsecured Claim shall be treated in all respects as a General

Unsecured Claim. Objections to late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases shall be filed on the later of (a) sixty (60) days following the Effective Date or (b) the date thirty (30) days after the Debtor receives actual notice of the filing of such Claim.

**F. Assumption and Rejection of Executory Contracts and Leases.**

Pursuant to §§ 365 and 1123(b)(2) of the Bankruptcy Code, all. The Debtor shall assume the its office lease, and shall cure all arrearages and breaches, if any, thereunder within sixty (60) days after the Effective Date. The Debtor currently does not have any arrearage on any executory contracts.

**G. Acceptance or Rejection of the Plan.**

*Each Impaired Class Entitled to Vote Separately*

The Holders of Claims or Interests in each Impaired Class of Claims or Interests shall be entitled to vote separately to accept or reject the Plan.

*Acceptance by Impaired Classes*

Pursuant to Section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims will have accepted the Plan if (a) the Holders (other than any Holder designated pursuant to Section 1126(e) of the Bankruptcy Code) of at least two-thirds (2/3) in dollar amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated pursuant to Section 1126(e) of the Bankruptcy Code) of more than one-half (2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

*Best Interests Standard*

The Bankruptcy Code requires that the Plan-meet the "best interest" test, which requires that members of a Class must receive or retain under the Plan, property having value not less than

the amount which the Class members would have received or retained if the Debtor was liquidated under Chapter 7 on the same date. The Debtor believes that Distributions to all Impaired Classes of Claims in accordance with the terms of the Plan would exceed the net Distribution that would otherwise take place in Chapter 7. Attached is the Liquidation Analysis (Exhibit 4) that shows that creditors will receive under the Plan more than they would receive if the Debtor were liquidated under Chapter 7.

*Confirmation without Acceptance by all Impaired Classes*

If one or more of the Impaired Classes of Claims does not accept Plan, it may nevertheless be confirmed and be binding upon the non-accepting Impaired Class through the "cram-down" provisions of the Bankruptcy Code, if the Plan does not "discriminate unfairly" and is "fair and equitable" to the non-accepting Impaired Classes.

*Discriminate Unfairly*

The Bankruptcy Code requirement that a plan not "discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtor's Plan does not "discriminate unfairly" with respect to any Class of Claims or Equity Interests because no class is afforded treatment which is disproportionate to the treatment afforded other Classes of equal rank, and the treatment under the Plan follows the Distribution scheme dictated by the Bankruptcy Code.

*Fair and Equitable Standard*

The "fair and equitable" standard, also known as the "absolute priority rule," requires that a dissenting class receive full compensation for its allowed Claims or interests before any junior class receives any Distribution. The Debtor believes the Plan is fair and equitable to all Classes pursuant to this standard. With respect to the Impaired Classes of Claims, Bankruptcy Code §

1129(b)(2)(B) provides that a plan is "fair and equitable" if it provides that (i) each Holder of a Claim of such a class receives or retains on account of such claim, property of a value as of the Effective Date of the plan equal to the allowed amount of such claim; or (ii) the Holder of any Claim or interest that is junior to the Claims of such class will not receive or retain any property under the plan on account of such junior claim or interest.

The Debtor believes that the Plan satisfies the absolute priority rule or any exception thereto. Accordingly, if necessary, the Debtor believes the Plan meets the requirements for Confirmation by the Bankruptcy Court, notwithstanding the non-acceptance by an Impaired Class of Claimants.

*Non-Confirmation of the Plan*

If the Bankruptcy Court does not confirm the Plan, the Court may permit the filing of an amended plan, dismiss the case, or convert the case to Chapter 7. In a Chapter 7 case, the Debtor's Assets would be sold and distributed to the Unsecured Creditors after the payment of all Secured Claims, costs of administration and the payment of Priority Claims.

**ARTICLE III  
THE DEBTOR'S OPERATIONS AND HISTORY**

The Debtor operates a construction business primarily engaged in concrete construction that installs concrete floors, streets and related construction work for the past fourteen years. The Debtor was formed by Gerald and Connie Hartman on February 13, 2002 as a union concrete contractor. The Debtor is a signatory for the various unions trade unions based upon the location of the work performed and the type of work performed. The Debtor does a substantial amount of work for municipal projects, schools, hospitals as well as commercial projects.

During the financial crisis in the nation's economy beginning in 2009, the Debtor experienced financial distress due to reduced work and the inability to collect monies due from its

clients. With the beginning of the economic recovery, the Debtor's financial picture has been improving. The Debtor has been awarded significantly more projects in the last 12 months and therefore its economic prospects for the future have greatly improved. Nevertheless, because of the filing of collection suits by the various unions, Preferred was compelled to seek bankruptcy protection under Chapter 11 of the Bankruptcy Code.

The gross revenue for the Company in 2015 was approximately \$2,048,813.00. However due to general contractors failing to pay account receivables, Preferred was unable to pay its creditors, including trade creditors, taxing authorities and the Unions and finished the year with not enough funds to pay the Debt incurred during the financial crisis. The labor unions in turn sued Preferred to collect on outstanding fringe benefits and dues owed. Preferred incurred litigation costs because of various labor unions suing the Debtor, and collections attempts caused Preferred to lose operating capital.

Beginning in 2014, the Debtor performed work on the and Cord Construction Co ("CCC") was the General Contractor for the Ogle County Highway Department Storage Building at IL Rt. 2, Oregon for the project that entailed concrete work for the sum of \$140,000.00. CCC notwithstanding that it ordered work and extras refused to pay for the work. As a result, the Debtor fell behind in payments to unions and taxing authorities. The Debtor also was unable to pay the obligations for employee taxes and unemployment taxes. During the construction of the Project, various disputes arose among Ogle County ("the County"), CCC, the Debtor, and two of the Debtor's suppliers, Super Mix, Inc. ("Super Mix"), and Rock River Ready Mix, Inc. ("Rock River"). As a result of these disputes, Super Mix and Rock River asserted liens against the public funds being held by the County, and three lawsuits eventually were filed. The lawsuits, all of which involved numerous claims and counterclaims, were consolidated in Ogle County Case No.

2014 L 34 (“the State Court Lawsuits”). In late June 2015, the parties engaged in settlement negotiations, with the position of the County, CCC, Super Mix, and Rock River being that Preferred should not receive any of the \$140,000 due under the contract and instead should be satisfied that it was not being asked to pay additional funds to the various parties. Preferred paid some of its subcontractors and suppliers from its own funds while the disputes were pending. Since the filing of the case, Preferred settled this claim and obtained approval from the Bankruptcy Court pursuant to Bankruptcy Rule 9019(a) to approve a settlement wherein it received \$54,283.96. Preferred is in the process of liquidating other receivables.

The Debtor works in the concrete construction business which is dependent on the weather conditions. During periods of extreme cold or snow the Debtor cannot pour concrete as it will not “Cure” properly causing concrete to crack or become unstable. As a result, the Debtor slows down in the colder Winter Months of December through March, during this period the Debtor focuses on preparing bids and finding new jobs during the warmer months. In addition, in the construction industry the Debtor performs work and submits a draw request which will be paid 45-60 days later. However, the Debtor employees, payroll taxes and union contribution are due weekly. Moreover, the suppliers are often paid upon delivery or within 30 days. The resulting mismatch of funds being received and expended causes the Debtor to stretch its cash reserves in the beginning of the construction season. The seasonality of the Debtor’s business is reflected in the Summary of Monthly Operating Reports, attached as Exhibit 4 (“the “Summary.”) As shown in the Summary income during the Course of this case income ranged from a high point of \$479,761.09 in one month to a low point of \$15,252.20. The Summary also shows that account receivables grew to the high point of \$925,352.27 in August as payments for work performed in prior months became due.

The Debtor is currently working on remodeling of the flooring and site works (ie sidewalk) for Walmart's Store with General William A. Randolph and constructing new Walmart Stores in Northern in Illinois. Currently the Debtor is working on three Walmart remodels in Huntley, North Lake and Joliet. The Debtor recently completed the construction of a Speedway in Belvedere Illinois. In addition, bids are out for the construction of a new gasoline station, and other commercial buildings.

Preferred still has large amounts of account receivables including work due from other contractors. Preferred believes it will ultimately recover these funds and the net proceeds will be available to pay the claims of its creditors. Preferred currently is bidding on several large construction projects and has been awarded substantial contracts that will begin in the next six months. With the addition of these projects, Preferred is confident it will be able to pay its creditors according to this Plan.

#### **ARTICLE IV THE CHAPTER 11 CASE**

1. Filing of the Reorganization Case. On May 4, 2016, the Debtor's Chapter 11 case was commenced, when the Debtor filed its voluntary petition seeking relief under Chapter 11 of the United States Bankruptcy Code.

2. Administration of the Reorganization Case.

Since the commencement of the Debtor's Chapter 11 Case, the Debtor has operated under the jurisdiction of the Bankruptcy Court pursuant to the provisions of the Bankruptcy Code. During the pendency of the Bankruptcy Case, the Debtor has filed and submitted to the Bankruptcy Court detailed monthly statements reflecting its operations, cash flow, profit and loss, and financial condition, summaries of which are attached hereto as Exhibit 3.



**ARTICLE V.  
MEANS OF IMPLEMENTING THE PLAN**

**1. Source of Payments.**

As described above, (a) Administrative Claims will be paid from the Debtor's future operations; (b) secured Classes will be paid from future earnings; (c) priority Classes will be paid from the funds on hand on the Effective Date; and (d) unsecured Classes from the Debtor's future operations. In addition, the New Value Contribution may be used to fund Plan payments. A copy of the Debtor's pro forma projections is attached hereto as Exhibit 3.

**2. Distributions under the Plan.**

The Effective Date of this Plan means the first Business Day occurring on or after the 30<sup>th</sup> Day after the Confirmation Date; provided, however, that if a stay of the Confirmation Order is in effect on such first Business Day, then the Effective Date shall be within 30<sup>th</sup> Day thereafter on which, if the Confirmation Order has not been vacated, no stay of the Confirmation Order is in effect.

On the Effective Date the Debtor will make payments as listed in Exhibit 3.

**3. Plan Disbursing Agent.**

The Debtor's Secretary Connie Hartman will serve as the Disbursing Agent for the Plan and the Debtor will administer the Plan and any payments called for herein. No separate compensation will be paid to the Disbursing Agent for performing the services called for under the Plan.

**4. Other Pertinent Provisions.**

Pursuant to § 1146(a) of the Bankruptcy Code, the issuance, distribution, transfer or exchange of any security or the making, delivery or recording of any instrument of transfer

pursuant to, in implementation of or as contemplated by the Plan or any Plan Document, or the revesting, transfer or sale of any real or personal Property of, by or in the Debtor pursuant to, in implementation of or as contemplated by the Plan or any Plan Document, or any transaction arising out of, contemplated by or in any way related to the foregoing, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangible or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall be, and hereby are, directed to forego the collection of any such tax or governmental assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

**5. Unclaimed Distributions.**

With respect to unclaimed distributions by either a Holder of an Allowed Administrative Claim or a Holder of an Allowed Priority Claim, if such Holder fails to negotiate a check issued to such Holder within ninety (90) days of the date such check was issued, then the Debtor shall provide written notice to such Holder stating that unless such Holder negotiates such check within thirty (30) days of the date of such notice, the amount of cash attributable to such check will be deemed to be unclaimed, such Holder's Claim will no longer be deemed to be Allowed, and such Holder will be deemed to have no further Claim in respect of such check and will not participate in any further distributions under the Plan. Before declaring an Unclaimed Distribution Debtor will use its best efforts to verify the address of the payment as shown on the proof of claim and will attempt to resend the payment with "Forwarding Requested" stamped on the envelope.

The Reorganized Debtor shall deposit any Unclaimed Distributions into an undivided

Property Reserve to be held in trust for the benefit of the holders of Allowed Claims entitled thereto under the terms of the Plan. For a period of the later of one hundred twenty (120) days following the date of distribution or the date the notice is sent whichever is later, Unclaimed Property, including any principal, interest and dividends, in cash or in kind, as may have been paid on account of any such Unclaimed Property shall be held in the Unclaimed Property Reserve solely for the benefit of the holders of Allowed Claims which have failed to claim such property. Until the expiration of one hundred twenty (120) day period, Unclaimed Property due to the holder of an Allowed Claim shall be released from the Unclaimed Property Reserve and delivered to such holder upon presentation of proper proof of such holder to its entitlement thereto. At the end of one hundred twenty (120) days following the distribution date, the holder of Allowed Claims theretofore entitled to Unclaimed Property shall cease to be entitled thereto, and the Unclaimed Property shall then become the property of the Reorganized Debtor.

**6. Transfers of Claims.**

In the event, that the Holder of any Claim will transfer such Claim on and after the Effective Date, it will immediately advise the Reorganized Debtor, the Debtor and the Trustee and their counsel in writing of such transfer. The Reorganized Debtor, the Debtor and the Trustee will be entitled to assume that any Holder has made no transfer of any Claim unless such parties have received written notice to the contrary. Each transferee of any Claim will take such Claim subject to the provisions of the Plan and to any request made, waiver or consent given, or other action taken hereunder and, except as otherwise expressly provided in such notice, the Reorganized Debtor, the Debtor or the Trustee will be entitled to assume conclusively that the transferee named in such notice will thereafter be vested with all rights and powers of the transferor under the Plan.

**7. Discharge of Claims.**

Pursuant to 11 USC §1141- Effect of Confirmation the Debtor is seeking the Confirmation discharge as defined therein. Section §1141(d) provides that the order confirming the plan, discharges the debtor from any debt that arose before the date of such confirmation, whether or not—1) a proof of the claim based on such debt is filed or deemed filed; 2) such claim is allowed; or 3) the holder of such claim has accepted the plan; and the confirmation order terminates all rights and interests of equity security holders and general partners provided for by the plan.

Except as expressly provided in the Plan or the Confirmation Order, all Claims against Debtor, except to the extent of valid claims against co-obligors, shall be satisfied by the distributions or treatments received under this Plan. Further, except as expressly provided in the Plan or the Confirmation Order, all Holders shall be precluded from asserting against the Reorganized Debtor, or its assets, or, any further Claim based on any act, omission, transaction or activity of any kind or nature that occurred before the Confirmation Date, whether or not such holder filed a proof of claim in this Case.

Except as provided for in the Plan, all holders of Interests shall be precluded from asserting against the Reorganized Debtor, or its assets, because such Interests, any further right, title or interest based on any act, omission, transaction or activity of any kind or nature that occurred before the Effective Date, whether such holder filed a proof of interest in Case.

As of the Effective Date, all entities that have held, currently hold or may hold a Claim against the Debtor are permanently enjoined pursuant to 11 USC 524(a)(2) and (3) from taking any of the following actions on account of any such Claim against the Reorganized Debtor as provided in the Plan or the Confirmation Order: (i) commencing or continuing in any manner any actions or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance;

and (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation.

**8. Modification of Plan.**

The Debtor may modify the Plan at any time prior to the entry of the Confirmation Order provided that the Plan as modified and the Disclosure Statement meet applicable requirements of the Bankruptcy Code and the Rules.

After the Confirmation Date and before the Effective Date of the Plan, the Debtor or the Reorganized Debtor (as the case may be) may modify the Plan in a way that materially or adversely affects the interests, rights, treatment, or distributions of a Class of Claims, provided that (a) the Plan, as modified, meets applicable Bankruptcy Code requirements; (b) the Debtor obtains Bankruptcy Court approval for such modification, after notice and a hearing; (c) such modification is accepted by at least two-thirds in amount, and more than one-half in number, of Allowed Claims or Allowed Equity Interests voting in each Class adversely affected by such modification; and (d) the Debtor comply with Section 1125 of the Bankruptcy Code with respect to the Plan, as modified.

In the event any Class of Claims votes against the Plan, and the Plan is not revoked or withdrawn, the Debtor hereby requests, and will be allowed, to modify the terms of the Plan to effect a "cramdown" on the dissenting Class or Classes by (a) restructuring the treatment of any Class on terms consistent with Section 1129(b)(2)(B) of the Bankruptcy Code, or (b) deleting distributions to all Classes at or below the level of the objecting Class, or reallocating such distributions, until such impaired senior Classes are paid in accordance with the absolute priority rule of Section 1129(b) of the Bankruptcy Code. The Debtor may make such modifications or amendments to the Plan and such modifications or amendments will be filed with the Bankruptcy

Court and served on all parties in interest entitled to receive notice of the Confirmation Hearing. No such modifications will require any re-solicitation of acceptances as to the Plan by any Class of Claims unless the Bankruptcy Court will require otherwise.

Notwithstanding any provision of the Plan to the contrary, the Debtor reserves all rights it may have to challenge the validity, perfection, priority, scope, and extent of any Liens in respect to any Secured Claims and the amount of any Secured Claims, the Holders of which have not accepted the Plan.

**9. Revocation or Withdrawal of the Plan.**

The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Plan is revoked or withdrawn, or if Confirmation of the Plan does not occur, then the Plan will be deemed null and void in all respects and nothing contained in the Plan will be deemed to (a) constitute a waiver or release of any Claims by or against, or Equity Interests in, the Debtor or any other person or other entity, or (b) prejudice in any manner the rights of the Debtor or any other Person or other Entity in any further proceedings involving the Debtor.

**10. Risk Factors.**

Certain substantial risk factors are inherent in most commitments made pursuant to a plan of reorganization in a Chapter 11 case. If such plans are accepted, it is usually because they represent a greater hope for returns and dividends than in a liquidating Chapter 7 case. The Debtor's business is tied to the housing market as such it is dependent on the changes in the market. All of the risk factors inherent in commitments made pursuant to a Plan of Reorganization in Chapter 11 cases are present in this case. With the Plan of reorganization, the Debtor proposes a viable repayment of its debts.

**11. 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.

Pursuant to section 166 of the Internal Revenue Code (the "IRS Code"), the amount of any debt discharged in this proceeding may be eligible to be deducted by creditors to the extent of their tax basis in the debt discharged. Creditors are advised to consult with their tax advisors with respect to the specific consequences to them resulting from the discharge, which will depend upon their specific circumstances.

The potential tax consequences to the Debtor, any successor or hypothetical investor could be significant. The discharge of a debt under the Chapter 11 of the Bankruptcy Code generally will not result in income to the Debtor pursuant to IRS Code Section 108. However, tax attributes on a going forward basis such as net operating losses, general business credits, minimum tax credits and capital loss carryovers may be lost or substantially reduced. In addition, the basis for assets, passive activity carryovers and foreign tax credit carryovers may also be reduced.

#### **ARTICLE VI FEASIBILITY OF THE PLAN**

The Debtor believes the Plan is Feasible. The Debtor believes that the Reorganized Debtor will have sufficient cash flow to operate profitably and pay the Priority Pension Claims as well as Unsecured Dividend. Attached hereto as Exhibit 3 is a projection for the Debtor that demonstrates that it will generate sufficient revenue over the life of the Plan to make the payments called for in the Plan. As such, the Debtor believes that the Plan is feasible.

#### **ARTICLE VII LIQUIDATION ANALYSIS**

Liquidation Will Not Pay Creditors in Full. If the Debtor's estate were liquidated, the proceeds of such liquidation would first be used to pay the Class 2, 3, 4, 5, 6, 7, and 9 Claims.

As described in greater detail in the liquidation analysis attached hereto as Exhibit 5, the Debtor believes that the proceeds of such liquidation would not yield a dividend to the General Unsecured Creditors.

**ARTICLE VIII  
ANNUAL FINANCIAL STATEMENTS**

Financial Statements. Attached hereto as Exhibit 6 are financial statements for the Debtor's operations during the year prior to the commencement of the Debtor's Chapter 11 Case.

**ARTICLE IX  
OFFICERS AND DIRECTORS**

Officers and Directors. The Plan does not contemplate a change in the Debtor's management; the Reorganized Debtor's management will consist of Gerald Hartman and Connie Hartman as President and Secretary.

**ARTICLE X  
ALTERNATIVES TO THE PROPOSED PLAN**

Conversion to a Liquidation Case the likely Alternative. The alternative to the Plan, as proposed, would be conversion of the Chapter 11 Case to Chapter 7 Case and the subsequent liquidation of the Debtor's assets by an appointed or elected Trustees. As indicated above and as disclosed by the Liquidation Analysis attached hereto as Exhibit 5, the Debtor believes that the proceeds of the liquidation of its estate will yield no dividend to the General Unsecured Creditors.

**ARTICLE XI  
DEBTOR'S RECOMMENDATION**

The Debtor believes that it is in the best interest of the Estate, its Creditors and its Equity Security Holders for the proposed Plan to be approved and, as such, the Debtor urges its Creditors cast ballots to accept the Plan.



Preferred Concrete & Excavating Inc.  
Debtor and Debtor in Possession

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