

**United States Bankruptcy Court**  
**Western District of Washington**

In re Advanced Ironworks, Inc.  
Debtor

Case No. 17-10313-TWD

Small Business Case under Chapter 11

**ADVANCED IRONWORKS, INC.'S COMBINED PLAN AND**  
**DISCLOSURE STATEMENT**  
**DATED NOVEMBER 21, 2017**

**I. INTRODUCTION**

This is the combined plan and disclosure statement (the "Plan") in the small business Chapter 11 case of Advanced Ironworks, Inc. (the "Debtor"). This Plan contains information about the Debtor sufficient for you to vote on whether to approve this Plan or not. The proposed distributions under the Plan are discussed at pages 6 through 14 of this document.

***Your rights may be affected. You should read the Combined Plan and Disclosure Statement carefully and discuss it with your attorney. If you do not have an attorney, you may wish to consult one.***

**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 interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Proponent 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 whole Combined Plan and Disclosure Statement. If confirmed, this Plan will establish your rights.

Combined Plan and Disclosure Statement  
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## B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

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

### 1. *Time and Place of the Hearing to [Finally Approve This Disclosure Statement and] Confirm the Plan*

The hearing at which the Court will determine whether to approve this Disclosure Statement and to confirm the Plan will take place at a date and time separately noted, in Courtroom 8106, at the US Courthouse, 700 Stewart Street, Seattle, WA 98101. The Debtor is proposing January 5, 2018 at 9:30 am before Judge T. Dore.

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

If you are entitled to vote to accept or reject the plan, you will be given an opportunity to vote See section IV.A. below for a discussion of voting eligibility requirements. Your ballot must be received by 7 days prior to the date that will be set by the Court for confirmation of the Plan.

### 3. *Deadline for Objecting to the [Adequacy of Disclosure 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's counsel at least 7 days prior to the hearing.

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

If you want additional information about the Plan, you should contact Larry B. Feinstein, 520 Pike Street, Suite 2250, Seattle, WA 98101.

## C. Disclaimer

***The Court has not approved 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 has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.***

## II. BACKGROUND

### A. Description and History of the Debtor's Business

The Debtor is a company incorporated in the State of Washington. It began as a sole proprietorship in 2005, and incorporated in 2010. It has been and will be family owned and operated. Advanced Ironworks are a turn-key structural and architectural steel company, who provide assistance with all stages of design, fabrication, and installation of both residential and commercial iron structures, doing business throughout Western WA.

### B. Insiders of the Debtor and Management of the Debtor Before and During the Bankruptcy

Shahin (Shawn) Farazi is the President and CEO of Advanced Ironworks, Inc. He is joined on the Board of Directors by Kayleena Swift (Chief Financial Officer) and Kristian Lowrie (Chief Operations Officer). Together, Shawn, Kayleena, and Kristian manage the company, including during the pendency of this Chapter 11 case.

After the effective date of the order confirming the Plan, the director, officer, and voting trustee of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers") will be the same. Compensation shall not be affected by this Plan.

### C. Events Leading to Chapter 11 Filing – Statement from Shawn Farazi

I incorporated Advanced Ironworks Inc. in January of 2010. We were in the depth of the recession, but I believed in America's comeback and that if you provide the best quality product, there will always be a market for your services.

Drawing from my years of experience helping other ironworks companies with technology to improve their quality, I was lucky enough to work on some of the most high-profile projects in high end residential market. I have had the honor and fortune of working with world renowned architects and designers in Western Washington to create unique features for a variety of clients, including executives of Fortune 500 companies and a few of our local celebrities. Since starting this company, I have been personally involved in everything Advanced Ironworks produce, from collaborating on design, to detailing, to fabricating and welding, to finishing, and, finally, installation of the final product.

Countering the volatile high end residential real estate market, we decided to take on some multi-family apartment projects in late 2013. Our first Project Sunset Electric won 2014 NAIOP award for Multi Family Development of the year, Mid-Rise and the rest was history.

We quickly realized that we needed to expand and increase the number of our employees. Unfortunately, skilled workers were disappearing during the Recession, as they looked for work in other fields or were hesitant to switch employers. I hired several new employees without conducting as thorough an interview process as I should have. For

several, their skill level did not meet our high standards and the result was that I ran the company as an educational experience and provided on-the-job vocational training.

I trusted these new hires and believed what they told me as far as their background and understanding of the job. If they had skills and a willingness to learn, I would not let their background color my opinion of their future performance. I was naïve and optimistic with the growth of my company. One turned out to be a convicted felon (armed robber), another turned out to also have a criminal record who came to the interview within a month of being charged with a crime, third one I discovered broke into his previous employer's shop and stole tools before his first day with us, and a fourth one (among slew of other things) I understand assaulted a judge in court.

I was forced to file the company into bankruptcy because I trusted these guys. I gave them opportunities no one else would. I taught them the trade and helped them get certifications that they now use to earn their living and support their families. Nevertheless, the company found itself facing a frivolous wage claim from one of these ex-employees. He constantly failed to punch his time card correctly. When he screwed up, he caused the company \$23,000 in rework. After multiple write ups that he ignored, incurring numerous safety violations, and after being on salary for 10 months despite working less than 40 hours per week, I received a demand letter claiming he has worked hundreds of hours in unpaid overtime, including an 88-hour stint in a span of 2 days from the day he was hired. Despite the logic defying claim, we have made every effort to settle with this ex-employee. But every time we get close to close that chapter, his attorney comes back with more and more demands. We decided to file this small business Chapter 11 for some much-needed breathing room.

#### **D. Significant Events During the Bankruptcy Case**

This case was filed on January 26, 2017. A Meeting of Creditors was held on March 7, 2017. The United States Trustee did not receive a sufficient number of creditors willing to serve on a committee of unsecured creditors, so none was appointed. The Debtor was represented by David Nold of Nold Muchinsky, PLLC, prior to November 20, 2017, at which time Vortman & Feinstein were substituted as the counsel or record.

The Debtor objected to Claim #5, submitted hereon on behalf of Gaelin McBride. After notice and hearing, the Court denied the Objection, and granted relief from the stay to Mr. McBride effective November 30, 2017, so that litigation could continue in the King County Superior Court to determine the validity of his claim against the Debtor.

Since the filing of this Petition, the Debtor has implemented new guidelines, as well as strengthened others, to improve productivity, accountability, and workplace safety:

- 1) A new Employee Manual with clear and concise policies and procedures;
- 2) Implementation of a new location and app based clock-in system, requiring a blue pen signature confirming the total hours before running payroll;
- 3) Performing a more thorough reference check on new candidates;
- 4) Full time Human Resources and Payroll personnel;

- 5) Additional disciplinary procedures, including write ups with immediate supervisor, personnel from Human Resources, and a witness present; and
- 6) Last but not least, speedy termination of dishonest employees who jeopardize the safety of themselves and others

**E. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions; however, during the course of the Chapter 11, the Debtor made payments to its previous counsel, Nold Muchinsky, PLLC, in the amount of \$31,647.00, which funds were voluntarily returned by the firm to the Debtor on or about November 21, 2017.

**F. Claims Objections**

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

**G. Current and Historical Financial Conditions**

On Schedule A/B, the Debtor estimated the value of its assets to be \$295,950.00 (Dkt #30). The true value of the company, though, is its people. As shown on the Profit and Loss Statement filed herein under Docket #37, the Debtor generated \$2,475,107.78 in gross income during the 2016 calendar year. Though it operated at a modest profit, the Debtor found itself faced with potential financial difficulties which gave rise to the instant petition for bankruptcy relief. Since January 1, 2017, the Debtor generated \$2,145,418.58 of gross income, and \$116,980.95 net income. The Debtor is capable of servicing its debts as they come due and the distributions described below are feasible.

Attached as Exhibit A are the Debtor's Profit and Loss Statements the full year 2016 and year to date for 2017, as well as the monthly Profit and Loss Statements for January and October 2017 (the most recent available prior to filing this Combined Plan and Disclosure Statement. A summary of the Monthly Operating Reports filed herein post-petition is attached to this Combined Plan and Disclosure Statement as Exhibit B. Attached as Exhibit C is the Debtor's budget projection for an average month in 2017.

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**BEGIN PLAN OF REORGANIZATION**  
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**III. THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

**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 claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

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

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	n/a	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the	n/a	Paid in full on the effective date of the Plan, or according to terms of obligation if later

Petition Date		
Professional Fees, as approved by the Court.	Vortman & Feinstein: \$7,500.00 (estimated)  Nold Muchinsky: Unknown. Fee request withdrawn. Est. 0.	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	n/a	Paid in full on the effective date of the Plan
Other administrative expenses	n/a	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$4,875.00	Paid in full on the effective date of the Plan
<b>TOTAL</b>	<b>\$12,375.00 est.</b>	

## 2. *Priority Tax Claims*

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

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Class 1: Internal Revenue Service	Proof of Claim #1-2 filed on 5/25/17 = \$7,479.00 based on unfiled 2016 tax return	5/24/17	Payments have been made by Debtor in the ordinary course. The 2016 Corporate Return was on extension, and it was filed on 9/12/17. The current IRS Proof of Claim does not reflect payments made by Debtors, resulting in refund of \$3000 payable to the Debtor. No payments will be made under this Plan.

**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.

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

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<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>	
2	<p><i>Secured claim of:</i> Name = Northwest Steel &amp; Pipe</p> <p>Collateral description = Ongoing projects; files state law materialmen lien, and is paid upon completion of job and releases lien</p> <p>Allowed Secured Amount = \$0.00</p>	No	Not Impaired	<p>Although listed on Debtor's Schedule D as a secured creditor, Debtor has been unable to locate a UCC or other document to secure this debt to the Debtor's property. Any security interest Creditor may have had is unperfected, and therefore, this creditor will be treated herein as a general unsecured creditor. However, this creditor has filed materialman liens on all projects and has been paid to release those liens, thus has a zero current balance.</p> <p>Debtor has made payments to creditor in the ordinary course during this Chapter 11 case. Creditor is a vendor and a supplier of raw materials necessary for the continued operation of the business.</p> <p>Accordingly, any balance remaining on any pre-petition debt will be treated herein as a general unsecured creditor under Class 5, receiving a distribution pro rata, at 0% interest over 60 months.</p>	
3	<p><i>Secured claim of:</i> Name = Financial Pacific Leasing</p> <p>Collateral description = Genie GTH 644 forklift</p> <p>Allowed Secured Amount = \$27,253.03</p> <p>Priority of lien = First</p>	No	Not Impaired	<p>Monthly Pmt = \$879.13</p> <p>Pmts Begin = 1<sup>st</sup> day of the first full month following effective date of Confirmation of Plan</p> <p>Pmts End = 1/1/2020</p> <p>Interest rate % = contract</p> <p>Lien = Retained until paid in full</p>	

4	<p><i>Secured claim of:</i> Name = Stud Welding Products</p> <p>Collateral description = Equipment Lien</p> <p>Allowed Secured Amount = \$0.00</p>	No	Not Impaired	<p>Although listed on Debtor's Schedule D as a secured creditor, Debtor has been unable to locate a UCC or other document to secure this debt to the Debtor's property. Any security interest Creditor may have had is unperfected, and therefore, this creditor will be treated herein as a general unsecured creditor.</p> <p>Debtor has made payments to creditor in the ordinary course during this Chapter 11 case. Creditor is a vendor and a supplier of raw materials necessary for the continued operation of the business.</p> <p>Accordingly, any balance remaining on the pre-petition debt will be treated herein as a general unsecured creditor under Class 5, receiving a distribution pro rata, at 0% interest over 60 months.</p>
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## 2. *Classes of Priority Unsecured Claims*

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

There are no claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code so entitled to priority treatment.

## 3. *Class[es] of General Unsecured Claims*

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

The following chart identifies the Plan's proposed treatment of Classes 3 and 4, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment	
5A	General Unsecured Creditors, including SFERS (\$80,164.26) other than the claims as specifically classed below.	Impaired	Monthly Pmt Pmts Begin	= \$1,336.07 = 1 <sup>st</sup> day of the first full month following effective date of Confirmation of Plan
			Pmts End	= 60 months thereafter
			Interest rate % Percentage of Claim Paid	= 0% = 100%
5B	General Unsecured Claim of Capital One (\$239.02)	Impaired	Debtor shall make a payment equal to 100% of the Creditor's claim within 90 days of Confirmation, with no post-petition interest included.	
6	General Unsecured Creditors Whose Claims Have Been Paid In Full Prior to Confirmation	Not Impaired	<p>The Debtor made distributions to the following ongoing trade creditors prior to Confirmation of this Plan and in the ordinary course of business:</p> <ul style="list-style-type: none"> <li>• RB Engineers</li> <li>• New Finishes</li> <li>• Tepco Premium Finance</li> </ul> <p>No additional payments will be made under this Plan.</p>	
7	The Unsecured Claim of Gaelin McBride	Not Impaired	<p>The Debtor disputes this claim and an objection to the claim has been heard before this Court. Relief from stay was granted to the Creditor, effective November 30, 2017, to pursue liquidation of this claim in a pending King County Superior Court. After a final non-appealable order is entered fixing, if any, of the Creditor's claim, no payments will be made. When a final non-appealable order is entered, the Creditor's claim shall be incorporated herein by reference in the allowed amount, then payable over 60 months at the federal judgment interest rate of 0.81% interest (in effect as of January 26, 2017, the date of filing) commencing on the 5<sup>th</sup> day of the next full month following the entry of final order on the claim.</p>	

8	The Unsecured Claim of Caine and Weber	Not Impaired	This debt was listed on the Debtor's Schedule E/F as having a disputed claim. No proof of claim was filed prior to the Claims Bar Date (May 30, 2017), after receiving timely service of the Notice of Claims Bar Date (Proof of Service at Dkt. #45). Accordingly, the unsecured claim of Caine & Weber is disallowed. No distribution will be made under this Plan.
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#### 4. *Class[es] of Equity Interest Holders*

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

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

<b>Class #</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
9	Equity interest holders	Unimpaired	Corporation stock and ownership shall not be affected by this Plan of Reorganization.

#### D. **Means of Implementing the Plan**

##### 1. *Source of Payments*

Payments and distributions under the Plan will be funded by the continued business activities of the Debtor. As shown herein on Exhibits A through C, the Debtor has sufficient net income to service these debts as well as their monthly operating expenses as they come due.

## 2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Insider?	Position	Annual Compensation
Shahin Rahbar Farazi	Yes	President and CEO	\$74,880.00
Kayleena Ann Swift	Yes	Chief Financial Officer	\$47,476.00
Kristian Warren Lowrie	Yes	Chief Operations Officer	\$66,000.00

### E. **Risk Factors**

The proposed Plan has no known risks that are within the Debtor's control. Risks outside the Debtor's control are primarily those associated with the market for residential and commercial ironworks projects. The Debtor anticipates a sufficient capital to service its obligations under the Plan and monthly operating expenses as they come due.

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

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. The Plan also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

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.

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

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

Name	Nature of Contract	Assumed or Rejected?	Cure Payment?
Northwest Art Glass	Warehouse Lease	Assumed	None
Canon Financial Services	Printer	Assumed	None
Verizon	Cell Phones	Assumed	None
Frontier	Internet	Assumed	None
Hartford Insurance	Insurance	Assumed	None
Tepco Premium Finance	Insurance	Assumed	None

**G. Tax Consequences of Plan**

There are no known tax consequences of this 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.***

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**END PLAN OF REORGANIZATION**  
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**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 class 5 is impaired and that holders of claims in this classes are therefore entitled to vote to accept or reject the Plan. The Plan

Proponent believes that classes 1 - 4 and 6 - 9 are unimpaired and that holders of claims in this class, therefore, do not have the right to vote to accept or reject the Plan.

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

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

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

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

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

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

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

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

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

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

#### B. **Votes Necessary to Confirm the Plan**

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

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

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

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

##### 2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

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

#### C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A Liquidation Analysis is attached as Exhibit D



## D. Feasibility

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

### 1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. As of October 31, 2017 (the most recent monthly operating report available prior to the filing of this Combined Plan and Disclosure Statement), the Debtor had available cash in the amount of \$154,081.79. See Exhibit C.

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

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. As shown on Exhibits A through D, the Debtor has sufficient cash flow to make the distributions described herein, and the proposed Plan is feasible. Moreover, the Plan provides for payment in full of the general unsecured claims as shown on Schedule E/F, as well as the Proofs of Claim filed herein.

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

### B. Modification of Plan

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

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

**C. Final Decree**

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

**VI. OTHER PLAN PROVISIONS**

1. Debtors reserve the right to seek confirmation of the Plan notwithstanding the rejection of the Plan by one or more classes of creditors, pursuant to 11 U.S.C. §1129(b).
2. All administrative expenses shall be paid on the effective date of the Plan, or as otherwise agreed by the parties without further court order.
3. The Debtors shall act as their own disbursing agents for payments under the Plan.
4. Secured creditors whose loans are restructured under this Plan shall treat said loans as current and treat said obligations as an ongoing amortizing obligation.
5. On the effective date of the Plan, all property of the Debtors' estate will vest in the reorganized Debtors pursuant to 11 U.S.C. §1141(b), free and clear of all claims and interests, except that the liens of secured creditors shall be retained until all required payments to the creditors under the Plan are completed.
6. Unless otherwise specified, the following default provisions apply to all creditors:
  - a. A "default" shall be defined as the debtor's failure to make a payment or otherwise perform in accordance with this Plan of Reorganization. The Debtor shall have a 15-day grace period following the due date specified herein, during which time the Debtor may make a cure payment. If no due date is specified, that date shall be the 15<sup>th</sup> day of the month.
  - b. In the event of default and following the 15-day grace period, the creditor occasioning said default shall give the Debtors 30 days' Notice of Default and opportunity to cure. If said default is not cured within 30 days from the date of the Notice, the creditor shall be entitled to relief from the stay under

this Plan without further court order, and may enforce any state or federal collection rights that may exist, or as otherwise provided in this Plan for default remedies.

7. Creditors nor any third party on their behalf may not take any actions (including, without limitation, lawsuits or other legal actions, levies, attachments, or garnishments) to enforce or collect either pre-confirmation obligations or obligations due under the Plan, so long as the Debtors are not in material default under the Plan and the creditor has not been granted relief from the stay. Provided that the Debtors do not materially default under the Plan, creditors shall be prohibited from taking any enforcement or collection actions or any kind against the Debtors.
8. In the event a dispute arises as to the interpretation post-confirmation of this Plan or the payment terms therein, the Bankruptcy Court shall retain jurisdiction over the Debtor and the claims administered herein even if the case has been closed administratively, prior to entry of the Order of Discharge.
9. Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing (including, without express or implied limitation, by facsimile transmission and email), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made within actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Advanced Ironworks, Inc.  
c/o Larry B. Feinstein  
520 Pike Street, Suite 2250,  
Seattle WA 98101

Phone: (206) 223-9595  
Fax: (206) 386-5355  
Email: feinstein1947@gmail.com

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

Respectfully Submitted,

  
Shahin Farazi, President  
American Ironworks, Inc.

/s/ Larry B. Feinstein

Larry Feinstein, WSBA #6074  
Attorney for Debtor

## EXHIBITS

Combined Plan and Disclosure Statement  
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Vortman & Feinstein  
520 Pike Street, Suite 2250  
Seattle, WA 98101  
Phone: 206-223-9595  
Fax: 206-386-5355

**Exhibit A: Profit and Loss Statements**

- Year to Date: January 1 through November 20, 2017
- Annual: January 1 through December 31, 2016
- Monthly: January 2017
- Monthly: October 2017

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Accrual Basis

**Advanced Ironworks**  
**Profit & Loss**  
January 1 through November 20, 2017

	Jan 1 - Nov 20, 17
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Construction Income	2,145,148.58
<b>Total Income</b>	2,145,148.58
<b>Cost of Goods Sold</b>	
Construction Materials Costs	586,404.78
Equipment Rental for Jobs	32,006.94
Other Construction Costs	44,646.54
Subcontractors Expense	114,888.18
Tools and Small Equipment	1,446.57
<b>Total COGS</b>	779,393.01
<b>Gross Profit</b>	1,365,755.57
<b>Expense</b>	
Advertising and Promotion	304.90
Auto and Truck Expenses	22,606.97
Bank Service Charges	18.00
Business Insurance	30,812.53
Business Licenses and Permits	13,292.74
Educational Cost	4,974.77
Employee Healthcare 2016	1,989.30
Employee Healthcare 2017	36,025.50
Employee Loan	1,650.00
Meals and Entertainment	3,050.75
Office Supplies	14,425.40
Payroll Expenses	839,951.98
Professional Fees	51,362.40
Rent Expense	108,671.94
Repairs and Maintenance	132.47
Shop Supplies	103,466.93
Uncategorized Expenses	26.80
Utilities	11,941.36
<b>Total Expense</b>	1,244,704.74
<b>Net Ordinary Income</b>	121,050.83
<b>Other Income/Expense</b>	
Other Expense	
Business Taxes	4,069.88
<b>Total Other Expense</b>	4,069.88
<b>Net Other Income</b>	-4,069.88
<b>Net Income</b>	<b>116,980.95</b>

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Accrual Basis

**Advanced Ironworks**  
**Profit & Loss**  
January through December 2016

	<u>Jan - Dec 16</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Construction Income	2,475,107.78
<b>Total Income</b>	<u>2,475,107.78</u>
<b>Cost of Goods Sold</b>	
Construction Materials Costs	514,152.04
Equipment Rental for Jobs	166,951.23
Other Construction Costs	83,183.77
Subcontractors Expense	311,959.95
<b>Total COGS</b>	<u>1,086,626.99</u>
<b>Gross Profit</b>	1,409,480.79
<b>Expense</b>	
Advertising and Promotion	900.00
Auto and Truck Expenses	31,161.91
Business Licenses and Permits	2,945.51
Educational Cost	
Safety Training	1,335.00
Educational Cost - Other	385.78
<b>Total Educational Cost</b>	<u>1,720.78</u>
Employee Health Care	33,296.08
Insurance Expense	53,836.34
Meals and Entertainment	5,688.61
Office Supplies	13,713.83
Payroll Expenses	941,701.58
Professional Fees	69,873.81
Rent Expense	113,221.39
Shop Supplies	121,861.86
Utilities	14,470.28
<b>Total Expense</b>	<u>1,404,391.98</u>
<b>Net Ordinary Income</b>	<u>5,088.83</u>
<b>Net Income</b>	<u><u>5,088.83</u></u>

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Accrual Basis

**Advanced Ironworks**  
**Profit & Loss**  
January 2017

	<u>Jan 17</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Construction Income	105,948.49
<b>Total Income</b>	<u>105,948.49</u>
<b>Cost of Goods Sold</b>	
Construction Materials Costs	13,530.89
Equipment Rental for Jobs	8,029.89
Other Construction Costs	722.86
Subcontractors Expense	31,420.89
<b>Total COGS</b>	<u>53,704.33</u>
<b>Gross Profit</b>	62,244.16
<b>Expense</b>	
Auto and Truck Expenses	1,857.59
Business Licenses and Permits	1,895.26
Insurance Expense	5,380.87
Meals and Entertainment	222.49
Office Supplies	1,158.51
Payroll Expenses	75,396.84
Professional Fees	2,091.00
Rent Expense	19,223.98
Shop Supplies	16,487.78
Utilities	1,542.29
<b>Total Expense</b>	<u>125,256.51</u>
<b>Net Ordinary Income</b>	-73,012.35
<b>Net Income</b>	<u><u>-73,012.35</u></u>



**Advanced Ironworks**  
**Profit & Loss**  
**October 2017**

	<u>Oct 17</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Construction Income	237,746.59
<b>Total Income</b>	237,746.59
<b>Cost of Goods Sold</b>	
Construction Materials Costs	62,678.27
Equipment Rental for Jobs	2,097.92
Other Construction Costs	15,336.63
Subcontractors Expense	3,542.39
<b>Total COGS</b>	83,655.21
<b>Gross Profit</b>	154,091.38
<b>Expense</b>	
Advertising and Promotion	135.00
Auto and Truck Expenses	2,118.54
Bank Service Charges	18.00
Business Insurance	2,364.76
Business Licenses and Permits	526.13
Educational Cost	550.00
Employee Healthcare 2017	6,316.52
Meals and Entertainment	711.64
Office Supplies	1,831.49
Payroll Expenses	94,656.16
Professional Fees	4,875.00
Rent Expense	10,000.00
Shop Supplies	15,495.35
Utilities	1,868.19
<b>Total Expense</b>	141,466.78
<b>Net Ordinary Income</b>	12,624.60
<b>Net Income</b>	<u>12,624.60</u>

**Exhibit B: Summary of Monthly Operating Reports  
Historic Cash Flow Analysis**

Combined Plan and Disclosure Statement  
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Vortman & Feinstein  
520 Pike Street, Suite 2250  
Seattle, WA 98101  
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Fax: 206-386-5355

Monthly Operating Reports  
Historic Cash Flow Analysis

Month Ending On...	Income	Disbursements	Net Cash Flow	Outstanding Accounts Receivable	Ending Bank Account Balance/Cash Available
Tuesday, January 31, 2017	\$ 105,948.49	\$ 178,960.84	\$ (73,012.35)	\$74,150.00	\$ 191,836.73
Tuesday, February 28, 2017	\$ 92,745.94	\$ 167,526.63	\$ (74,780.69)	\$75,371.35	\$ 117,056.04
Friday, March 31, 2017	\$ 144,221.97	\$ 128,798.51	\$ 15,423.46	\$166,950.15	\$ 126,442.08
Sunday, April 30, 2017	\$ 249,378.47	\$ 152,306.93	\$ 97,071.54	\$201,666.91	\$ 223,513.96
Tuesday, May 30, 2017	\$ 208,767.34	\$ 190,265.91	\$ 18,501.43	\$189,681.19	\$ 248,058.94
Friday, June 30, 2017	\$ 244,652.27	\$ 224,435.70	\$ 20,216.57	\$203,852.15	\$ 238,275.40
Monday, July 31, 2017	\$ 112,093.14	\$ 164,746.28	\$ (52,653.14)	\$163,366.75	\$ 185,621.19
Thursday, August 31, 2017	\$ 154,358.24	\$ 207,954.83	\$ (53,596.59)	\$193,172.89	\$ 125,993.28
Saturday, September 30, 2017	\$ 302,609.88	\$ 186,174.46	\$ 116,435.42	\$275,912.96	\$ 242,428.70
Tuesday, October 31, 2017	\$ 132,596.33	\$ 230,032.93	\$ (97,436.60)	\$220,976.48	\$ 154,081.79
<b>Total Year to Date 2017</b>	<b>\$ 1,747,372.07</b>	<b>\$ 1,831,203.02</b>	<b>\$ (83,830.95)</b>		
<b>Average Monthly, 2017</b>	<b>\$ 174,737.21</b>	<b>\$ 183,120.30</b>	<b>\$ (8,383.10)</b>	<b>\$176,510.08</b>	<b>\$ 185,330.81</b>

**Exhibit C: Representative Monthly Budget, 2017**

Combined Plan and Disclosure Statement  
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Vortman & Feinstein  
520 Pike Street, Suite 2250  
Seattle, WA 98101  
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Fax: 206-386-5355

## Advanced Ironworks Monthly Operating Budget Overview 2017

	<b>2017 Budget</b>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Construction Income	249,675.65
<b>Total Income</b>	249,675.65
<b>Cost of Goods Sold</b>	
Construction Materials Costs	78,679.34
Equipment Rental for Jobs	9,945.94
Other Construction Costs	6,635.12
Subcontractors Expense	20,996.66
<b>Total COGS</b>	116,257.06
<b>Gross Profit</b>	133,418.59
<b>Expense</b>	0.00
Advertising and Promotion	86.25
Auto and Truck Expenses	2,846.83
Business Licenses and Permits	417.91
Educational Cost	0.00
Safety Training	111.25
<b>Total Educational Cost</b>	111.25
Employee Healthcare 2017	5,966.03
Meals and Entertainment	474.05
Office Supplies	809.49
Payroll Expenses	83,891.80
Professional Fees	8,236.61
Rent Expense	9,697.79
Shop Supplies	9,738.49
Utilities	1,539.19
<b>Total Expense</b>	123,815.67
<b>Net Ordinary Income</b>	9,602.92
<b>Net Income</b>	<b>9,602.92</b>

**Exhibit D: Liquidation Analysis**

Combined Plan and Disclosure Statement  
Page 24 of 24

Vortman & Feinstein  
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<b>Asset</b>	<b>Value</b>
Bank Account Balances at Time of Filing	\$131,300.00
Security Deposit Held by Landlord	\$8,500.00
Accounts Receivable at Time of Filing	\$74,150.00
Work in Progress	\$6,000.00
Inventory & Supplies	\$1,000.00
Office furniture and equipment	\$500.00
Computers	\$1,000.00
Vehicles	\$52,000.00
Equipment	\$30,000.00
Subtotal	\$304,450.00
<b>Liabilities</b>	<b>Value</b>
IRS	\$0.00
Northwest Steel & Pipe	\$0.00
Financial Pacific Leasing	-\$27,253.03
Stud Welding Products	\$0.00
Subtotal	-\$27,253.03
Available to General Unsecured Creditors	\$277,196.97
Balance of General Unsecured Claims	\$80,403.28
Percentage of Claims Paid	100%*

\* Disputed claims of Caine & Weiner and Gaelin McBride are not included in the above calculation.