

United States Bankruptcy Court
Northern District of Illinois, Eastern Division

In re:) Chapter 11
)
ADVANCED ROOFING & WOODWORKING, INC.,) Case No. 15-27325
)
Debtor-in-Possession.) Judge Jack B. Schmetterer

ADVANCED ROOFING & WOODWORKING, INC.’S
AMENDED DISCLOSURE STATEMENT DATED SEPTEMBER 19, 2016

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I
INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the case of Advanced Roofing & Woodworking, Inc. (the Debtor). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the “Plan”) filed by the Debtor on April 27, 2016. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation, and
- The effect of confirmation of the Plan.

This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights. The proposed distributions under the Plan are in Section III of this Disclosure Statement. General unsecured creditors are classified in Classes 6 and 7, and will receive a distribution of approximately 16% of their allowed claims.

A. Deadline For Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Clerk of the U.S. Bankruptcy Court, 219 S. Dearborn St, Room 713, Chicago, IL, 60604. See section IV below for a discussion of voting eligibility requirements.

YOUR BALLOT MUST BE RECEIVED BY _____, 2016 OR IT WILL NOT BE COUNTED.

B. Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. The hearing at which the Court will determine whether to confirm the Plan will take place on:

_____, 2016 AT ____ A.M., IN COURTROOM 682
OF THE DIRKSEN FEDERAL BUILDING, 219 S. DEARBORN ST, CHICAGO, IL.

C. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Teresa L. Einarson or George A. Thomas of Thomas & Einarson, Ltd., 1200 Roosevelt Road, Suite 150, Glen Ellyn, IL 60137, Tel. (630) 562-2280.

D. Disclaimer

The Court has not yet determined whether the Plan meets the legal requirements for confirmation and does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted or rejected.

II.
BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a corporation organized in March, 1996 under the laws of the State of Illinois. Since March, 1996, the Debtor has been in the business of providing commercial and residential roofing services. During the winter off-season, the Debtor provides snow-plowing services. In addition, to roofing and snowplowing, the Debtor has two trucks that do routine hauling of goods for hire.

B. Ownership and Management

Charles Hankins owns, and has always owned, 100% of the Debtor's shares of stock. Charles is, and has always been the president of Debtor, and has always managed the business of the Debtor. Charles Hankins has managed the Debtor during this chapter 11 case and will be continue to be the sole officer and manager of the reorganized Debtor after the order confirming the Plan.

C. Insiders of the Debtor

Charles Hankins owns 100% of the shares of Debtor's stock and is, and continues to be, the sole officer and director. Charles Hankins has managed and continues to act as manager of the business. During the one year period prior to filing for relief under Chapter 11, the Debtor paid \$9,512 to Charles Hankins as compensation and \$25,948 in loan repayments in lieu of compensation. On April 13, 2016, Charles Hankins, individually, filed for relief under Chapter 7 of the United States Bankruptcy Code in the Northern District of Illinois, Case Number 16 B 12630. Case Number 16 B 12630 is pending.

Rita Hankins is the wife of Charles Hankins. Rita Hankins is not formally employed by Debtor but will occasionally assist Debtor's office staff during the busy summer roofing season. During the one year period prior to filing bankruptcy, Advanced paid Rita Hankins \$650.

Anthony Kubon is the father-in-law of Charles Hankins. Anthony Kubon is not employed by Debtor. Prior to filing Chapter 11 bankruptcy, Anthony Kubon routinely lent money to Debtor to cover operating expenses, including payroll and material costs. During the one year period prior to the petition date, Debtor re-paid \$19,000 to Anthony Kubon and still owes \$14,944 to Anthony Kubon. Marie Kubon is the mother-in-law of Charles Hankins. Marie Kubon loaned money to Debtor. During the one year prior to filing the bankruptcy, Debtor paid \$1,859 to Marie Kubon. Debtor still owes \$14,670 to Marie Kubon.

Debtor is the guarantor of an Old Second Bank secured loan to Forest Trails, Inc., an Illinois Corporation owned by Rita Hankins. Forest Trails, Inc. lent much of these borrowed funds to Debtor. In consideration of the funds lent, Debtor agreed to make payments to Old Second Bank. During the one year period prior to filing bankruptcy, Debtor paid \$19,868 to Old Second Bank and paid \$1,000 to Forest Trails, Inc.

D. Events Leading to Chapter 11 Filing

For several years prior to 2008, there was a housing and commercial development boom. During this time period, the number of roofing contractors bidding on jobs rose substantially. As competition for jobs increased, the profit margins on jobs decreased in an effort to land the jobs. Although gross sales were good, profit margins were either razor thin or non-existent. The slightest problem with a roof, caused a job to go from razor thin profit to loss. In addition, it was discovered that unused materials often were discarded at the end of a job rather than being warehoused to potentially save money on future jobs.

As Debtor lost money on jobs and cash flow got tight, vendors went unpaid, checks bounced and fees grew. When the economy and real estate market collapsed in 2008, Debtor's cash flow was severely hampered by slow-pay or no-pay. In addition, sales fell below Debtor's approximate 2.3 million dollar break-even point. In 2012, Debtor's gross sales were \$1,465,162. For several years, Debtor limped along and did what it could to increase business and stay in business. Often, that meant borrowing money from family members. In or around 2013 ~~2~~, business started to pick up. Gross sales in 2013 were \$2,368,385 and gross sales in 2014 were \$2,306,789. Unfortunately at that same time, many of Debtor's creditors began filing suit, taking judgments and trying to collect on the judgments. These collection activities ultimately forced Debtor to file for Chapter 11 protection.

E. Significant Events During the Bankruptcy Case

Since filing, the Debtor has continued to operate as debtor in possession. Gary Fernandez & Associates, Ltd. has been approved by the Court as the accountant for the Debtor and the firm of Thomas & Einarson, Ltd. has been approved by the Court as counsel for the Debtor. The firm of Springer Brown, LLC was retained by the Unsecured Creditors' Committee to represent the interests of the unsecured creditors in this case. In response to both informal requests for documents and a subpoena for documents, the Debtor has produced documents to the attorney for the unsecured creditors' committee pertaining to the financial history and condition of the Debtor.

No adversary proceedings have been filed. Debtor filed objections to several general unsecured claims that have resulted in a \$113,417 reduction in the amount of general unsecured claims. Debtor filed an objection to the \$81,953 priority unsecured claim of the Illinois Department of Employment Security. By agreement, the Debtor and IDES have agreed to a \$27,730 setoff reducing the priority unsecured claim of the IDES to \$554,223. The basis for this set off is as follows: a \$9,820 comptroller offset posted on August 25, 2015 plus a \$17,910 comptroller offset to be posted in the future for money due and unpaid to Debtor by the State of Illinois for snow removal services performed by Debtor pursuant to contract.

Since filing for protection under chapter 11 of the bankruptcy code, the Debtor has generated positive cash flow from which it will fund the proposed chapter 11 plan of reorganization. Copies of monthly operating reports have been filed with the United State Bankruptcy Court and copies of the monthly summaries of Cash Receipts and Disbursements for the period September 2015 through August 31, 2016 are attached as Exhibit C.

In the office, the Debtor has tightened it bidding procedures in an effort to ensure a 5% net profit (after cost of goods sold and overhead/labor) on jobs sold. At the job-sites, the on-site superintendents are charged with ensuring proper utilization of the materials and to ensure unused material is returned to the vendor for refund if possible, or maintained for use on a future job. With cost of materials being so high, maximizing materials is an essential component of keeping job costs in check. Waste of materials that previously went unnoticed no longer occurs. In addition, Debtor has initiated weekly meetings with all staff to review the progress of jobs, any problems with jobs, progress of invoicing and payment on jobs, progress on payments to vendors, and progress on new bids and sales. By initiating this simple task,

management has been able to stay on top of every job and potential job— even though being out in the field the remainder of the week. The Debtor has continued to foster and develop good relationships with contractors and developers of large commercial projects; is focusing its sales efforts on commercial jobs; and, hopes within two years to completely eliminate residential roofing services. Debtor's high quality of work has earned it top ratings from warranty inspectors on large commercial jobs. As a result of Debtor's reputation for providing high quality services, Debtor has already contracted for 2+ million dollars of work in 2016 and anticipates reaching 2.7 million in gross sales. At a conservative 4% net profit, Debtor anticipates a total of \$108,000 will be available for plan payments during the first year of the plan.

F. Projected Recovery of Avoidable and Fraudulent Transfers

The Debtor has completed its investigation with regard to prepetition transactions and did not discover any payments or transfers within 90 days of the bankruptcy that are avoidable under the Code. If you are an insider and received payments or other transfers within 1 year prior to filing bankruptcy, or if a fraudulent transfer was made within two years prior to filing bankruptcy, the attorney for the unsecured creditors' committee, on behalf of all unsecured creditors, may seek to avoid such transfers. Upon confirmation of the Plan, the Debtor will no longer be obligated to pay the fees of the attorney for the unsecured creditors' committee and legal fees of any attorney for the unsecured creditors committee will presumably be based upon a percentage of funds recovered.

G. Claims Objections

The time period for filing claims and objections to claims has passed. Debtor filed objections to several general unsecured claims that have resulted in a \$113,417 reduction in the amount of general unsecured claims. Debtor filed an objection to the \$81,953 priority unsecured claim of the Illinois Department of Employment Security. By agreement, the Debtor and IDES have agreed to a \$27,730 setoff reducing the priority unsecured claim of the IDES to \$54,223. The basis for this set off is as follows: a \$9,820 comptroller offset posted on August 25, 2015 plus a \$17,910 comptroller offset to be posted in the future for money due and unpaid to Debtor by the State of Illinois for snow removal services performed by Debtor pursuant to contract. In the event, the comptroller fails to post any portion of the \$17,910 as an offset and pays any portion of the \$17,910 to Debtor, Debtor agrees to immediately turn over said payment(s) to IDES to be posted as the \$17, 910 offset.

H. Current and Historical Financial Conditions

A list and fair market value of the Debtor's assets at the time the bankruptcy was filed is attached as Exhibit A and financial statements of Debtor as of the date of filing are attached as Exhibit B. The monthly summaries of cash receipts and cash disbursements for the period September 2015 through August 31, 2016 are attached as Exhibit C.

III.
SUMMARY OF 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. The Debtor has projected gross sales of \$2.7 million in 2016, and projects a 2% increase in

gross sales for subsequent years, based upon the current economy and relationships it has developed over the past two years. Assuming 5.0% of gross sales will be available to fund the Plan each year, Debtor estimates \$800,000 would be available to fund the Plan over 60 months.

Although Debtor hopes to complete the Plan within 60 months of confirmation, there is no guaranty it will be able to complete the Plan within 60 months. Accordingly, the Debtor agrees that the Plan shall run as long as it takes for Debtor to deposit \$800,000 into the Plan Savings Account with distribution of the \$800,000 to Claimants as follows:

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:

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.

Following is a list of the Debtor's estimated administrative expenses and proposed treatment under the Plan:

Estimated Professional Fees. ALL PROFESSIONAL FEES SHOW BELOW MUST FIRST BE APPROVED BY THE COURT.

_____	_____
Gary Fernandez & Associates Accountant	\$2,500 to be paid in full on the effective date of the plan.
Thomas & Einarson, Ltd. Attorney for Debtor	\$35,000 to either be paid in full on the effective date of the plan or within the first two quarter following the effective date of the plan.
Springer Brown LLC Attorney for Unsecured Creditors' Committee	\$26,000 to either be paid in full on the effective date of the plan or within the first two quarters following the effective date of the plan.
U.S. Trustee Fees	\$4,875 Quarterly trustee fees to be paid in full on the effective date of the plan.

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.

Following is a list of the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Internal Revenue Service \$91,722

\$91,722 to be paid with 3% interest in 20 quarterly installments of \$4,944.96, commencing the 2nd quarter following confirmation of the plan, for a total of \$98,887.45 paid over the life of the Plan.

Illinois Department of Revenue \$ 3,217

\$3,217 to be paid with 3% interest in 20 quarterly installments of \$173.43 commencing the 2nd quarter following confirmation of the plan, for a total of \$3,468.32 paid over the life of the Plan.

Illinois Department of Employment Security \$54,223

\$54,223 to be paid with 3% interest in 20 quarterly installments of \$2,922.96 commencing the 2nd quarter following confirmation of the plan, for a total of \$58,458.98 paid over the life of the 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:

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.

Following is a list of all classes containing claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

Class 1	Impairment N/A	\$0	No Class 1 creditors
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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.

Following is a list of Classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

- Class 2** Unimpaired The claim of Union National Bank for a vehicle loan to the extent allowed as a *secured* claim under Sec. 506 of the Code.
- _____
- This Class 2 claim shall be paid in accordance with the terms of the existing loan documents and security agreements currently having a loan balance of approximately \$3,200.00. Union National Bank shall be paid \$459.49 per month, commencing on the Effective Date of this Plan, until paid in full or around April 30, 2017 for a total payment of \$3216.43 over the life of the Plan.
- Class 3** Unimpaired The claim of Union National Bank for a line of credit loan to the extent allowed as a secured claim under Sec. 506 of the Code.
- _____
- This Class 3 claim shall be paid in accordance with the terms of the existing loan documents and security agreements currently having a loan balance of approximately \$21,422. Union National Bank shall be paid \$339.66 per month, commencing on the Effective Date of this Plan and continuing through all 60 months of the Plan for a total payment of \$20,379.60 over the life of the Plan. This loan matures on or around May 10, 2022.
- _____
- Class 4** Impaired The claim of the Internal Revenue Service, to the extent allowed as a secured claim under Sec. 506 of the Code.
- _____
- This Class 4 claim, estimated at a total of \$296,413.20, shall be paid over 60 months in quarterly installments of \$15,978.45, commencing the 2nd quarter following confirmation of the plan, for a total payment of \$319,569.21 over the life of the Plan.
- Class 5** Unimpaired This set-off claim of the Illinois Department of Employment Security in the amount of \$17,910, owed by the State of Illinois to Debtor, to the extent allowed as a secured claim under Sec. 506 of the Code.
- _____
- This Class 5 claim shall be paid by the State of Illinois directly to the Illinois Department of Employment Security. The date or dates of payment by the State of Illinois to the Illinois Department of Employment Security are outside the control of the Debtor. In the event, the Illinois comptroller fails to offset the \$17,910 and pays Debtor directly, Debtor agrees to immediately turn over said funds to IDES for set-off.

The priority of post-petition liens of each class 2, 3 and 4 claimant shall be based on the priority each secured creditor held in the property of the Debtor as of the petition date. Failure to pay the quarterly payments to Class 2, 3 and 4 claimants shall constitute a default. If Debtor fails to cure the default within 30 days following written notice from the secured claimant, the secured claimant may accelerate the debt.

Classes of General Unsecured Claims

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

Following is a list containing the classes of general unsecured claims against the Debtor. Full payment of Administrative Expenses, Secured Debt and Priority Unsecured Debt as detailed above totals \$572,354. After deducting the amount of Administrative Expenses, Secured Debt and Priority Unsecured Debt from the \$800,000 plan amount, a balance of \$227,646 remains in the Plan for payment to the general unsecured claimants or approximately 16% of the general unsecured claims. As detailed above, the quarterly payments to secured claimants and priority claimants total approximately \$26,416.00. For the first 12 quarters of the Plan, the Debtor agrees to provide to the attorney for the unsecured creditors' committee, a quarterly summary of cash receipts and disbursements in substantially the same form as the monthly summary of cash receipts and disbursements that have been filed with the Bankruptcy Court by the Debtor. If cash remains in the Plan Savings Account after payment of the quarterly secured and priority claims, quarterly payments of up to \$11,500 shall be made to general unsecured claimants as follows:

- | | | |
|---------|----------|---|
| Class 6 | Impaired | All unsecured claims of \$2,500 or less as allowed under Sec. 502 and Sec. 1122(b) of the Code.

First, Unsecured creditors with claims of \$2,500 or less, or creditors who elect to reduce their claim to \$2,500, shall be paid approximately 16% of their claim.
Approximately 36 creditors with claims totaling approximately \$32,279 are members of this Class 6. |
| Class 7 | Impaired | All unsecured claims greater than \$2,500 allowed under Sec. 502 of the Code.

After all Class 6 claims have been paid, unsecured creditors with claims greater than \$2,500 allowed under Sec. 502 of the Code shall be paid approximately 16% of their claims. There are approximately 36 creditors in this Class 7 with claims totaling approximately \$1, 369,859. |

Class 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.

Following is a list of equity interest holders and the Plan's proposed treatment of that class.

- | | | |
|---------|----------|--|
| Class 8 | Impaired | Equity interests of the Debtor

The equity owner of the Debtor, Charles Hankins, is an insider and shall not receive any dividends during the Plan period. |
|---------|----------|--|

D. Means of Implementing the Plan

Payments and distributions under the Plan will be funded by the income from business operations. Projected net income, the money Debtor intends to use to fund the Plan, is reflected in Exhibit E. The Debtor has established a Plan Savings Account into which Plan funds shall be deposited and from which Plan payments shall be made..

E. Post-confirmation Management

Charles Hankins shall continue to manage the business of the Debtor and shall receive compensation of no more than \$104,000. Certain federal jobs require that Charles Hankins be paid "prevailing overtime wages". After payment as required by law of prevailing overtime wages, Charles Hankins will disgorge the additional compensation and deposit in the Plan Fund account as contribution for his continued ownership of the Debtor after completion of the Plan.

F. Risk Factors

Competition may affect Debtor's ability to make payments and distributions under the Plan as the housing and building industry rebounds. An economic downturn that results in the reduction of future construction and roof replacements/repairs could also affect Debtor's ability to make payments and distributions under the Plan. The loss of key sales personnel could also impact Debtor's ability to generate sufficient sales to maintain plan payments

G. 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. Debtor is not in default on any executory contracts and unexpired leases.

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 in the Plan 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.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract is 14 days after the Effective Date 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.

H. 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.

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 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.

B. Who May Vote

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

In this case, the Plan Proponent believes that classes 4, 6, 7 and 8 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1, 2, 3 and 5 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

C. What Is an Allowed Claim or an Allowed Equity Interest?

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

The deadline for filing a proof of claim in this case was November 6, 2015 and the deadline for filing objection to claims was March 14, 2016.

D. 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.

E. Who is Not Entitled to Vote

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

1. holders of claims and equity interests that have been disallowed by an order of the Court;
2. 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.
3. holders of claims or equity interests in unimpaired classes;
4. holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
5. holders of claims or equity interests in classes that do not receive or retain any value under the Plan;

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.

F. 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.

G. 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 all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cram down on non-accepting classes, as discussed later in Section J below.

H. 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.

I. Treatment of Nonaccepting Classes

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

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

J. 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 to this Disclosure Statement as Exhibit D.

K. 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.

L 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.

M. 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. The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit E. The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of approximately \$160,000. The projections reflect an increase of 2% per year.

Put in its simplest terms, the Debtor has projected gross sales of \$2.7 million in 2016, and projects a 2% increase in gross sales for subsequent years, based upon the current economy and relationships it has developed over the past two years. Assuming 5% of gross sales will be available to fund the Plan each year, Debtor projects it will be able to pay \$800,000 into the Plan. Although Debtor hopes to pay \$800,000 through the Plan within 60 months of confirmation of the Plan, the Plan may exceed 60 months and shall continue until \$800,000 is paid into the Plan and disbursed as discussed above.

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.

Respectfully submitted,

By: _____
Advanced Roofing & Woodworking, Inc.
Charles Hankins, President

By: _____
Attorney for the Plan Proponent
Teresa L. Einarson

EXHIBITS

Exhibit A - Identity and Value of Material Assets of Debtor

Exhibit B - Prepetition Financial Statements

Exhibit C - Monthly Summaries of Cash Receipts and Disbursements.\

Exhibit D – Liquidation Analysis

Exhibit E – Projections of Cash Flow and Earnings for Post-Confirmation Period