

UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION

IN RE:	)	
	)	Case No. 15-13518-BFK
PIONEER ROOFING SYSTEMS, INC.,	)	Chapter 11
	)	
Debtor-In-Possession.	)	
_____	)	

**SECOND AMENDED DISCLOSURE STATEMENT**

Debtor and Debtor-In-Possession, Pioneer Roofing Systems, Inc. (“Pioneer” or the “Debtor”) filed its voluntary petition for reorganization under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division on October 8, 2015.

**I.**  
**INTRODUCTION**

Pioneer now seeks, with the aid of this document, to have its creditors accept, and the Court confirm, the Debtor’s Second Amended Plan Of Reorganization (the “Plan”) filed contemporaneously herewith in the case, which you will receive with this Second Amended Disclosure Statement (the “Disclosure Statement”) after the Disclosure Statement has been approved by the Court.

**II.**  
**PREPARATION AND PURPOSE**  
**OF THIS STATEMENT AND DISCLAIMER**

This Disclosure Statement has been prepared and submitted by Pioneer in compliance with § 1125 of the Bankruptcy Code, and F.R.Bankr.P. 3016 and 3017. The purpose of this

Disclosure Statement is to supply Pioneer's creditors with material information sufficient to enable them to make an informed judgment as to whether they should vote for or against the Plan; it may not be used for any other purpose. No representations concerning the Debtor, particularly as to future income, business affairs, or values of property, other than as set forth in this Disclosure Statement, are authorized by the Debtor. Any representations or inducements made to secure acceptance of the Plan which are not contained in this Disclosure Statement should not be relied upon by any creditor, and should be reported to the undersigned counsel for Pioneer. The information contained in this Disclosure Statement has been supplied by the Debtor but has not been subjected to a certified audit. Nevertheless, reasonable efforts have been made by the Debtor to present accurate information.

In addition to reading this Disclosure Statement, you should also read the Plan of Reorganization itself. The Court's approval of this Disclosure Statement is not a decision by the Court on the merits of the Plan. After this Disclosure Statement has been approved by the Court, you will receive with this Disclosure Statement and the Plan a Ballot on which you should indicate your acceptance or rejection of the Plan, based upon the terms of the Plan and the information contained in this Disclosure Statement. All terms not specifically defined in this Disclosure Statement shall have the same meanings as they do in the Plan.

### **III.**

#### **VOTING REQUIREMENTS FOR PLAN CONFIRMATION**

In general, in order for the Plan to be confirmed, i.e. approved, by the Court, after which it becomes binding on the Debtor and its creditors and shareholders, it must first be accepted by creditors holding at least two thirds (2/3) in amount and more than one half (1/2) in number of the allowed claims that actually vote in each impaired class of claims. A class of claims or interests is impaired unless the Plan "leaves unaltered the legal, equitable and contractual rights

to which such claim or interest entitles the holder of such claim or interest §1124(1). However, even if the Plan is not accepted by all of the impaired classes of claims but is accepted by at least one such impaired class, then the Court may nevertheless confirm the Plan by way of a "cram-down" if the Court finds that it does not discriminate unfairly and is fair and equitable with respect to each impaired class that did not accept the Plan. The availability of cram-down is a legal matter to be resolved in the context of a hearing on confirmation of the Plan.

Only creditors whose claims are not listed as disputed, contingent, or unliquidated in the schedules that the Debtor filed, or creditors who have timely filed a proof of claim with the Court that was not disallowed as of the date of the confirmation hearing on the Plan, have the right to vote, except that if an objection to a claim is pending at the time that the Debtor solicits acceptances of the Plan, then the holder of such claim may vote on the Plan only if the Court after notice and hearing temporarily allows the claim in an amount which the Court deems proper for the purpose of accepting or rejecting the Plan.

Only creditors whose claims are not listed as disputed, contingent, or unliquidated in the Schedules that the Debtor filed, or creditors who have timely filed a proof of claim with the Court that was not disallowed as of the date of the confirmation hearing on the Plan, have the right to vote, except that if an objection to a claim is pending at the time that the Debtor solicits acceptances of the Plan, then the holder of such claim may vote on the Plan only if the Court after notice and a hearing temporarily allows the claim in an amount which the Court deems proper for the purpose of accepting or rejecting the Plan.

**IV.**  
**DESCRIPTION OF DEBTOR AND BUSINESS HISTORY**

A. Description of the Debtor

Pioneer is a Virginia Subchapter C corporation incorporated in 1986. Stephen R. Wann is its one hundred percent (100%) shareholder and President. Wann has operated Pioneer for almost thirty (30) years. Pioneer's office is located at 7211-C Telegraph Square Drive, Lorton, Virginia 22079. Pioneer sells and installs roofing systems in the Mid-Atlantic Region. At the present time, Pioneer has twenty-eight (28) employees.

B. Business History

In 1988, in its first year, Pioneer had six (6) employees. Wann solicited sales, managed field installations and performed all administrative work. From 1988 to 1994, Wann leased a small office with warehouse space located at 7631 Fullerton Road, Springfield, Virginia and in 1994, Wann and Joan E. Martin purchased 7211 C & D Telegraph Square Drive, Pioneer's current location.

Pioneer installs white energy efficient roofing systems and from its beginning grew slowly as market acceptance for these new roofing systems increased. In 1994, Pioneer hired a second foreman and a second installation crew when Pioneer expanded sales. By 2010, Pioneer employed sixty (60) employees to handle its Service, Metal, and Contracts Divisions. Sales were greater than \$8,500,000.00 per year with gross profit margins of thirty-six point one percent (36.1%).

From 2012 to 2015, as the roofing market became more competitive, prices and gross profit margins decreased. Additionally, Pioneer had job performance issues causing costs to contract prices to increase on several jobs in 2014 and 2015. This condition, combined with very slow collections and poor cash flow, caused debt to climb. Wann terminated Pioneer's

Operations Manager in October 2015 and Wann took over this role in an effort to rebuild the Contracts Division. Gross margins steadily improved in 2016. By trimming overhead expenses and improving field performance, Pioneer's financial outlook is favorable.

The following table illustrates Pioneer's financial performance from 2006 through 11-30-2016.

	<b>2006-2008</b>	<b>2009-2011</b>	<b>2012-10/8/2015</b>	<b>10/9/2015-11/30/2016</b>
<b>Revenue</b>	\$ 22,570,106.00	\$23,920,419.00	\$ 27,407,117.00	\$ 5,140,293.00
<b>Cost of Sales</b>	\$ 14,463,365.00	\$15,282,007.00	\$ 21,415,710.00	\$ 3,501,530.00
<b>Gross Margin</b>	\$ 8,106,741.00	\$ 8,638,412.00	\$ 5,991,406.00	\$ 1,638,763.00
<b>Gross Margin %</b>	35.9%	36.1%	21.9%	31.9%
<b>Overhead Exp</b>	\$ 8,414,836.00	\$ 8,807,549.00	\$ 7,894,489.00	\$ 1,515,869.00
<b>Oper. Profit/Loss</b>	\$ (308,095.00)	\$ (169,137.00)	\$ (1,903,083.00)	\$ 122,894.00
<b>Other Inc/Exp</b>	\$ (122,555.00)	\$ 113,856.00	\$ 511,128.00.00	(109,500.00)
<b>Net Profit/Loss</b>	\$ (430,650.00)	\$ (55,281.00)	\$ (1,391,955.00)	\$ 13,206.00

You can see the dramatic change in gross margin dollars and gross margin percentage rate from 36.9 % in 2006 through 2008 to 21.9% from 2012 to October 8, 2015. The gross margin percentage rate has rebounded since the petition date and for the last year the gross margin percentage rate is once again up to 31.9%.

## V. EFFECT OF CHAPTER 7 LIQUIDATION

### A. In General

The requirements for confirmation of the Plan by the Court are contained in §1129 of the Bankruptcy Code. Section 1129(a)(7) therein provides that the holders of general claims must either have accepted the Plan, or will receive as much under the Plan at least as much as they would receive if the Debtor's assets were liquidated as of the Effective Date of the Plan and the liquidation proceeds were distributed to them as if they were a Chapter 7 liquidation case. Accordingly, the following analysis is provided to enable creditors to compare the

treatment of their claims under the Plan with the probable treatment that would be obtained in a hypothetical liquidation under Chapter 7 of the Bankruptcy Code.

B. Liquidation Analysis

On the petition date, Pioneer's assets consisted of bank deposits of roughly \$22,086.26, accounts receivable of \$707,594.50, office equipment, furnishings and supplies of approximately \$475,457.00 and vehicles with a value of \$307,706.00.

Pioneer assumes that in the event of liquidation, its bank deposits would retain full value of \$22,086.26; its accounts receivable would have a value of less than ten percent (10%) (\$70,759.45), office equipment, furnishings and supplies would have a value of \$50,000.00; and the value of the vehicles would be \$50,000.00 for a total liquidation value of \$192,845.71.

Burke & Herbert Bank and Trust Company ("B&H Bank") has a security interest in all of Pioneer's assets which exceeds the liquidation value of Pioneer's assets.

Pioneer must pay Chapter 11 administrative expenses which take precedence over the claims of its pre-petition creditors under 11 U.S.C. § 726(b). These administrative expenses consist of approximately \$65,000.00 in court approved or future attorney's fees and unknown U.S. Trustee's fees at this time. The liquidation value of Pioneer's assets, after deducting administrative expenses, are secured by B&H Bank's Security Agreement dated April 13, 2010 and are perfected by its UCC-1 Financing and Continuation Statements and miscellaneous Deeds of Trust.

In contrast to their treatment under a Chapter 7 liquidation scenario in which unsecured creditors would receive zero percent (0%), under Pioneer's Plan, unsecured creditors will receive five percent (5%) of their claim paid over a period of five years.

C. Sale of 1263 Dartmouth Court and 7211 C & D Telegraph Square Drive

Stephen R. Wann and Joan E. Martin (“the Parties” or “Wann and Martin”) are tenants by the entirety owners of 1263 Dartmouth Court, Alexandria, Virginia 22314 (“the Dartmouth Property”). The Parties have a Listing Agreement with TTR Sotheby’s International Realty dated July 14, 2016 and amended on February 2, 2017 changing the listing price of the property to \$1,149,000.00. The Listing Agreement is attached marked Exhibit “A”. The Parties agree that they will sell the Dartmouth Property within one hundred twenty (120) days of the confirmation of the Plan. If a ratified contract is in place before the one hundred twenty (120) day period has expired, the Parties will have an additional thirty (30) days thereafter to go to settlement. Proceeds of sale shall be applied in the following priority: i) all costs of sale, ii) Navy Federal Credit Union’s First Deed of Trust Note, iii) B&H Bank’s Second Deed of Trust Note (Loan #2187), iv) B&H Bank’s Loan No. 2001, and, to the extent funds remain, v) B&H Bank’s Loan #3806 .

If the Dartmouth Property is not sold within one hundred twenty (120) days from the date of confirmation, or if a ratified contract is then in place and is not closed within one hundred fifty (150) days from the date of confirmation, Wann, Martin and the Debtor herein each and all agree and expressly consent to the entry of an order of the Court appointing David Bowman of Black Dog Receiver, LLC as special receiver for the purpose of facilitating the marketing and sale of the Dartmouth Property and the rights of Wann, Martin and the Debtor as to the marketing and sale of the Dartmouth Property shall thereafter terminate. The receiver’s fees and expenses shall be paid as an expense of sale and deducted and paid at closing upon any sale of the Dartmouth Property by the receiver. Upon the appointment of a receiver as provided for herein, Wann and

Martin agree expressly to cooperate in the receiver's marketing and listing of the Dartmouth Property, consent to the installation of a lockbox for access by realtors, and agree that they will not interfere with or impede the efforts of the receiver in the discharge of his duties. The Court shall retain continuing jurisdiction to enforce the terms and conditions of this Plan provision in all respects, including the right and power to remove Wann and Martin from the Dartmouth Property to the extent they breach any of their duties of cooperation provided for herein.

Wann and Martin are the owners of real property located at 7211 C and D, Telegraph Square Drive, Lorton, Virginia 22079 ("Telegraph Square Property"). The Parties made a Listing Agreement with R.L.Travers & Associates, Inc. dated February 21, 2017. The listing price for each condominium is \$425,000.00 for a total of \$850,000.00 for the property. The Listing Agreement is attached marked Exhibit "B". The Parties agree that they will sell the Telegraph Square Property within one hundred eighty (180) days from the confirmation of the Plan. If the Telegraph Square Property is not sold but a ratified contract is in place on the one hundred eightieth day, the Parties shall have an additional thirty (30) days thereafter to go to settlement. At settlement, costs of sale, B&H Bank's Loan Nos. 3925, 2001 (if not earlier paid), 3806 and 3869 shall be paid in full. Any surplus proceeds of sale shall be paid to Stephen R. Wann and Joan E. Martin.

If the Telegraph Square Property is not sold within one hundred eighty (180) days from the date of confirmation, or if a ratified contract is then in place and is not closed within two hundred ten (210) days from the date of confirmation, Wann, Martin and the Debtor herein each and all agree and expressly consent to the entry of an order of the Court appointing David Bowman of Black Dog Receiver, LLC as special receiver for the purpose of facilitating the marketing and sale of the Telegraph Square Property and the rights of Wann, Martin and the



Debtor as to the marketing and sale of the Telegraph Square Property shall thereafter terminate. The receiver's fees and expenses shall be paid as an expense of sale and deducted and paid at closing upon any sale of the Telegraph Square Property by the receiver. Upon the appointment of a receiver as provided for herein, Wann, Martin and the Debtor agree expressly to cooperate in the receiver's marketing and listing of the Telegraph Square Property, consent to the installation of a lockbox for access by realtors, and agree that they will not interfere with or impede the efforts of the receiver in the discharge of his duties. The Court shall retain continuing jurisdiction to enforce the terms and conditions of this Plan provision in all respects, including the right and power to remove the Debtor, Wann and/or Martin from the Telegraph Square Property to the extent they breach any of their duties of cooperation provided for herein.

**VI.**  
**SUMMARY OF PROPOSED PLAN OF REORGANIZATION**

A brief summary of the Plan is provided below. This Plan summary should not be relied upon for voting purposes. Creditors are urged to read the entire Plan, and to consult with counsel, or each other in order to fully understand the Plan. A copy of the Plan will be filed with the Clerk, United State Bankruptcy Court for the Eastern District of Virginia at 200 South Washington Street, Alexandria, VA 22314, and is available for inspection and review. The Plan represents a proposed legally binding agreement between the Pioneer and its creditors.

A. Classification and Treatment of Claims

The Plan, in Articles II and III, classifies and treats the allowed claims of creditors and holders of interests as follows:

1. Class 1 consists of (i) Allowed Claims for costs and expenses of administration of the Estate, as defined in § 503(b) of the Bankruptcy Code, including the fees of Professional Persons approved by the Court and other post-petition operating expenses and

Liquidation Expenses, and (ii) fees payable to the United States Trustee by the Pioneer under 28 U.S.C. § 1930(a)(6). Each Class 1 claim shall be paid in full, in cash, from the Disbursing Account on the (a) the Effective Date, (b) the thirtieth (30th) day after such claim has become an Allowed Claim, (c) a date agreed upon by the Plan Administrator and the particular claimant, or (d) the date that there are sufficient funds in the Disbursing Account. Class 1 is not a class of claims impaired under the Plan.

<b>Type</b>	<b>Estimated Amount Owed</b>	<b>Proposed Treatment</b>
Expenses Arising in the Ordinary Course of Business after the Petition Date	\$0.00	Payment in the ordinary course of business
The Value of Goods Received in the Ordinary Course of Business within 20 Days Before the Petition Date	0.00	
Professional Fees to be determined	\$71,000.00	See p. 9, A.1.
Clerk's Office Fees		
Office of the U.S. Trustee's Fees	\$20,000.00	See p. 9, A.1.
Other Administrative Expenses		
<b>Total Administrative Expenses</b>	<b>\$91,000.00+</b>	See p. 9, A.1.

2. Class 2 consists of all Allowed Claims for unsecured taxes of government units entitled to priority under § 507(a)(8). Each Class 2 claim shall be paid in full, in cash, from the Disbursing Account but only to the extent each is entitled to priority under § 507 and there are sufficient funds in the Disbursing Account to: (a) the IRS in equal monthly payments from the Effective Date of the Plan with interest at the rate of four percent (4%) per annum pursuant to § 507(a)(8) of the Bankruptcy Code until October 7, 2020 within five (5) years of the petition date; and to (b) remaining Class 2 claims in equal monthly payments for sixty (60) months from

the Effective Date of the Plan with interest as set forth below. Class 2 is not a class of claims impaired under the Plan. The following claims shall be paid at the following rates of interest: Virginia Department of Taxation and Virginia Employment Commission – six percent (6%); County of Fairfax, Virginia – five percent (5%); District of Columbia Treasurer - zero percent (0%) and the Comptroller of Maryland zero percent (0%).

IRS Priority claims shall be paid within five (5) years of the petition date beginning on the Effective Date of the Plan. The remaining taxes listed in Class 2 shall be paid within five (5) years of the Effective Date of the Plan.

<b>Claimant</b>	<b>Type</b>	<b>Total Claim</b>	<b>Priority Claim</b>
County of Fairfax	Pers Prop Tax	\$ 21,180.76	\$ 21,180.76
Comptroller of Maryland	Tax	\$ 15,612.00	\$ 14,650.00
Commonwealth of Virginia	Tax	\$ 146,743.07	\$ 119,335.43
District of Columbia Treasurer	WH Tax	\$ 1,786.74	\$ 1,786.74
Internal Revenue Service	Tax	\$ 760,141.47	\$ 621,923.73
VA Employment Commission	WH Tax	\$ 3,503.57	\$ 3,503.57
<b>Total § 507(a)(8) Claims</b>		<b>\$ 948,967.61</b>	<b>\$ 782,380.23</b>

3. Class 3 of the Plan consists of the priority claim of Nationwide Financial as custodian for Pioneer Roofing Systems, Inc.'s 401K Plan. This claim shall be paid in full with four percent (4%) interest per annum from the petition date payable within one year of the Effective Date of the Plan. Class 3 is unimpaired under the Plan.

<b>Claimant</b>	<b>Priority</b>
Nationwide Financial as Custodian for Pioneer Roofing Systems, Inc.'s 401K Plan	\$ 14,965.70
<b>Total:</b>	<b>\$ 14,965.70</b>

4. Class 4 of the Plan consists of an Allowed Secured Claim that is current. This claim shall be paid in full pursuant to the terms of the Note. The Plan shall not alter the

legal, equitable, or contractual rights to which the creditor is entitled. Class 4 is unimpaired under the Plan.

<b>Claimant</b>	<b>Type</b>	<b>Total Claim</b>	<b>Security</b>
Toyota Financial Services	Loan	\$ 34,384.15	Tundra Truck
<b>Total Class 4</b>		<b>\$ 34,384.15</b>	

5. Class 5 of the Plan consists of B&H Bank Claims. The B&H Bank Claims are comprised of various loans either made to Pioneer or guaranteed by Pioneer and secured by a blanket lien on the assets of the Debtor as well as other non-debtor collateral. The B&H Bank Claims to which the Debtor is obligated are summarized as follows:

<b>Claimant</b>	<b>Type</b>	<b>Security</b>	<b>Total Claim</b>
B&H Bank & Trust Co.	Loan 3925	S.A. 4-13-10; C&D	331,990.57
B&H Bank & Trust Co.	Loan 2001	S.A. 4-13-10; C&D	\$412,925.12
B&H Bank & Trust Co.	Loan 3869	S.A. 4-13-10; UCC-1	\$25,096.72
B&H Bank & Trust Co.	Loan 3806	S.A. 4-13-10; E&F	\$219,522.65

Each of loans numbered 3925, 2001 and 3869 were made directly to Pioneer and are secured by a blanket lien on the assets of Pioneer as well as liens upon non-debtor assets including the Dartmouth Property and Telegraph Square Property. Loan numbered 3806 was made to a related entity known as PRS Real Estate, LLC (“PRS”) and was guaranteed by Pioneer and secured by both a lien upon Pioneer’s assets and a lien against certain real property owned by PRS at 7211 E and F, Telegraph Square Drive, Lorton, Virginia 22079.<sup>1</sup>

Each and all of the B&H Bank Claims are proposed to be paid, in full, from the sale of non-debtor collateral securing such loans. Pending such payments, and because all such loans are secured by a blanket lien upon the assets of Pioneer, the claims shall be entitled to a continuation

<sup>1</sup> B&H Bank also made a separate loan made directly to Wann and Martin and secured only by a second deed of trust against the Dartmouth Property. Pioneer has no direct liability for this loan and has not secured this loan with any property of the Debtor or the estate.

of monthly adequate protections payments initially set forth in that certain Cash Collateral Order [Docket No. 29] entered by this Court on October 30, 2015 at the rate of \$10,000.00/month for Loan 2001, \$3,000.00/month for Loan 3925 and \$1,713.00/month for Loan 3869. Thereafter, payment of all principal, interest, fees and costs for each of the B&H Bank Claims shall be made from the sale of the Dartmouth Property and the Telegraph Square Property to the extent sales proceeds are sufficient to effect all such payments.

Wann and Martin shall have a period of 120 days from confirmation of the Plan in which to sell the Dartmouth Property and a period of 180 days from confirmation of the Plan in which to sell the Telegraph Square Property. In the event that either property is under contract with a fully ratified contract as of the expiration of the periods described herein, then Wann and Martin shall have an additional thirty (30) days thereafter to effect a closing of such sale(s).

If either of the Dartmouth Property or Telegraph Square Property is not sold or closed within time frame set forth hereinabove, then Wann, Martin and the Debtor herein each and all agree and expressly consent to the entry of an order of the Court appointing David Bowman of Black Dog Receiver, LLC as special receiver for the purpose of facilitating the marketing and sale of the such properties and the rights of Wann, Martin and the Debtor as to the marketing and sale of such properties shall thereafter terminate. The receiver's fees and expenses shall be paid as an expense of sale and deducted and paid at closing upon any sale of the properties by the receiver. Upon the appointment of a receiver as provided for herein, Pioneer, Wann and Martin agree expressly to cooperate in the receiver's marketing and listing of the Dartmouth Property and the Telegraph Square Property, consent to the installation of a lockbox for access by realtors, and agree that they will not interfere with or impede the efforts of the receiver in the discharge of his duties. The Court shall retain continuing jurisdiction to enforce the terms and conditions of

this Plan provision in all respects, including the right and power to remove Pioneer, Wann and Martin from either or both of the Dartmouth Property and Telegraph Square Property to the extent they breach any of their duties of cooperation provided for herein.

Anticipated distributions from sale of non-debtor property are set forth hereinbelow.

Upon any sale of the non-Debtor real property located at 1263 Dartmouth Court, Alexandria, Virginia 22314 as provided for hereinabove, proceeds from closing shall be paid as follows:

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| - Costs of Sale <sup>2</sup>          | est. \$88,000.00 - \$110,000.00 |
| - Navy F.C.U – 1 <sup>st</sup> Trust  | est. \$300,000.00               |
| - B&H – 2 <sup>nd</sup> Trust (#2187) | est. \$199,890.00               |
| - B&H Loan #2001                      | est. \$412,925.12               |
| - B&H Loan #.3806                     | To extent funds available       |

To the extent Burke & Herbert Loan #2001 is paid in full from proceeds of the Dartmouth Property and/or the Telegraph Square Property, the \$10,000.00 monthly payment required under the terms of the Cash Collateral Order and the Plan shall thereafter terminate without prejudice to the obligations for continued monthly payments on account of the remaining Burke & Herbert loans.

Upon any sale of the non-Debtor real property located at 7211 C & D Telegraph Square Drive, Lorton, Virginia 22079 as provided for hereinabove, proceeds from closing shall be paid in the following order:

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<sup>2</sup> To include fees and expenses of receiver to the extent sale is accomplished by a receiver as provided for herein.

- Costs of Sale<sup>3</sup> est. \$64,000.00 - \$90,000.00
- B&H – 1<sup>st</sup> Trust (#3925) est. \$331,990.57
- B&H Loan #2001 est. unknown<sup>4</sup>
- B&H Loan #3806 est. \$219,522.65
- B&H Loan #3869 est. \$ 25,096.72

Any remaining sale proceeds after payment, in full, of all Burke & Herbert claims or loans identified herein, shall be returned to Stephen R. Wann and Joan E. Martin.

Wann and Martin each and both agree to execute the final order confirming Pioneer's proposed Plan submitted herein for the express purposes of i) consenting to the terms, conditions and requirements set forth herein, and ii) expressly submitting to the jurisdiction of this Court for the purposes of enforcing such terms, conditions and requirements. Class 5 is impaired under the Plan.

6. Class 6 consists of general unsecured Allowed Claims with the exception of insider claims. The holders of Class 6 claims shall be paid with income that remains after the satisfaction of the holders of Allowed Claims in Classes 1 through 5. Class 6 claims shall be paid monthly at the rate of five percent (5%) of the claim amount over sixty (60) months. Class 6 is impaired under the Plan.

Pioneer shall pay the U.S. Small Business Administration's ("SBA") the monthly sum of \$7,200.00 for rent for the sixty (60) month term of the Plan which shall be credited to PRS Realty's Second Deed of Trust Note held by the SBA.

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<sup>3</sup> To include fees and expenses of receiver to the extent sale is accomplished by a receiver as provided for herein.

<sup>4</sup> Loan #2001 is proposed to be paid in full from proceeds of sale of the Dartmouth Property. However, to the extent the Telegraph Square Property is sold first, or proceeds from sale of the Dartmouth Property are insufficient to make payment of Loan #2001 in full, all then existing balances of Loan #2001 shall be paid from proceeds of the Telegraph Square Property after payment of the Burke and Herbert 1<sup>st</sup> trust loan #3925.

<b>Claimant</b>	<b>Unsecured Claim</b>
ABC Supply Company, Inc.	\$ 237,121.65
Action Sheet Metal Co., Inc.	\$ 1,845.16
AFLAC	\$ 2,519.10
Aktion Associates	\$ 44,903.21
American Express Business Card	\$ 5,955.67
American Express Corporate	\$ 43,969.99
American Express Helmet Card	\$ 13,796.31
American Express Travel Related Services	\$ 1,503.26
AP&M	\$ 11,343.24
Aquatomic Products Co.	\$ 1,500.00
ARCO Welding Inc.	\$ 1,619.00
Atkinson Hunt	\$ 41,500.00
BMG Metals, Inc.	\$ 116.38
Brauner Equipment Company	\$ 1,014.93
Builders Mutual	\$ 11,629.20
Burke & Herbert Visa Card	\$ 20,000.00
Canon	\$ 2,146.43
Carlisle Roofing Systems, Inc.	\$ 750.00
Cellofoam North America, Inc.	\$ 18,604.00
Ceridian Benefit Services	\$ 433.64
Cintas Corporation	\$ 2,388.00
Commonwealth of Virginia	\$ 27,407.64
Comptroller of Maryland	\$ 962.00
Corpus Christi School	\$ 2,548.35
Councilor, Buchanan & Mitchell	\$ 35,330.00
CT Corp.	\$ 284.00
D&K Heavy Truck Repair	\$ 1,566.35
Dentaquest	\$ 3,877.90
Distribution International	\$ 1,281.81
Englert Inc.	\$ 7,488.97
Fastenal Co.	\$ 658.08
Ferguson Fire & Fabrication	\$ 217.42
Fredericksburg Emergency Medical	\$ 388.29
HAJOCA Corporation	\$ 2,458.64
HAPCO, Inc.	\$ 1,763.00
Hartford Life Annuity Ins. Co.	\$ 6,250.00
Hilti, Inc.	\$ 5,789.00
Industrial Traffic LLC	\$ 4,333.80
INOVA Employee Assistance	\$ 689.12
INOVA Health System	\$ 115.00



<b>Claimant</b>	<b>Unsecured Claim</b>
INTAC Actuarial Services, Inc.	\$ 2,264.00
IRS	\$ 138,217.76
Kelly and Associates	\$ 11,000.00
Lenovo Financial Services (CIT)	\$ 14,969.54
Lorton Urgent Care	\$ 955.00
Mary Washington Hospital	\$ 1,802.00
Metlife SBC	\$ 2,454.54
Mowry, David	\$ 32,994.08
My Urgent Care	\$ 600.00
N.B. Handy	\$ 2,078.96
Office Depot	\$ 93.83
Offix	\$ 1,211.95
Pembroke Occupational Health	\$ 2,012.00
Petersen Aluminum Corp.	\$ 844.80
Protech Termite & Pest Control	\$ 1,324.00
Prudential Life Insurance	\$ 275.61
Quarles Petroleum	\$ 10,392.52
Quill Corporation	\$ 1,255.80
Richmond Dellastatious	\$ 12,747.00
Roofers Supply of Greenville	\$ 519.00
Sam Desanto Co., Inc.	\$ 14,315.00
SB Enterprises LLC	\$ 1,254.00
Seaman Corporation	\$ 13,925.98
Sika Sarnafil, Inc.	\$ 178,726.89
Sisson Studios Inc.	\$ 821.50
Sunbelt Rentals	\$ 10,491.65
Supermedia	\$ 4,941.64
Telvent DTN	\$ 1,741.50
The Pole Brothers Imaging Co.	\$ 5,054.00
Triangle Fastners	\$ 6,215.54
United Rentals	\$ 12,537.13
Urgent Medical Care Lake Ridge	\$ 718.01
US Bank Advantage Lines	\$ 11,057.00
US Small Business Administration	\$ 703,608.90
WASCO	\$ 27,498.00
Washington Winnelson Co	\$ 1,930.40
<b>Total General Unsecured Claims</b>	<b>\$ 1,800,918.07</b>

7. Class 7 consists of unsecured insider claims against the Estate. Insiders waive all payments to them. The holders of Class 6 claims shall be paid with income that remains after the satisfaction of the holders of one hundred percent (100%) of allowed claims in Classes 1 through 5. Class 7 claims shall not be paid because Class 6 claims will not be paid in full pursuant to 11 U.S.C. 1129. Class 7 is impaired under the Plan.

<b>Claimant</b>	<b>Insider Unsecured Claim</b>
Stephen R. Wann & Joan E. Martin	\$ 298,873.59
Estate of Jean S. Martin	\$ 240,000.00
PRS Real Estate, LLC	\$ 85,101.00
<b>Total:</b>	<b>\$ 623,974.59</b>

8. Class 8 consists of equity security holders. If all payments are made under the confirmed Plan then Stephen R. Wann shall retain his one hundred percent (100%) in the Debtor. Class 8 is impaired under the Plan.

**B. Means for Implementation of the Plan**

Stephen R. Wann will be the President and CEO of Pioneer and will run the operations of Pioneer and be responsible for the performance of the Plan. Joan E. Martin is Pioneer's Office Manager. Both individuals are insiders of Pioneer.

The source of funds to be distributed pursuant to the Plan will be Pioneer's monthly disposable income, "new value" in the projected amount of \$950,000.00 – \$1,000,000.00 from the sales proceeds from non-Debtor real property owned by Stephen R. Wann and Joan E. Martin located at 1263 Dartmouth Court, Alexandria, Virginia 22314 and located at 7211-C and D, Telegraph Square Drive, Lorton, Virginia 22079 and the waiver of their unsecured claim of \$298,873.59. See 5-Year Reorganization Budget attached marked Exhibit "C".

C. Lien Avoidance Provisions

B&H Bank agrees to release all liens held by B&H Bank on all non-Debtor real property and all Debtor property when the underlying Note on the property is paid in full.

D. Replacement Liens

Until the B&H Bank Claims are paid in full, B&H Bank shall retain all liens existing as of the petition date, as well as all replacement liens as granted pursuant to the Cash Collateral Order [Docket No. 29] entered by this Court on October 30, 2015.

E. Injunction Provisions

All persons or entities who have held, now hold or may hold Claims arising before the Petition Date against the Debtor are permanently enjoined from and after the Effective Date from commencing or continuing in any manner any action or proceeding of any kind with respect to such Claim against the Debtor. Upon entry of an order confirming this Plan, all holders of Claims or Interests and other parties in interest shall be enjoined from taking any actions to interfere with the implementation of the Plan and the transactions contemplated herein.

F. Factors Bearing on the Success or Failure of the Plan

The primary factors bearing on the success or failure of the Plan are Pioneer's ability to generate future earnings, the injection of "new value" from Stephen R. Wann and Joan E. Martin from the sales proceeds from the sale of non-Debtor real property located at 1263 Dartmouth Court, Alexandria, Virginia 22314, and 7211 C and D, Telegraph Square Drive, Lorton, Virginia 22079.

G. Litigation

Pioneer intends to file an objection to the Proof of Claim filed by David Mowry in the amount of \$32,994.08 within thirty (30) days after the Effective Date of the Plan.

H. Tax Consequences

The Federal, State, Local, and other tax consequences that may arise as a result of the Plan to the holders of claims and interests may vary based upon the individual circumstances of each holder. Therefore, each creditor and interest holder should consult their own tax advisor to determine the treatment afforded their respective claims and interests by the Plan under federal tax law, the tax law of the various states and local jurisdictions of the United States, and the laws of foreign jurisdictions. No statement in this Disclosure Statement should be construed as legal or tax advice. The Debtor and its counsel do not assume any responsibility or liability for the tax consequences that a creditor or interest holder may incur or experience as a result of the treatment of its claim or interest under the Plan.

I. Priority Rule and New Value Exception

In Chapter 11 cases, creditors get to vote to accept or reject the Debtor's Plan. If the Plan is not accepted by all impaired classes; the Court can still confirm the Plan provided at least one class of impaired claims has accepted the Plan; and it: (1) does not discriminate unfairly and (2) is fair and equitable with respect to each class of claims that is impaired under, and has not accepted, the Plan. As to unsecured creditors, the fair and equitable standard is met if the unsecured creditors receive payment in the full amount of their claims or, if they receive less than full payment, then no junior class retains any interest in property of the debtor. This standard is known as the absolute priority rule.

Stephen R. Wann and Joan E. Martin intend to liquidate their non-Debtor real property located at 1263 Dartmouth Court, Alexandria, Virginia and 7211C-D Telegraph Square Drive, Lorton, Virginia and use the sale proceeds of the same to fund Pioneer's Plan. This injection of "new value" will make Pioneer's Plan feasible. After Pioneer makes payment of all secured claims, priority tax obligations, secured debt and unsecured debt pursuant to the terms of the Plan, Stephen R. Wann's one hundred percent (100%) shareholder interest in Pioneer shall revert to Stephen R. Wann.

J. Section 1129(b) Election. In order to confirm the Plan, and to the extent necessary, the Debtor invokes the entitlement of § 1129(b) of the Bankruptcy Code, such that, as long as the Plan does not discriminate unfairly, and is fair and equitable, with respect to any Class of Claims that is impaired under and has not accepted the Plan, the Plan may be confirmed by the Court.

K. Recommendation and Conclusion. Pioneer's Plan provides full payment to administrative claimants on the Effective Date of the Plan, payment to secured creditors of the full value of their allowed secured claims, payment of priority tax to the IRS in full with interest at the rate of four percent (4%) per annum within five (5) years of the Petition Date, payment of priority tax of Commonwealth of Virginia and Virginia Employment Commission in the amount of six percent (6%), County of Fairfax of five percent (5%) per annum over a sixty (60) month period, and the District of Columbia Treasurer and Comptroller of Maryland in full with no interest over a sixty (60) month period; and a five percent (5%) distribution in sixty (60) monthly payments to the unsecured creditors after the Effective Date of the Plan.

Pioneer lacks equity in any of its property after paying administrative expenses, secured creditors and priority tax claims. Therefore the only alternative for the unsecured

creditors other than the distribution proposed in the Plan is a liquidation of Pioneer's assets which will result in no distribution to the unsecured creditors. Secured creditors will be paid the full value of their claims.

Stephen R. Wann and Joan E. Martin agree to be bound by the Disclosure Statement and Plan, specifically, the terms of the Disclosure Statement, Section V.C. "Sale of 1263 Dartmouth Court and 7211 C&D Telegraph Square Drive". See Affidavit attached marked Exhibit "D".

Pioneer believes that the Plan is in the best interests of all creditors and the estate and urges the holders of claims entitled to vote to accept the Plan and to evidence such acceptance by properly voting and timely returning their ballots. It is recommended that creditors accept the Plan of Reorganization because it will maximize the value of the estate and provide the greatest return to all creditors.

PIONEER ROOFING SYSTEMS, INC.  
By Counsel

LAW OFFICE OF JOHN T. DONELAN

/s/ John T. Donelan  
JOHN T. DONELAN, ESQUIRE  
Virginia State Bar No. 18049  
125 South Royal Street  
Alexandria, Virginia 22314  
Tel (703) 684-7555  
Fax (703) 684-0981  
*Counsel for Pioneer Roofing Systems, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on the 11<sup>th</sup> day of April, 2017, a true copy of the foregoing Second Amended Disclosure Statement was sent first class mail, postage prepaid, to all creditors and parties in interest in this case, as set forth on the mailing matrix which was filed with the Court as an attachment to the Disclosure Statement.

\_\_\_\_\_/s/John T. Donelan\_\_\_\_\_  
JOHN T. DONELAN