

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MASSACHUSETTS

In re:	)	
	)	Chapter 11
Robin C. Macchia	)	Case No. 16-11513-FJB
	)	
Debtor	)	

**DEBTOR'S DISCLOSURE STATEMENT TO  
PLAN OF REORGANIZATION DATED NOVEMBER 11, 2016**

Robin Macchia, the above-captioned debtor (the "Debtor"), pursuant to § 1125 of the Bankruptcy Code respectfully submits her Disclosure Statement to her Plan of Reorganization dated November 11, 2016 ("Plan").

NO REPRESENTATION CONCERNING THE DEBTOR'S PROPERTY IS AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN THOSE CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY ANYONE. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT ANY INACCURACY, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO BE ACCURATE.

**I. INTRODUCTION**

Pursuant to § 1125 of the Bankruptcy Code, the Debtor files this Disclosure Statement for submission to holders of claims against the Debtor. This Disclosure Statement is intended to provide creditors with adequate information about the Debtor and the Plan so that Creditors can make an informed judgment about the Plan.

## **II. BACKGROUND**

The Debtor, Robin Macchia, is a homemaker and mother to two 16 year-old children. The Debtor's non-debtor spouse, David Macchia, is a founder and principal of Wealth 2K, Inc., a corporation described with more particularity hereinafter.

From 1985 thru 2007, David Macchia was in the business of wholesale distribution of insurance products. This business in the later years of his involvement generated average personal annual income in the range of \$500,000 to \$700,000. In or about 2007, David Macchia swapped his interest in the insurance business to his partner for his partner's interest in Wealth2K so that he could dedicate himself exclusively to Wealth2K, a business he believed was poised for explosive growth. Mr. Macchia funded Wealth2K's operations with his and the Debtor's personal savings and by tapping into the equity in their real estate.

In 1999, the Macchias purchased their residence in Milton, Massachusetts ("Milton Property"). In 2004, they acquired as a vacation home title to certain real property known as and numbered 63 Cross Street, Chatham, Massachusetts ("Chatham Property"), a property bettered by a single family dwelling and guesthouse, for the amount of \$2,225,000. One million six hundred thousand (\$1,600,000) dollars of the purchase price was financed by Cape Cod Five Cents Savings Bank ("Cape Cod Five"). The Chatham Property was refinanced in 2007 raising the total indebtedness to Cape Cod Five to approximately \$2,160,000. Of that amount, approximately \$500,000 in the Chatham Property's equity was used to fund the operations of Wealth2K. Additional funding came from Wealth2K's ongoing business operations.

In 2008, the U.S. economic recession negatively impacted Wealth2K's business operations at a time when the company's expenses were increasing. The Macchias had used their entire personal and retirement savings and all available equity in their assets supporting

Wealth2K's operations. As a result, the Macchias became unable to meet their debt service needs. In an effort to cut expenses, the Macchias attempted a short sale of the Milton Property, but the mortgagee, Bank of America, declined. The Milton Property was foreclosed upon by bank of America in 2011 for less than the amount of the mortgage debt. The Macchias granted Rockland Trust Company, which held a second mortgage on the Milton Property, a third mortgage on the Chatham Property to secure the foreclosure deficiency in the approximate of \$76,000.

The Macchias' children attend private schools to accommodate their special needs. The Macchias' son suffers from separation anxiety, panic attacks and ADHD. In 6<sup>th</sup> grade his panic attacks became so severe that he required psychological treatment. To help the Macchias' son through most of the 6<sup>th</sup> grade, his psychologist worked closely with the administrative team and school psychologist at Fessenden School where he attends to tailor a program for his recovery that could not have been carried out in a public school.

The Macchias' children are twins. Their daughter suffers from a non-verbal learning disability. Her school, Dana Hall, in Wellesley, provides necessary support that enables her succeed in school despite her learning challenges.

The Macchia family residence is the Chatham Property.

The IRS asserts a claim against the Macchias in the approximate amount of \$62,000 for assessments made in 2011, 2012 and 2015. David Macchia, Robin Macchia's non-debtor spouse, entered into a repayment plan with the IRS. The plan requires monthly payments in the amount of \$1,500. Mr. Macchia will continue to make these payments and the IRS claim will not be paid under the Debtor's Plan of reorganization.

As a result of the expenses attendant to their children's special needs and their diminished income associated with the economic decline on Wealth2K's business operation, the Macchias fell behind on their mortgage loan obligation on the Chatham Property. Facing foreclosure proceedings, on August 2, 2013, Robin Macchia filed for protection under Chapter 11 of the Bankruptcy Code. Unable to propose a feasible plan at that time, that case was consensually dismissed on February 18, 2014.

Experiencing continued financial difficulties and facing foreclosure proceedings, on April 25, 2016, Robin Macchia filed the instant Chapter 11 case. Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the Debtor is continuing in possession of her property and operating as debtor-in-possession.

David Macchia's income has increased substantially. His income in 2014 was \$168,000; in 2015 it was \$338,000. Wealth2K recently launched a new product which has begun to generate increased revenue. Through October 30, 2016, Mr. Macchia's income from employment was approximately \$331,551. He projects an additional \$66,500 in income from employment through the end of this year. His Projected income in 2017 is approximately \$436,000.

In November 2016, Robin Macchia commenced working for Mr. Macchia's business. Her projected income is approximately \$78,000 annually.

In addition to income from employment, the Macchia's discovered the rental income potential from the Chatham Property. Prior to the commencement of this case, David Macchia obtained rental agreements for the Chatham Property generating approximately \$72,000 gross rental income during a six-week period in 2016. The projected gross rental income for 2017 is \$98,500. There is a guest house on the Chatham Property where the Macchia's reside during the rental periods.

David Macchia's business is currently being marketed for sale. Mr. Macchia's business has substantial value. It is a software business which works with financial advisory firms targeting the retiree community focusing on the planning of retirement incomes. In January 2016, Mr. Macchia received a term sheet from Global Atlantic Financial Group that offered \$5.3 Million to purchase 100% of the company's equity shares, 50% of which are owned by Mr. Macchia. Unfortunately, the sale was unable to close. The Debtor believes that once consummated, the sale of Mr. Macchia's business will allow the Debtor and Mr. Macchia to pay all of their debt in full.

In addition to Mr. Macchia's increased income from employment, the Debtor's projected income from employment and the rental income, the Debtor and Mr. Macchia have substantially reduced their monthly expenses by vacating their Boston residence and making the Chatham Property their sole residence. That move increases the Debtor's and Mr. Macchia's monthly cash flow by more than \$4,500.

Cape Cod Five obtained an appraisal that states the fair market value of the Chatham Property is \$1,870,000. The Debtor denies that the Bank's appraisal is accurate. The Debtor has obtained a broker's opinion of value stating the fair market value of the Property as \$2,600,000.

David Macchia is a co-debtor on all of the Debtor's debt. The Macchias elected that only the Debtor would seek bankruptcy relief. They believe that Mr. Macchia's bankruptcy would irreparably impair his ability to grow Wealth2K. The Macchias' income is dependent upon Mr. Macchia's ability to generate growth for the business operations of Wealth2K and this is why Mr. Macchia is not a joint debtor in this case. Cape Cod Five has threatened litigation against David Macchia related to its mortgages in the Chatham Property. If forced to by Cape Cod Five, however, Mr. Macchia will file for bankruptcy protection.

### **III. THE CHAPTER 11 PROCEEDINGS**

Since the Commencement Date, Mr. Macchia continues his employment with Wealth2K. The Debtor has commenced working, and the Macchias plan to continue to rent the Chatham Property in-season generating income to fund the Plan.

The Debtor moved for an Order establishing a deadline for the creditors to file proofs of claim against the Debtors. The deadline for filing such claims was August 5, 2016. The case is pending in the Eastern District of Massachusetts. Judge Bailey established November 15, 2016, as the deadline by which the Debtor must file her Plan of Reorganization.

### **IV. PLAN OF REORGANIZATION**

The Plan describes the classification of all holders of claims against the Debtor and the treatment to be accorded such classes. The following is a summary of the major Plan provisions. All terms set forth in this Disclosure Statement and Plan have the same meaning unless otherwise stated.

A copy of the Plan is filed herewith As Exhibit 1. Creditors are urged to read the Plan.

The Plan is summarized below.

**General Provision:** The Debtor's non-Debtor spouse, David Macchia, is a co-debtor on all claims filed in this case. As a consequence, all claimants will be paid 100% of the amount of their allowed claims as follows:

**Class 1:** This Class consists of the Allowed Tax Claims of the IRS. The IRS asserts a claim against the Macchias in the approximate amount of \$62,000 for assessments made in 2011, 2012 and 2015. David Macchia, Robin Macchia's non-debtor spouse, entered into a repayment plan with the IRS. The plan requires monthly payments in the amount of \$1,500. Mr. Macchia

will continue to make these payments and the IRS claim will not be paid under the Debtor's Plan of reorganization.

This Class is impaired.

**Class 2:** This Class consists of the Allowed Secured claim of Cape Cod Five Cents Savings Bank for its first mortgage on the Chatham Property shall be paid as follows:

- (i) Commencing on the first day of the month following the Effective Date of this Plan the Debtor shall make regular contractual payments to the creditor or such payments as are to be made in accordance with terms agreed upon by Debtor and the creditor.
- (ii) Commencing on the Effective Date the Debtor shall cure the \$208,133.29 pre- and post-petition arrearage (including legal fees) on this Class 2 Claim by making 60 equal monthly payments in the amount of \$3,728.00 each, which amount includes the contract rate of interest. To the extent the arrears and legal fees are determined to be other than as shown above, appropriate adjustments will be made in the monthly amount to be paid or in the number of payments.
- (iii) The Class 2 creditor shall retain its existing security interest in the Chatham Property.
- (iv) The Class 2 creditor may not liquidate, foreclose, sell or otherwise dispose of its collateral so long as the Debtor is not in material default under the Plan.

This Class is unimpaired.

**Class 3:** This Class consists of the Allowed Secured claim of Cape Cod Five Cents Savings Bank for its second mortgage on the Chatham Property shall be paid as follows:

- (i) Commencing on the first day of the month following the Effective Date of this Plan the Debtor shall make regular contractual payments to the creditor or such payments as are to be made in accordance with terms agreed upon by Debtor and the creditor.
- (ii) Commencing on the Effective Date the debtor shall cure the \$22,302.00 arrearage on this Class 3 Claim by making 60 equal monthly payments in the amount of \$406.00 each, which amount includes the contract rate of interest. To the extent the arrears are determined to be other than as shown above, appropriate adjustments will be made in the monthly amount to be paid or in the number of payments.

- (iii) The Class 3 creditor shall be deemed fully secured and shall retain its existing security interest in the Chatham Property.
- (iv) The Class 3 creditor may not liquidate, foreclose, sell or otherwise dispose of its collateral so long as the Debtor is not in material default under the Plan.

This Class is unimpaired.

**Class 4:** This Class consists of the Allowed Secured Claim of Rockland Trust Company for its third mortgage on the Chatham Property shall be paid as follows:

- (i) The principal amount of this claim is \$64,050. Commencing on the first day of the month following the Effective Date of this Plan the Debtor shall commence making 59 monthly payments in the amount of \$360 each to the creditor or such other payments as are to be made in accordance with terms agreed upon by Debtor and the creditor.
- (ii) On the 60<sup>th</sup> month after Effective Date the debtor shall pay a lump sum in the amount of \$43,056 on this Class 4 Claim which shall satisfy this Class 4 Claim in full. As agreed upon between the parties, no interest shall accrue in the Class 4 Claim so long as the Debtor is not in material default under the Plan.
- (iii) The Class 4 creditor shall be deemed fully secured and shall retain its existing security interest in the Chatham Property.
- (iv) The Class 4 creditor may not liquidate, foreclose, sell or otherwise dispose of its collateral so long as the Debtor is not in material default under the Plan.

This Class is impaired.

**Class 5:** The Allowed Secured Claim of the IRS will be treated as a Class 1 Claim and paid in accordance with the terms thereunder. The IRS will retain its lien until such claim is paid in full.

This Class is impaired.

**Class 6:** These claims consist of all Allowed General Unsecured Claims of the IRS. These claims will be treated as a Class 1 Claim and paid in accordance with the terms thereunder.

This Class is impaired.



**Class 7:** These claims consist of all non-tax Allowed Unsecured Claims without priority as described in 11 USC § 726(a)(2). On the Effective Date the Debtor will make a lump sum payment in the amount of \$613 to Credit One Bank, the only creditor in this Class, in full satisfaction of its claim.

This Class is impaired.

**Class 8:** These claims consist of the Allowed Unsecured Claims of the Debtor's parents, Robert and Florence Haley. The total claims in this Class are estimated to be \$90,050. No payment will be made on the Class 8 claim until all of the payments required by the Debtor's Plan of reorganization are paid in full.

This Class is impaired.

**ADMINISTRATIVE CLAIMS:** By Order of this Court, the Debtor employed Neil D. Warrenbrand to represent them in these Chapter 11 proceedings. The Debtor anticipates that Attorney Warrenbrand will be seeking compensation for time expended and reimbursement of expenses incurred in connection with his representation of the Debtor in this case in an amount of approximately \$20,000. Prior to the filing of the case, the Debtor paid to Attorney Warrenbrand a retainer in the amount of \$8,500, including the filing fee. From the retainer, \$4,087.00 was applied to time for prepetition services rendered and payment of the filing fee for this case. Attorney Warrenbrand's fees are subject to approval by the Bankruptcy Court. Any amount owed which exceeds the \$4,413 retainer on hand will be paid in full on the later of the entry of an Order of the Court allowing such fees or the Effective date of the Plan.

**OTHER PROVISIONS:** The Debtor will be responsible for timely payment of quarterly fees incurred pursuant to 28 U.S.C. 1930(a)(6) until the earlier of the date on which the case is closed or dismissed. Until the case is closed or dismissed, the Debtor will serve the United

States Trustee with a quarterly disbursement report for each quarter (or portion thereof) that the case remains open. The quarterly report shall be due fifteen days after the end of the calendar quarter. The quarterly financial report shall include the following:

- (1) a statement of all disbursements made during the course of the quarter, by month, whether or not pursuant to the plan;
- (2) a summary, by class, of amounts distributed or property transferred to each recipient under the plan, and an explanation of the failure to make any distributions or transfers of property under the plan, if any;
- (3) a description of any other factors which may materially affect the Debtor's ability to complete its obligations under the plan; and
- (4) an estimated date when an application for final decree will be filed with the court (in the case of the final quarterly report, the date the decree was filed).

The Debtor does not anticipate any other Administrative Claims.

## **V. FEASIBILITY OF THE PLAN**

The dividends paid to creditors will be paid out of the Macchias' projected disposable income for 60 months commencing on the Effective Date of the Plan. The return to the creditors in accordance with the terms of the Plan is greater than they would receive in a hypothetical liquidation of the Debtor's assets in a Chapter 7. The Debtor will retain her assets.

Attached hereto as Exhibit 2 is the Debtor's projected monthly household income. Included in Exhibit 2 is a copy of David Macchia's pay stub showing YTD income through October 2016, a schedule showing David Macchia's income from draws, a schedule showing the Macchia's projected income from employment for 2017, a schedule showing rental income for

2016, and a schedule showing projected rental income for 2017. Exhibit 3 shows the Macchia's monthly expenses and cash flow.

## **VI. ALTERNATIVES TO THE PLAN**

In considering the Plan, each creditor should consider alternatives thereto.

The Debtor's assets are of minimal value to the creditors. The value of Debtor's real property may be less than the amount of mortgages on such property if liquidated in a foreclosure sale. The property will be retained by the Debtor. The remainder of the Debtor's assets are fully encumbered by a tax lien or are otherwise claimed as exempt. The Debtor would receive a discharge of her general unsecured claims in a Chapter 7 and no dividends would be paid to unsecured creditors.

See the Liquidation Analysis attached hereto as Exhibit 4.

It is estimated that in liquidation, Class 3 and 4 creditors would have unsecured deficiency claims. The payments to the Class 3 and 4 creditors over the term of the Plan exceed the amount estimated to be available following a Chapter 7 administration. Accordingly, the confirmation of the Debtor's Chapter 11 Plan is in the best interest of the creditors.

## **VII. APPROVAL OF THE PLAN**

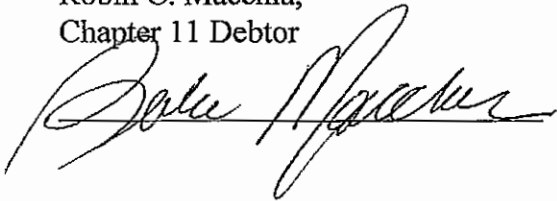
In order for the Bankruptcy Court to confirm the Plan, certain statutory requirements must be met. Among them is that each creditor must receive on account of its claim at least as much as it would receive in a Chapter 7 liquidation. Classes of claims and interests must vote on the Plan if they are impaired under the Plan. A class of interests has accepted the Plan if the Plan has been accepted by at least two-thirds in amount of the allowed interests of such Class who have accepted or rejected the Plan. The Plan has been accepted by a class of creditors if it has been

accepted by the holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class that have accepted or rejected the Plan.

The acceptance of unimpaired creditors to a Chapter 11 Plan is presumed and said creditors are not required to vote and their votes will not be solicited. The only votes required are those of the impaired creditors.

Respectfully submitted,

Robin C. Macchia,  
Chapter 11 Debtor



By her attorney,

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