

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)

In Re:

STUART ROBERT HANSEN
AND
MARY SUE HANSEN

Debtor

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Case No. 14-23744
Chapter 11

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DEBTORS' DISCLOSURE STATEMENT

EXHIBITS

- 1. The Plan
- 2. Sample Ballot
- 3. The Feasibility Statement
- 4. Property List
- 5. Liquidation Analysis

I. Debtors' Plan

INTRODUCTION

A. Purpose of the Disclosure Statement

Stuart Robert Hansen and Mary Sue Hansen, (herein the "Debtors"), file this Disclosure Statement (the "Disclosure Statement") with the United States Bankruptcy Court for the District of Maryland, Baltimore Division, pursuant to 11 U.S.C. § 1125, in connection with her Plan of Reorganization and sample ballot, attached hereto as **Exhibit 1 and Exhibit 2 Respectively**, (the "Plan") and a Feasibility Statement, attached hereto as **Exhibit 3**. The purpose of this Disclosure Statement is to provide parties asserting claims against the Debtors with information regarding the treatment of their claims under the Debtors' proposed Plan. More particularly, this Disclosure Statement should provide parties whose claims or interests are impaired under the Plan with adequate information to make an informed and prudent judgment when voting on the Plan.

This Disclosure Statement also sets forth certain information regarding the Debtors' assets, pre-petition history, significant events that have occurred in this Chapter 11 case, and the anticipated organization and operation of the Debtors' business post-confirmation. This Disclosure Statement also describes the Plan, including certain

alternatives to the Plan, certain effects of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that holders of claims in impaired classes must follow for the votes to be counted.

This Disclosure Statement is not meant to take the place of the Plan. Creditors and interest holders are admonished to read the Plan carefully and to consult with independent legal counsel regarding the Plan.

B. Disclaimer.

All creditors are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan. Plan summaries and statements made in this Disclosure Statement are qualified in the entirety by reference to the Plan and other exhibits annexed to the Plan.

This Disclosure Statement has been prepared in accordance with 11 U.S.C. § 1125 and **F.R. Bankr. P. 3016(c)**, and not necessarily in accordance with federal or state securities law or other applicable law.

The information contained in this Disclosure Statement is included herein for purposes of soliciting acceptances of the Plan and may not be relied upon for any purpose other than to determine how to vote on the Plan.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in the Debtors' Chapter 11 case, and certain financial information. Although the Debtors believe that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Some factual information contained in this Disclosure Statement has been provided by the Debtors and the Debtors' agents, and employees, and the Debtors are unable to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or omission.

This Disclosure Statement shall not be construed as advice on the tax, securities, or other legal effects of the reorganization as to holders of claims against the Debtor-in-Possession. You should consult independent legal counsel or tax advisors on any questions or concerns respecting tax, securities, or other legal consequences of the Plan.

Certain information contained in this Disclosure Statement is, by its very nature, forward looking and contains estimates, assumptions, and projections that may be materially different from actual future results. Except as otherwise specifically and expressly stated herein this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement.

The financial information contained herein has not been audited by a certified public accountant and has not been prepared in accordance with generally accepted accounting principles. The source of the information contained in this disclosure statement is the Debtor.

C. Definitions.

The terms and definitions set forth in Article I of the Plan are also applicable to and are used in this Disclosure Statement unless expressly stated otherwise in this Disclosure Statement. You are therefore, urged to refer to the Plan when reviewing this Disclosure Statement.

D. Official Unsecured Creditors Committee.

A Creditors Committee has not been appointed in this case.

II. Voting and Confirmation Procedures

The Plan is the method by which the Debtors satisfy the claims of their creditors. Whether the Debtors implement the Plan depends upon the acceptance of creditors and Bankruptcy Court confirmation of the Plan.

A. Creditors Eligible to Vote.

The Disclosure Statement is being transmitted to certain holders of claims against the Debtor. The United States Bankruptcy Code (the "Code") provides that only those classes of creditors whose claims or interests are "impaired" under the Plan will be entitled to vote on acceptance or rejection of the Plan. Generally, and subject to the specific provisions of the 11 U.S.C. § 1124, a class is Impaired if its legal, equitable or contractual rights attaching to the claims of that class are modified by the Plan. Under the Debtor's Plan, unimpaired classes are deemed to have accepted the Plan pursuant to 11 U.S.C. § 1126 (f). Therefore, the Debtor-in-Possession is not required to solicit the votes of those unimpaired classes. In determining acceptances of the Plan, votes will be counted only if submitted by the holder of an Allowed Claim. Holders of Disputed Claims are not entitled to vote on the Plan unless they request, pursuant **F.R. Bankr. P. 3018(a)**, that the Court temporarily allows their claim in appropriate amounts solely for the purpose of enabling such holders to vote on the plan.

B. Notice to Certain Holders of Claims

THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MARYLAND HAS NOT YET APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE HOLDERS OF CLAIMS AGAINST THE DEBTORS TO MAKE AND INFORMED JUDGMENT WITH RESPECT TO ACCEPTANCE OR

REJECTION OF THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS IF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN.

ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR-IN-POSSESSION ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PLAN, CONSIDERATIONS PERTINENT TO ACCEPTANCE OR REJECTION OF THE PLAN, AND DEVELOPMENTS CONCERNING THE CHAPTER 11 CASE.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT, AND NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY INFORMATION CONCERNING THE DEBTORS OR ITS PLAN OTHER THAN THE INFORMATION CONTAINED HEREIN.

C. Solicitation Package .

Accompanying this Disclosure Statement are copies of :

1. the Plan;
2. the notice of, among other things, the time for submitting ballots to accept or reject the Plan, the date, time and place of the confirmation hearing for the plan, and the time for filing objections to confirmation of the Plan (the "Notice");
3. a ballot and return envelope to be used by you in voting to accept or reject the Plan;
4. a "Feasibility Statement" hereinafter referred to as **Exhibit 2**, that shows the Debtors' projected income through the life of the Plan, the Debtors' expenses, and the payments that would be made by the Plan if approved

**IF ANY OF THE AFOREMENTIONED ITEMS ARE MISSING,
PLEASE CONTACT THE UNDERSIGNED COUNSEL
IMMEDIATELY.**

D. Voting Procedures, Ballots and Voting Deadline.

After careful review of the Plan, this Disclosure Statement and the detailed instructions accompanying the attached ballot, please indicate your acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed ballot. Please complete and sign your original ballot (copies will not be accepted) and return it in the envelope provided.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR
BALLOT MUST BE PROPERLY COMPLETED IN ACCORDANCE
WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND
RECEIVED NOT LATER THAN THE _____ DAY
OF _____, 2016, BY THE UNDERSIGNED COUNSEL.

Daniel a. Staeven
Russack Associates, LLC
100 Severn Ave.
Suite 101
Annapolis, MD 21403

**BY ORDER OF THE BANKRUPTCY COURT, BALLOTS MUST BE RECEIVED ON OR
BEFORE _____, 2016**

E. Confirmation of the Plan.

1. Generally.

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of Chapter 11 of the United States Bankruptcy Code and that disclosures by the Proponents concerning the Plan have been adequate and have included information concerning all payments made or promised by the Debtor-in-Possession in connection with the Plan and determines that the Plan had been proposed in good faith and not any means forbidden by law. Pursuant to **F.R. Bankr. P. 3020(b)(2)**, the Court may do so without receiving evidence if no objection is timely filed.

In particular, the Code requires the Bankruptcy Court to find, among other things, that (1) the Plan has been accepted by the requisite votes of all classes of Impaired claims and interests (i.e., two thirds in dollar amount of allowed claims and greater than one-half in number of allowed claims voting in a class) unless approval will be sought under 11 U.S.C. § 1129 (b) in spite of the dissent of one or more such classes; (2) the Plan is feasible, which means that after confirmation, the Debtor-in-Possession will be able to perform its

obligations under the Plan and continue to operate without further financial reorganization or liquidation; and (3) the Plan is in the best interests of the holders of all claims or interests, which means that such holders will receive at least as such under the Plan as they would in a liquidation under Chapter 7 of the Code. The Bankruptcy Court must find that all conditions mentioned above are met before it can confirm the Plan. Thus, even if all classes of Impaired claims vote for the Plan, the Court must make an independent finding that the plan conforms to the Code requirements.

2. Confirmation Hearing

The court will authorize notice of a hearing on confirmation and the Debtors will send appropriate notice to all creditors.

3. Recommendation.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE GREATEST POSSIBLE RECOVERY TO ALL CREDITORS. THE DEBTOR-IN-POSSESSION BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS AND RECOMMENDS THAT ALL CREDITORS VOTE TO ACCEPT THE PLAN.

CREDITORS PLEASE NOTE

NO REPRESENTATIONS CONCERNING THE DEBTORS (PARTICULARLY AS TO THE VALUE OF THEIR ASSETS) ARE AUTHORIZED, OTHER THAN AS SET FORTH IN THIS STATEMENT. 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 DEBTORS' UNDERSIGNED COUNSEL.

THE INFORMATION CONTAINED IN THIS STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS KEPT BY THE DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

III. General Information

A. The History of the Debtor

The Debtors are husband and wife, who entered Bankruptcy by way of Voluntary

Petition under Chapter 7 filed on September 3, 2014, (“date of filing”). The general goal of the case while in Chapter 7 was to liquidate all non-exempt assets, pay as much debt as possible and discharge certain debts that the Debtors do not have assets to satisfy. The case remained pending in Chapter 7 through June of 2015, and since no assets had at that time yet been liquidated, the Debtors converted this case to one under Chapter 11 on June 29, 2015, (“date of conversion”). The deadline within which to file proofs of claims in this case was November 3, 2015.

The reasons for the Debtors’ financial deterioration, and those which caused them to file for Bankruptcy Relief, are compound. First, during the course of most of their lengthy marriage, Stuart Hansen, (“Debtor-Husband” or “Mr. Hansen”), was the primary wage earner, mostly either as an employee of his father’s paper business, as an employee/partner with his brother in a paper business, or as an owner/employee of his own paper business. Second, while Mr. Hansen enjoyed very high income over the course of his later life, that income came to an end with the failure in 2013 of the Hansen Paper Co., Inc., a paper brokerage operating in Pennsylvania by the Debtors as the sole stockholders. Third, during the final recent years of the operation of the Debtors’ paper brokerage, a significant portion of that business long term debt resulted in the Debtors granting personal guarantees, granting consensual liens, and ultimately, civil judgments on which execution commenced. Which executions finally precipitated this current bankruptcy case.

IV. Developments Prior and During Chapter 11

A. Summary of Significant Pre-Bankruptcy Events

In 1980 Debtor-Husband and his brother, in the state of Pennsylvania, sold their business Hansen-Young Co., and the two of them formed Hansen Paper Co., a general partnership that was a paper brokerage company. In 2001, Mr. Hansen’s brother died, the partnership known Hansen Paper Co. dissolved, and the Debtors formed Hansen Paper Co., Inc.,

During the period from 2001 to about the end of 2013, the Hansen Paper Co., Inc. and its predecessors, developed relationships with mostly local banking institutions. Over that period of time, Customers Bank came to own a significant amount of debt leveraged on Hansen Paper Co., Inc. A large portion, if not all, of that debt came to be personally guaranteed by the Debtors. And, all of that debt resulted in consensual or judgment liens on the Debtors’ home and the commercial property granted by the Debtors to Customers Bank, (or its predecessors). Pressure from Customers Bank, in large part, is the impetus for this case. Customers Bank has filed four claims in this case totaling \$715,987 in secured claims, (amounting to 28% of total undisputed, non-contingent secured claims filed), and \$858,061 in unsecured claims, (amounting to 95% of total undisputed, non-contingent unsecured claims).

Simultaneously, during the period after the brother's death, the Debtors together with Hansen Paper Co. were named defendants in a lawsuit filed by the brother's surviving widow, Roslyn Hansen. This lawsuit resulted in a judgment against the Debtors in the amount of \$1,000,000.00. That judgment caused significant further litigation, and ultimately it resulted in a forbearance payment agreement and consensual lien on the Debtors' home that was cross-collateralized with a significant portion of the Debtor's pre-petition property.

Between the time of the entry of Roslyn Hansen's judgment and the forbearance agreement described above, Debtor-Husband sought bankruptcy relief in the Eastern District of Pennsylvania at case number 11-10472. That case was dismissed for cause pursuant to 11 U.S.C. §707(a) for abuse. This judgment creditor, Roslyn Hansen, received significant secured debt payments between 2011 and the date of filing, most of which resulted from lump sum payments from life insurance proceeds, and net proceeds from the sale of collateral, and has filed one secured claim in this case totaling \$102,001.00 the remaining amount of the \$1,000,000.00 Judgment.

B. Summary of Post Petition Events

Between the date of filing and the date of conversion, the Debtors efforts were in large part consumed with two concerns. First, the Debtors concentrated on determining what assets were secured by which liens, and second, the Debtors' marketing and liquidation of their most significant asset being the Debtors' home. While the home was very valuable, (appraised value in excess of \$3 million), it was also subject to multiple cross-collateralized liens, and the Debtors understood that maximizing the highest and best sale value of the Debtors' home was critical to satisfying secured claims, and paying a fair distribution to unsecured claims. Because of the various consensual liens granted to Customers Bank, combined with the various judgment liens acquired by Customers Bank in two different jurisdictions, combined with the consensual liens granted to Roslyn Hansen, the Debtors were required to work through layers of liens that were cross collateralized on many pieces of property across various jurisdictions.

The Final result to the analysis of the lien structure on the Debtor's home, which was, Wells Fargo in 1st position, Roslyn Hansen in 2nd position and then Customers Bank was in 3rd, 4th, 5th... position. The further result of the Debtor's work here was to determine the final fair market value of the home versus the appraised value. After marketing the home for the better part of 3 years, the Debtor's realized two offers of \$1,800,000.00. The first offer to purchase the home fell through and the second offer to purchase the home consummated on October 14th of 2016. It should also be of note here that the Roslyn Hansen balance was paid in full by the Debtor's prior to the filing of this disclosure statement.

Moreover, as of the date of filing, the following factors contributed to the Debtors efforts in "re-valuing" the bankruptcy estate, the equity contained therein, and the level of secured debt:

(1) After the date of filing, the Debtors consented to, and Customers Bank completed, a foreclosure sale of the commercial property. This required a reduction in the Customers Bank debt, and a reduction and revaluation of property available to the Debtors for liquidation,

(2) After the date of filing, and after counsel from their attorneys, the Debtors determined that the best method of valuation of the Debtors personal property was by way of 3rd party appraisal. After consultation with Customers bank through their attorneys Alex Cooper Auctioneer, and the Debtors amended their property schedule to include the appraised values received. The attached list of Personal Property and its values are hereafter incorporated by reference as **EXHIBIT 4**.

During this same time, the Debtors worked with Realtors to establish prime marketing for their home including but not limited to traveling a five-hour round trip to meet with the Trustee's realtor so as to foster greater exposure of the Debtors' home to the market. The Debtors have during this time consented multiple times to the extension of time to object to discharge and to the dischargeability of certain debts.

Since the date of conversion, the Debtors continued their efforts to expose the Debtors' home to the market. This effort has now been coupled with efforts to sell the Debtors' personalty, which resulted in the sale of the Debtors' pleasure watercraft for \$40,000. This sale, approved by the Court, resulted in a distribution to Customers Bank in the amount of \$10,000, a distribution to Roslyn Hansen in the amount of \$30,000, and a stipulation that the Roslyn Hansen secured claim will be paid and fully resolved by May of 2016 by way of direct payments by the Debtors outside of the Plan.

Also during the time since the date of conversion, the Debtors have applied for and gained Court approval of the employment of Debtors' counsel, a new real estate broker, and a personal property auctioneer. The Debtors, either personally, or via counsel, have attended and participated in all required 341 meetings, IDIs, hearings, and examinations. Debtors have filed all necessary papers for this case, and have complied with all of the requirements of the U.S. Trustee, including those concerning the acquisition of Debtor-in-Possession bank accounts, the filing of monthly operating reports, and the payment of all necessary fees.

The following claims and portion of claims were either paid from settlement agreements and/or the liquidation of the Debtors real property or personal property:

Claim 19 Wells Fargo Paid the amount of \$1,591,603.01
Claim 6 Roslyn K. Hansen Settled the amount of \$102,000.58
Claim 11 Customers Bank Paid the amount of \$110,000.00

The following Claims were objected to and a Court order was issued sustaining the objection therefore eliminating the claim from the Debtor's case:

Claim 9 Lincoln Paper and Tissue the amount of \$1,834,425.40

C. Employment of Professionals

Pursuant to 11 U.S.C. § 327, the Debtors have engaged professionals to represent and assist her in her case. In particular, the Debtors have engaged the law firm of Russack Associates, LLC. An application to employ counsel was filed in this case. The Debtors estimated the total fees and expenses incurred to date, but which have not been applied for, plus the estimated fees and expenses through September 2016 or confirmation of the Plan to be approximately an additional \$66,304.77.

D. Settlement with Customers Bank

During the pendency of the case Customers Bank (the "Bank") prepared and sent to Debtor's counsel a lawsuit for NON-Discharability of all of Customers Banks Debts owed by the Debtors (the "Lawsuit"). Rather than engage in expensive litigation, which in the Debtor's opinion would have consumed all of the Debtor's remaining assets, the Debtor and the Bank determined to settle the claims of the bank proffered in the Lawsuit. To that end the parties have prepared for filing with the court a motion to compromise the controversy under Bankruptcy Rule 9019. The substance of the settlement is this. The Bank shall receive a NON-DISCHARGABLE claim against Stuart Hansen in the amount of \$350,000.00. The Hansen(s) will make monthly payments on this debt in the amount of \$1500.00. The payment of this debt is further guaranteed by Stuart Hansen's insurance policy of an amount not less than \$650,000.00. While there are further details of this settlement in the actual 9019 Motion, those above represent the important and salient facts to consider here. Finally, it is important to note that the Unsecured creditors class(x)B represents the settlement payments detailed here above.

V. Value of the Debtors' Assets, Liabilities and Financial Information

A. The Debtors' Assets

1. The Debtor's Home has been Liquidated prior to the Plan see Events After Filing, which paid a substantial portion of the Wells Fargo Claim and a large payment to Customers Bank as detailed above.

2. The Debtors' Commercial Property (SURRENDERED)

Debtor-wife, as of the date of filing, owned a commercial office building located at 13 East Central Avenue, Paoli, Chester County, Pennsylvania. She acquired the commercial property from the general partnership described above, known as the Hansen Paper Co. in December of 2008, and after that time, rented the commercial property to Hansen Paper Co., and after its dissolution then also

to Hansen Paper Co., Inc. As of the date of filing, this commercial property was surrendered in partial satisfaction of Claim number 13 filed by Customers Bank.

3. Motor Vehicles, Boats, and Other Personal Property

a. Truck

The Debtors own a 2011 GMC Sierra 1500 Extended Cab. The Debtor-Husband uses this vehicle in the operation of his current business. Its estimated fair market value based on a CarMax appraisal offer in the vehicles current fair condition is \$37,500.00. This vehicle is secured by a consensual lien and Customers Bank's judgment liens. The first lien holder is Ally Financial, which acquired its purchase money security interest in the vehicle on or about August 31, 2011, and which lien has a date of filing balance due in the amount of \$11,699, (Claim 18-1). The Customers Bank claim 13-1 is attached by way of judgment lien to this vehicle. The date of filing balance to that claim is \$1,098,147, and this claim is cross-collateralized with multiple of Debtors' other assets. Since the date of filing, the Debtors continue to service the PMSI lien of Ally by direct payments outside the Plan.

b. Car

The Debtors own a 2013 Subaru Outback. This vehicle is actually used by the Debtors' adult son who resides in Boise, Idaho. Its estimated fair market value based on a dealer book out sheet appraisal based on the vehicle's current fair condition is \$18,105.00. This vehicle is secured by a consensual lien PMSI to Chase Bank, which acquired its purchase money security interest in the vehicle on or about October 22, 2012, and which lien has a date of filing balance due in the amount of \$14,656.42. Since the date of filing, the Debtors Son now continues to service the PMSI lien of Chase by direct payments outside the Plan.

c. Leased Car

The Debtor-Wife uses a 2014 BMW 328 XDT, which is not owned by either Debtor, but which is the subject of a motor vehicle lease to BMW Financial Services NA, LLC, (Claim 1-1). Per that claim, the value of the vehicle at the time of lease was \$51,149, and the total of lease payments remaining in the term of the lease, through June 27, 2017, was as of the date of filing \$16,009, and the lease-end buyout is expected to be \$13,294. The Debtors do not intend to buy-out this leased vehicle at the end of the lease, and therefore, the Debtors do not believe liquidation of this vehicle is likely to produce net proceeds

to benefit the estate and execution of the Plan.

d. Pleasure Watercraft (LIQUIDATED PRIOR TO PLAN)

This boat and its trailer have been already sold for \$40,000, by way of a sale approved by this Court, (and the proceeds therefrom already distributed as approved by this Court as described above in Events after Filing).

5. Personal Property and Household Goods

The Debtors own many and various household goods, furniture, furnishings, clothing, collections, As such, the Debtors employed, an expert auctioneer who prepared a Market value appraisal in the amount of approximately \$44,230.0 (this total does not reflect any vehicles, boats or property that was sold pre plan) The Debtors have currently liquidated approximately \$4,150.00 and after applicable exemptions estimate that a further liquidation of the remaining property will bring approximately \$11,185.00.

Some of these items are secured by a consensual lien and most all of these items are also secured by the Customers Bank's judgment liens. The first lienholder was Roslyn Hansen, has been satisfied. The Customers Bank claim 13-1 is attached by way of judgment lien to most of these items. The date of filing balance to that claim is \$1,098,147, and this claim is cross-collateralized with multiple of Debtors' other assets. Since the Customers Bank's claim 13-1 will be downwardly adjusted for credits already had, and further given that liquidation of other assets will also credit Customers Bank's claim 13-1, the Debtors believe liquidation of these various items is likely to produce net proceeds to benefit the estate and execution of the Plan.

6. Interest in Insurance Policies

Mrs. Hansen owns two term and one whole-life insurance policies. Upon belief, none of these policies have a cash sale or surrender value. As such, these assets are worthless, and will not likely produce net proceeds to benefit the estate and the execution of the Plan.

7. Regular Cash, Cash Accounts, and Security Deposits

On the date of filing, the Debtors owned cash on hand and cash in traditional and HAS bank accounts located at Deutsche Bank, Centreville National Bank, (n/k/a 1800 Bank), Bankcorp Bank, Wells Fargo Bank, all having a combined value of \$2,929. All cash accounts are now in the nature of Debtor-in-Possession accounts held at Wells Fargo. Additionally, The Debtors owned a security deposit held by BMW Financial relative to the above-referenced auto lease. Neither of these

assets will likely produce net proceeds to benefit the estate and the execution of the Plan, except that the Debtors-in-Possession bank accounts will ultimately be used for the purposes of distributions under the Plan having gained in value post-petition due to net revenues and liquidation of estate assets. The security deposit is likely to be consumed at the point where the Debtors fail to buyout the lease-end.

8. Business Interests

a. Hansen Paper Co., Inc. – As of the date of filing Hansen Paper is and was a non operating entity with no value.

b) Crossbow Trading, LTD. – The Debtors own, as tenants-by-the-entirety, 100% of stock in this company which brokers the sale of bulk paper supplies to paper manufacturers. As of the date of filing, this company had a liquidation value of \$28. That said Stuart Hansen continues his work as a representative of the paper companies and makes a commission by and through this entity. These commissions have and do AVERAGE a distribution to the Debtor's of \$10,000.00 each month and in accordance with the provisions of the bankruptcy code section 1129, the Debtor is contributing these funds to the chapter 11 case to pay his creditors.

9. Exempt Assets:

- a. Retirement Accounts with “as of the date of filing” balances of \$267,622.00 and \$88,523.00
- b. Personal Property in the amount of \$22,950.00
- c. Exercise Equipment Medical Need in the amount of @ \$2,250.0
- d. Property Held for another. \$7,700.00

As a general proposition, all personal property of the Debtors is secured by the Internal Revenue Services tax lien until the taxes are paid.

IN NOT DESCRIBING ANY POTENTIAL CAUSE OF ACTION HEREIN, THE DEBTORS DO NOT IN ANY WAY INTEND TO INDICATE THAT ANY CAUSE OF ACTION DOES NOT EXIST, AND THE FAILURE TO INCLUDE ANY DESCRIPTION OF A SPECIFIC CAUSE OF ACTION, INCLUDING ANY SPECIFIC AVOIDANCE ACTION, IN THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSIDERED AS AN ADMISSION OR ACKNOWLEDGMENT BY THE DEBTORS THAT ANY CAUSE OF ACTION DOES NOT EXIST. THE DEBTORS' INVESTIGATIONS OF POTENTIAL CAUSES OF ACTION IS NOT COMPLETED, AND EXCEPT AS EXPRESSLY PROVIDED IN THE PLAN, ALL SUCH CAUSES OF ACTION, INCLUDING THOSE WHICH ARISE BY VIRTUE OF CHAPTER 5 OF THE CODE, WILL VEST IN THE DEBTORS AND MAY BE PROSECUTED BY THE DEBTORS AFTER CONFIRMATION OF THE PLAN, SUBJECT TO PROVISIONS FOR DISTRIBUTION TO CREDITORS. NO CREDITOR OR INTEREST HOLDER SHOULD VOTE TO

ACCEPT THE PLAN BASED UPON THE DEBTORS' FAILURE TO DESCRIBE OR ASSERT ANY CAUSE OF ACTION NOT OTHERWISE DISCLOSED HEREIN. IN ADDITION, THE DEBTORS WILL CONTINUE TO HAVE THE AUTHORITY TO OBJECT TO THE ALLOWANCE OF CLAIMS.

B. Debtors' Liabilities

1. Administrative Expenses.

The Debtors have incurred and will continue to incur liability for professional fees and expenses in connection with these Chapter 11 cases. The Debtors estimate that as of the Effective Date, Debtors will have unpaid administrative liability of approximately \$66,304.77 in attorney fees. These are estimated only and will change if there are issues with creditors requiring additional work by Debtors professionals and future fees and expenses of professionals in this Chapter 11 Case

2. U.S. Trustee Fees.

The Debtors have incurred and continues to incur liability for fees due and owing to the United States Trustee under 28 U.S.C. § 1930 in connection with this Chapter 11 case. It is estimated with the sale of real property the Debtors will owe approximately \$6,500.00 in U.S. Trustee Fees.

3. Secured Claims.

As of the date of filing this Disclosure statement the only secured claims remaining are the following:

- a. JP Morgan Chase Bank, N.A. in the amount of \$14,656.00 – secured via consensual lien on Debtors' 2013 Subaru Outback (See, Claim 17-1 of the Claims Register);
- b. Ally Financial in the amount of \$11,698 – secured vial consensual lien on the Debtors' 2011 GMC Sierra 1500 Extended Cab, (See, Claim 18-1 of the Claims Register); and,

4. Priority Unsecured Claims:

As of this filing this Disclosure Statement, there are no Priority Unsecured claims filed arising out of prepetition tax obligations, and the Debtors anticipate none. Should there be any other claims entitled to priority under § 507 of the Code, they will have arisen post-petition and cannot be disclosed herein since they have not yet come to light if any exist. NOTE that all liquidations of realty or personalty pursuant to the Plan shall be exempt from certain priority tax obligations pursuant to 11 U.S.C. § 1146(a).

5. Secured Claims converted to Unsecured Claims:

The Debtors estimate that that the following claim amounts will be converted to unsecured debt that will be dealt with in class 3C of the plan:

- a. Claim 11 Customers Bank \$300,650.89
- b. Claim 12 Customers Bank \$71,080.94
- c. Claim 13 Customers Bank \$751,273.37
- d. Claim 19 Wells Fargo \$111,793.05

6. General Unsecured Claims:

The Debtors estimate that the total unsecured claims in this case are approximately \$1,284,170.42 or the amount of the under-secured amounts shown above. The General unsecured will be dealt with in Class 3 A, B, and C of this Disclosure statement.

V. Treatment of Administrative Claims, U.S. Trustee Fees and Unclassified Tax Claims

Allowed Administrative Claims consist, *inter alia*, of claims that are allowed pursuant to 11 U.S.C. § 503(b) and entitled to priority under 11 U.S.C. § 507(a)(1). Pursuant to the Plan, each holder of an allowed Administrative Claim shall be paid in full; (i) in cash, on the Effective date or as soon as possible thereafter; or (ii) upon such other terms as may be agreed upon by the Debtors and the holder of such allowed claim. Any fees due and owing to the United States Trustee under 28 U.S.C. § 1930 shall be paid in full on the later of the Effective Date or the date by which such fees are due.

The Plan provides that all tax claims entitled to a priority under 11 U.S.C. § 507(a)(8) will be paid in full on the Effective Date or paid over a period not exceeding six years after the date of assessment of such Allowed Priority Tax Claim, with the total of the deferred payments having a value equal to the amount of the Allowed Priority Tax Claim plus interest from the Effective Date at the Adjusted Federal Rate.

VII. Liquidation Analysis

Please see attached Exhibit A.

The Debtor's asset in Real property is now liquidated. It is the Debtors intention

that all personal property NOT otherwise exempt will be sent to auction. The Debtor believes that the amounts realized from that sale will be equal to or less than the Debtor's allowed administrative fees.

In a chapter 7 liquidation Secured priority lien holders would realize the only benefit of the liquidation, while Secured 2nd priority lien holders would receive all remaining funds leaving no proceeds to distribute to the unsecured and contributing to the unsecured with any remaining deficiencies on the under secured liens.

Upon confirmation of this Chapter 11 Plan, Original General unsecured creditors in Class3A will be paid .25 cents on the dollar or approximately \$12,000.00 and in Class 3B an additional \$350,000.00 will be paid through monthly payments both during and after the conclusion of the plan as a non-dischargeable debt. Finally Class 3C creditors, consisting mostly of converted secured claims to unsecured claims will not receive any distribution.

The Debtor's have conducted this liquidation them selves effectively reducing the administrative burden of the estate by a total of all potential chapter 7 trustee fees which in a chapter 7 case would have had to been paid. Those fees would have exceeded \$100,000.00. Therefore the creditors in this chapter 11 are enhanced by at least that much over a case in chapter 7. Finally, in this Chapter 11 the Debtor's are contributing all of their disposable income on a monthly basis to further enhance the return to the creditors.

The Debtors believe that their creditors will receive more if the Plan is confirmed than if the Debtors' case was to be converted to one under Chapter 7 of the Code. Should this case be converted to one under Chapter 7, there would be no distribution as the Debtors would received a complete discharge of all their debts save any claims deemed non-dischargeable, yet still including all of the deficient amounts owned to secured creditors on the real property. Therefore a conversion to chapter 7 would net "0" to all originally unsecured creditors and increase the amount of unsecured debt with deficient secured claims.

VIII. Summary of the Debtors' Plan

The following summary of the Plan (which is attached hereto as Exhibit 1) proposed by the Debtors are intended to provide holders of claims and Interests with a description of the basic payment and other provisions of the Plan. An informed judgment about the Plan cannot be made without reading and understanding the entire Plan, a copy of which is attached hereto as *Exhibit 1*. To the Extent of any conflict between the terms of this Summary and the terms of the Plan, the terms of the Plan shall control. The Plan, if the Court confirms it will be a legally binding agreement upon all holders of Claims and Interests. The "Effective Date" of the plan is defined as the thirtieth (30th) day after the date in which the

Confirmation Order becomes a Final Order, or if an appeal from the Confirmation Order is timely filed, the Effective Date is the sixtieth (60th) business day on which the implementation of the Plan has not been stayed pending appeal. The Debtor' estimates that assuming there is no stay of the Confirmation Order, the Plan will take effect approximately thirty (30) days after the Confirmation Date.

As described more fully below, the Plan designates the various Classes as "Impaired" or "Unimpaired" Claims. The treatment provided for Allowed Claims under the Plan is in full settlement and, satisfaction of all Administrative and Priority claims, a pro rata settlement of General Unsecured Impaired claims and secured claims determined to be General Unsecured Impaired Claims through lien strips, and discharge of all such claims. Pursuant to Section 1147 Debtors will request a discharge if payments already made are more than the liquidation valuation determined to be received in a Chapter 7.

Generally in this case, the Debtors' source of funds for the payment of plan creditors will be monthly income from Debtor Husbands Business Cross Bow and the Debtors Social Security income. There are not otherwise, with the minor exception of approximately an \$63,606.00 liquidation of valuable assets that the Debtors will apply to pay their creditors any further funds available.

IX. Classification and Treatment of Claims and Interests

As outlined in the Claims analyses attached hereto and incorporated within as Exhibit B, the Plan provides for the division of Claims and Interests into three (3) classes

PRIORITY CLAIMS

CLASS 1 - Allowed Priority Claims (Non-Tax). Class 1 consists of all Allowed Claims against the Debtors that are entitled to priority under § 507 of the Bankruptcy Code *other than* 11 U.S.C. § 507(a)(1) administrative claims and § 507(a)(8) unsecured tax claims.

Such claims will be paid in full under the Plan on the Effective Date of the Plan or upon such terms as the holder of such claim and the Debtors may agree. These claims may consist of an estimated \$6,500.00 in trustee expenses, and \$66,304.77 in administrative expenses, which will be paid through liquidation of assets. *This class is unimpaired by the Plan.*

CLASS 2 -Pay in Normal Course.

1. Claim 1 BMW Financial Car lease in the amount of \$16,008.96 (as of filing)
2. Claim 17 JP Morgan Chase in the amount of \$14,656.42 (as of filing)
3. Claim 18 Ally Financial in the amount of \$11,698.40 (as of filing)

In complete satisfaction and discharge Debtors will pay 100% of these claims in the normal course under the plan.

This class IS NOT impaired by the Plan, and therefore this class may NOT vote on the plan.

CLASS 3, 4, and 5 –Unsecured Debt As of this filing, the total Unsecured Debt is \$1,234,798.25 This will be dealt with in the following 3 classes.

Class 3 – 9019 Court Approved Compromise with Customers Bank

Under the settlement with Customers Bank the Debtor will pay to Customers on a monthly basis \$1500.00 toward the non-dischargeable debt of \$350,000.00, which represents only approximately 25 - 30% of the total Customers Bank Debt. This \$350,000.00 shall reduce the total debt owed to Customers bank and the remainder of that debt shall be considered a Class 5 Debt under this plan.

In complete satisfaction the Debtors will pay 100% of this claim in the normal course under the plan and thereafter until paid under the terms of the court ordered settlement.

This class IS impaired by the Plan, and therefore this class may vote on the plan.

Class 4 – General Unsecured Consumer Debts

The following General unsecured consumer creditors will be paid .25 cents on the dollar through payments from the Debtor's discretionary income.

- a) A.S. Turner and Sons in the amount of \$5,870.00, (See, Claim 2-1 of the Claims Register);
- b) Bank of America, N.A. in the amount of \$12,358.00, (See, Claim 3-1 of the Claims Register);
- c) Capital One Bank (USA), N.A. in the amount of \$17,067.00, (See, Claim 4-1 of the Claims Register);
- d) Comenity Bank in the amount of \$1,453.00, (See, Claim 5-1 of the Claims Register);
- e) American Express Bank, FSB in the amount of \$1,603.00, (See, Claim 7-1 of the Claims Register);
- f) American Express Bank, FSB in the amount of \$438.00, (See, Claim 8-1 of the Claims Register);

- g) Capital One, N.A. in the amount of \$3,785.00, (See, Claim 10-1 of the Claims Register);
- h) Customers Bank in the amount of \$4,169.00, (See, Claim 14-1 of the Claims Register);
- i) American Express Bank, FSB in the amount of \$1,942.00, (See, Claim 16-1 of the Claims Register);
- j) Wells Fargo Bank, N.A. in the amount of \$124.00, (See, Claim 20-1 of the Claims Register); and,
- k) Wells Fargo Bank, N.A. in the amount of \$125.00, (See, Claim 21-1 of the Claims Register).

In complete satisfaction and discharge Debtors will pay 25% of these claims in the normal course under the plan.

This class IS impaired by the Plan, and therefore this class may vote on the plan.

Class 5 – General Unsecured Debts as Converted from Secured Debts

Claim 12 Customers remaining balance after sale of assets \$71,080.04
Claim 13 Customers remaining balance after sale of assets \$751,273.37
Claim 19 Wells Fargo remaining balance after sale of assets \$111,793.05

These claims will not be paid in the plan and will be included in the discharge at the completion of the plan.

This class IS impaired by the Plan, and therefore this class may vote on the plan.

X. Means for Execution of the Plan

A. Sale of assets

The Debtors anticipate that there will be proceeds from the sale of their personal property. Further they believe that the sale of these assets will only pay the Administrative assets of the case classified under Class 1. To the extent that there are proceeds from the sale of assets in excess of the Class 1 administrative expenses, the Debtors will place those funds with the Plan Agent, as identified in the Plan and shall add those funds to any other funds paid to the Plan Agent for distribution in accordance with the claim classes in the Plan.

B. Other Provisions of the Plan

The Debtor's have no other funds to pay their plan payments other than their monthly incomes derived from 1 his and her social security payments. While social

security payments are otherwise not available to pay creditor debts, the Debtors have consented under the plan to committing those payments to the creditors and their expenses. Additionally, the Debtors will contribute their income from Cross Bow Trading. This income averages approximately \$10,000.00 per month. The Feasibility study below demonstrates that these two sources of income can fully satisfy payment of the Debtor's expenses and the plan payments as outlined above allowing the Debtor's to satisfy their plan.

C. Feasibility Study

Income and Feasibility

Hansen

Income Source	Current
Avg Income from Cross Bow Business	\$10,000.00
Social Security Stuart	\$2,455.30
Social Security Mary	\$1,040.30
	\$13,495.60

Expenses	Current
Rent	\$3,000.00
Taxes	\$3,500.00
Utilities	\$700.00
Cell Internet	\$500.00
Maintenance	\$100.00
Food	\$550.00
Laundry/Clothes	\$75.00
Personal Care Products	\$200.00
Medical and Dental	\$479.00
Transportation gas maintenance	\$375.00
Entertainment	\$130.00
Charitable Contributions	\$20.00
Insurance payments	\$554.33
Health Insurance	\$558.00
Vehicle Insurance	\$324.20
Car Pmts	\$485.12
Pet Care	\$100.00
Trustee	\$144.00
Total Monthly Expenses	\$11,794.65

		\$1,700.95
		Monthly
Discretionary Money		\$1,700.95
	Quarterly pmt	
		\$5,102.85
# Qtly Pmts	Total Distribution	
20		\$102,057.00

XI. Alternatives To The Plan

The Debtors believe the Plan as detailed herein and in the Debtor’s EXHIBIT 1 is fair and equitable to the creditors. That said if the Plan as submitted here is not approved, the Debtor will still be able to make certain payments to its creditors, however the Debtor fully expects that it will be embroiled in litigation with Customers Bank and that until that is finished there would be no funds to pay any other creditors.

The Debtor does not believe given its income that it is possible to convert this case to one in chapter 7.

XII. The Absolute Priority Rule

Under the bankruptcy code, Section 1129 (b)(2)(B)(ii), a Debtors cannot keep any property under a plan without the Plan creditors agreeing to the plan or the senior creditors are paid in full. While this explanation is paraphrasing the rule, it is the essential information the rule imparts.

This information is being included in this disclosure statement because it is important to understand the impact of voting “NO” to the plan will have. A No vote to this plan will potentially cause this plan to fail to be confirmed and as such payment under this plan will not be made. The reason is that only through the confirmation of this plan will the Debtors be able to retain her Real Property listed herein. Avoid unnecessary litigation and the attendant cost therein.

The Customers Bank litigation is and was the driving factor in entering into bankruptcy. Were the creditors to vote No or fail to agree with the Debtors’ proposed claim treatment herein, then the Debtors will not have another recourse under the bankruptcy code to confirm the Plan. Without alternative recourse under the code to confirm the Plan the Debtors will be forced to abandon the process and either convert the case to one under Chapter 7 or more likely the Debtors or the court would dismiss this case.

If the case is either converted or dismissed due to the Debtors' inability to convince the creditors of the Plans value to them, the unsecured creditors will have no other option available other than to sue the Debtor's and of course Customers Bank will stand in front of all other creditors as to the Debtors property. This is the last thing the Debtors would like to see happen, however it is inevitable where the Debtors fail to convince you, the creditors of the value in voting yes and assisting the Debtors with confirming the Plan.

X. Voting and Confirmation of the Plan

The Debtors urge all holders of Claims and Interests to cooperate in the confirmation and implementation of the Plan by casting and returning a ballot accepting the Plan. Under the Bankruptcy Code, one of the requirements for confirmation of the Plan is that each class of Claims and Interests that is impaired must accept the Plan. Class 5 is impaired under the Plan and, accordingly, must accept the Plan in order for the Plan to be confirmed without the Debtors resorting to the "cram down" provision of the Code, described below.

The Bankruptcy Code provides that a class of Claims has accepted the Plan if it is 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 actually votes on the Plan. The Bankruptcy Code further provides that a class of Interests has accepted the Plan if it is accepted by the holders of at least two-thirds in an amount of the allowed Interests of such class that actually vote on the Plan. If all the requirements for confirmation of the Plan are satisfied, other than the acceptance of the Plan by a particular Class, the Court may, upon the Debtors' request, nevertheless confirm the Plan if the Court finds that with respect to that Class the Plan does not discriminate unfairly and is fair and equitable within the meaning of the Bankruptcy Code. This is commonly called "cramming down" a Plan. If any class rejects the Plan, the Debtors will seek to confirm the Plan pursuant to the "cram down" method provided by the Bankruptcy Code. The treatment afforded creditors in each class in the event of a "cram down" will be the same as indicated herein. If the Debtors are required to confirm the Plan pursuant to the "cram down" method, the confirmation will likely involve complex litigation that will likely, regardless of the outcome, result in higher administrative expenses incurred by the estate.

The Bankruptcy Code provides that a class of Claims that is not impaired is conclusively presumed to have accepted the Plan, and that solicitation of acceptances from the holders of Claims in such Classes is not required. Classes 1, 2, 3 are not impaired under the Plan, and accordingly the acceptance of the holders of such Claims will not be solicited. A holder of a Claim or Interest who wishes to vote on acceptance of the Plan must file, within the time prescribed by the Court, an official ballot in the form accompanying this Disclosure Statement. A ballot is filed by returning it by mail, hand delivery or facsimile transmission to the attorney for

the Debtors at the following address:

Daniel A. Staeven
Russack Associates, LLC
100 Severn Ave.
Suite 101
Annapolis, MD 21403

**BY ORDER OF THE BANKRUPTCY COURT, BALLOTS MUST BE RECEIVED ON OR
BEFORE _____, 2016**

Date: October 15th, 2016

/s/ Daniel A. Staeven .
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