

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW HAMPSHIRE

In re:	}	
	}	
Mark Stevens and	}	Chapter 11
Mary Kathleen Stevens	}	Case No. 16-10138-BAH
Debtors	}	
	}	

**DISCLOSURE STATEMENT DATED AUGUST 26, 2016**

This Disclosure Statement is presented by Mark and Mary Kathleen Stevens (hereinafter debtors-in-possession or debtors). Debtors filed a Chapter 11 petition for protection in bankruptcy on February 4, 2016.

**I. Preliminary Statement**

Debtors submit this Disclosure Statement to all of their creditors in order to comply with the provisions of the Code requiring the submission of information necessary for creditors to arrive at an informed decision in exercising their rights to vote for acceptance or rejection of the Chapter 11 Plan, which is being filed contemporaneously with the filing of this Disclosure Statement.

**A. Background**

Mark and Mary Kathleen Stevens, husband and wife, reside in Hampstead, New Hampshire with their children, two sons, ages 15 and 13. Mr. Stevens is the sole provider for his family. Mark Stevens operates a law office as a sole proprietor located in rented space at 5 Manor Parkway, Salem, New Hampshire.

The filing of the Chapter 11 case was necessitated by delinquent tax debt owed to the Internal Revenue Service and delinquent mortgage debt owed to the first and second mortgages on their home in Hampstead, New Hampshire. The delinquent tax problems were chronic and of long-standing. And occasioned, in part, due to the disability of their son. His congenital health problems led to Mrs. Stevens leaving a lucrative position as a bank Vice President so she could provide full-time care. These tax issues were not resolved, but had stabilized into an uncollectible status, until the sudden death of their 21-year-old son, on April 4, 2015, of a heart abnormality. This latter event caused the previous tax issues and burgeoning mortgage delinquencies to spiral out of control, and ultimately lead to the filing of this bankruptcy.

Mark Stevens was born in Lynn, Massachusetts in 1961. He attended the Lynn public school system through graduation from Lynn English High School in 1979. His parents were married until his father's death in 2006. His mother lives in Massachusetts. He has two younger siblings, and his parents both worked full time. His mother worked as a dental assistant. His father left a college basketball scholarship at Boston University, after his second year, because he had to work to support Mark's paternal grandmother and aunt. His father passed away when Mark's father was 9 years old. Mark's father worked at the General Electric plant in Lynn and earned a degree from Northeastern at night.

After Mark's graduation from high school, he attended the University of New Hampshire on a football scholarship. He graduated UNH in 1983 with a degree in Political Science, and a minor in Latin American studies. He stayed at UNH for one additional semester after graduation, as he had one additional season of football eligibility due to a medical redshirt season in his senior year. He was medically redshirted due to having repeated concussions in his junior and senior years.

During the summers while in college, Mark worked at the Raytheon factory in Andover, doing various assembly line jobs in IBEW Local 1505. He became friendly with a recruiter who hired people to work in remote overseas locations. After Mark left UNH, he took a contract assignment for 18 months in Saudi Arabia, where he worked on a project involving an upgrade to Saudi Arabia's radar and ground-to air missile systems. When that project was completed, he signed another contract to remain working in Saudi Arabia. During that time, he became responsible for personnel, security, and government relations with Saudi Arabian government officials. At this point, he was married for the first time, and had two children.

When a job opened with the parent company in Andover, Mass, he relocated to the United States. Shortly before the first Gulf War, he was asked to return to the Middle East, based on his previous experience and skills in reading and writing Arabic. He accepted a job to return to Saudi Arabia in a role that was similar to his last job there. He helped develop emergency evacuation plans for non-essential personnel, camp security enhancements at various locations, and helped coordinate an evacuation, immediately before the war started. During that time, his wife and children were evacuated. Some months after that, his wife began separation proceedings and moved to Rhode Island with his children.

After the Iraqi's withdrew from Kuwait, Mark was assigned for temporary duty in Kuwait, as most American employees there had been evacuated (two had been captured and were held as "human shields" in Iraq). After recovering documents and setting up an office in Kuwait (the original company office there had sustained damage during the war from aircraft fire), Mark returned to Saudi Arabia and finished his first assignment.

Upon returning to the United States, Mark had four job opportunities, but four were far away from his children (Nevada, Connecticut near New York City, Tennessee, and Alabama), so he took a job in Massachusetts. He worked there for about two years before deciding to go to law school.

After getting divorced, Mark attempted to get custody of both children because of concerns about their living situation with his ex-wife, but the court allowed her to retain custody. When his ex-wife decided to move to California, Mark's son refused to join her, and moved in with Mark before his freshman year in high school. Mark made an agreement with his ex-wife to pay child support for both children if she let their son live with him. His son graduated from high school, then magna cum laude from UNH, and is finishing a master's program at Harvard where he works. Mark's daughter lives with her mother on the West coast, and unfortunately has suffered through a lengthy history of drug related problems and arrests.

Mark married Mary Kathleen in April of 1994. Mary Kathleen Stevens was born in Mississippi and attended the University of Georgia. Her father was involved in the oil industry and the family moved overseas, during her childhood. In 1994, Mark and Mary Kathleen lived in Hampstead, New Hampshire with her two children from a first marriage, DS and PS. Mark adopted them as his own, due to the lack of their father's involvement. In 1995, Mark was accepted to law school. He knew the only way he could afford a law school degree was to continue to work full-time, and he did this for three and one-half years. His hours at Raytheon were not as flexible as he needed, so he found other employment as an employment recruiter. Mary Kathleen continued working in the banking industry. Mark graduated from law school in 1998 and passed the New Hampshire bar in 1999. He began his own practice in June 2000.

## **B. Causes of Bankruptcy**

Mary Kathleen's employment eventually led to a position as vice president of a bank. Mark and Mary Kathleen had their first child in 2000 when their son ("MS") was born. MS was born healthy and is a high school football and lacrosse player, entering his sophomore year. MS has an IEP at school for ADHD, which was diagnosed when he was in the first grade. In 2002, Mark and Mary Kathleen had their second child together, a son ("JS"). Within a few months of his birth, it became apparent to the pediatrician that he was not developing normally. This led to a referral to pediatric neurologists at Mass General. His initial diagnosis was van der Knaap disease, and his parents were told that he may not live for more than a year. They brought JS to specialists at Mass General and John Hopkins in Baltimore. Eventually, JS's diagnosis was changed to a rare leukodystrophy. His disease has no name as there are only 8 identified patients, world-wide, with this disease, and it is believed debtors' son is the oldest. Leukodystrophies are a group of rare, progressive, metabolic genetic diseases that affect the brain, spinal cord, and other the peripheral nerves. Each type of leukodystrophy is caused by a specific gene abnormality that leads to abnormal development or destruction of the white matter (myelin sheath) of the brain. JS is non-ambulatory and non-verbal. He graduated 8<sup>th</sup> grade and he is entering Pinkerton Academy this Fall. JS requires twenty-four hour care and receives weekly physical therapy from Easter Seals in Salem.

When JS's physical problems first manifested themselves, his mother left employment as a bank vice president so she could care for him on a full-time basis. It is probably not a coincidence that the debtors' tax problems began shortly after Mrs. Stevens left work. After JS began attending school, Mary Kathleen started working in Mark's law practice until JS got home from school. Mark hired an accountant early in his practice who provided some unsound and faulty IRS filings, causing a large tax assessment once the error was corrected. This led to an unfortunate cycle where debtors were never able to catch up with their tax liabilities because they couldn't repay the old ones while staying current with the new ones. The hole had just become too deep. For a time, the IRS deemed the unpaid tax to be uncollectible, as long as Mark did not incur a further tax liability. Mary Kathleen has been told, on more than one occasion, that they should consider admitting JS to an institution. They have refused to do so, and strive to maintain the quality of his life, as best they can.

This state of affairs continued until April 4, 2015, when another disaster struck their household. PS, age 21, a former football player who was a junior at Plymouth State, was back at home in April. Mary Kathleen went to wake him up for work, but found him in bed unresponsive. Mark tried to revive him with CPR, however, to no avail. PS had passed away of an undetected heart ailment. This had devastating consequences for the debtors' household, as it would in any family sustaining the loss of someone who was so vital and healthy only the day before. For the sake of privacy, debtors will not elaborate on the crushing impact this has had on their lives, but those consequences continue to this day. Suffice it to say, Mary Kathleen's care for their son, JS, along with the continued trauma of dealing with PS's death, has limited her ability to help Mr. Stevens in his practice. Debtors are survivors, and they remain optimistic regarding their ability to overcome the challenges before them, however, this had a drastic effect on their income in 2015.

Even with all that happened in 2015, Mark's law practice grossed \$365,549 in 2015. In 2014, his law practice grossed \$415,000.

### **C. Debtors' Current Financial Condition**

Mark Stevens is a criminal defense attorney who specializes in DWI cases. He has taught CLEs on this subject on many occasions. He has written legal treatises on the legal nuances of DWI law. Mark also volunteers his time each year at the New Hampshire Police Academy to train police officers in Field Sobriety Testing, and with local police departments to help with their court room testimony and report writing. There is no higher praise for an attorney than being regarded as a resource for solid information by your opponents. His well-deserved reputation continues to lead many clients to his door. That is not expected to change, although, as in any business, income varies each month. Viewing his income over the long-term is a more accurate portrayal of his ability to repay the debt required by his chapter 11 plan.

Mark is a solo practitioner operating as a sole proprietorship. He leases a non-residential space of approximately 1000 square feet on the first floor of 5 Manor Parkway, Salem, NH. His office has been located there since June 12, 2000. The Law Office of Mark Stevens has an oral tenancy at will with Niacom Properties, LLC, 5 Manor Parkway, Salem, NH. A tenancy at will provides a tenant the right to occupy the premises on a month-to-month basis, with the tenancy cancelable by either party upon thirty (30) days' notice.

Criminal defense work is a cyclical business, and the busiest time of the year is in the summer. Mary Kathleen is not able to work as many hours at this practice, as she used to, because of her involvement in the care of their son, JS, and the trauma she suffers due to the death of PS. In late 2015, Mr. Stevens hired Robert Consaga, a CPA, (hereinafter, CPA Consaga) to assist with tax filings and to help in organize the financial aspects of his practice. CPA Consaga's assistance helps Mr. Stevens to spend less time on administrative tasks, and he now spends more time on client contacts and court hearings. CPA Consaga has created Quickbooks files for this law practice, with data from 2015 to present. This makes financial transactions, for the first time, more accessible and transparent. Since filing the bankruptcy on February 4, 2016, Mark has made post-petition quarterly tax payments of approximately \$16,000, and he continues to make timely post-petition mortgage payments for both the first and the second mortgages. Now that debtors have begun to restore some equilibrium to their lives, after the tragic death of their son, it is reasonable to assume Mark will return to the previous levels of gross income that his practice enjoyed prior to 2015.

The attached report from CPA Consaga projects that Mark's law practice will generate sufficient net income to support a plan payment. The debtors' necessary living expenses come to \$4,578 per month. This is based on a projection of income and expenses from September 2016 through August 2017. These figures are derived from CPA Consaga's familiarity with the deposits and withdrawals for both the business and personal accounts of the debtors. It is likewise based on historical income demonstrated in prior tax years, as well as Mark's expressed intent to devote more resources to an increased digital marketing effort. The income of prior years, in part, was derived from such efforts. There will usually be differences between forecasted and actual results because events and circumstances are not entirely predictable, however, CPA Consaga believes the forecast attached as an exhibit, is reasonable based on all of the information before him. **See attached Exhibit A.**

## II. Summary of Plan and Code Provisions for Voting

### A. Repayment of Creditors

The Plan provides for payment of administrative expenses, priority claims, and secured creditors, in full, either in cash or in deferred cash payments, and provides for a payments to unsecured creditors in an amount greater than they would receive in the event of a Chapter 7 liquidation. Funds for implementation of the Plan will be derived from the Debtors' income.

This Disclosure Statement contains a detailed discussion of the Plan and its implementation. This Disclosure Statement should be read in conjunction with the Plan, which is a legal document and upon confirmation will become binding on the Parties. Creditors should read the Plan and this Disclosure Statement in their entirety, rather than relying on this summary. The Debtors urge creditors and other parties in interest to consult with independent counsel in connection with their decision to accept or reject the Plan. Approval of this Disclosure Statement by the Court is not a decision on the merits of the Plan.

### B. Executive Summary of Classified Claims and Interests of the Plan

In the following chart, the Debtors provide plan parties with a summary of the Classes to be created by the Confirmation of the Plan, and their voting rights, the maximum and estimated allowed amount of claims in each Class, the dividends projected to be paid on account of allowed claims in each Class, and other information deemed significant. The Executive Summary does not appear in the plan.

<b>Class, No, Title, Impairment and Related Information</b>	<b>Estimated Maximum and Allowed Amounts, Dividend Formula and projection dividend and additional information</b>
Class 1 –priority federal and state Tax claims of IRS and NH DOR Impaired: no Voting: no	Estimated total amount: \$179,921.37 Estimated allowed amount: \$179,921.37 Dividend formula: paid in full, with monthly payments in such amount as would be necessary to pay each allowed claim in full, over a period of 60 months. Payable to IRS at approximately \$2,962 per month and NH DOR at \$41 per month.
Class 2 – secured claim of IRS Pursuant to tax liens Impaired: no Voting: no	Estimated total amount: \$42,228 Estimated allowed amount: \$42,228 Dividend formula: paid in full, with monthly payments in such amount as would be necessary to pay the IRS allowed claim in full, with statutory interest on \$38,215, over 60 months. Payable at \$704 per month.
Class 3 – US Bank National Association as trustee for NRZ Pass-Through Trust V serviced by Nationstar Mortgage Impaired: yes Voting: yes	Estimated total amount: \$40,240.28 Estimated allowed amount: \$40,240.28 Dividend formula: paid in full over a seven (7) year period, with monthly payments of \$400 per month for 60 months, and the remaining arrearage paid thereafter over a 24-month period at \$677 per month.
Class 4 – Ditech Financial, LLC Impaired: yes Voting: yes	Estimated total amount: \$75,762.54 Estimated allowed amount: \$75,762.54 Dividend formula: paid in full over a seven (7) year period, with monthly payments of \$371 per month for 60 months with

	the remaining arrearage paid thereafter over a 24-month period, at \$2,229.28 per month.
Class 5 nonprofessional administrative expense Impaired: no Voting: no	Estimated total amount: \$0 Estimated allowed amount: \$0
Class 6 – professional administrative expense class Impaired: yes Voting: no	Estimated total amount: \$46,000 Estimated allowed amount: \$46,000 Dividend formula: paid on Effective Date or approval of application for compensation for Richard D. Gaudreau, Attorney at Law, PC and Robert Consaga, CPA Dividend formula: \$44,000 paid upon the Effective Date of the Plan, or the approval of application for compensation, whichever is later. Funds are from a gift to debtors, and such other amounts as may be owed will be paid over a mutually agreeable term that will not impact on debtors' ability to make plan payments.
Class 7 – General unsecured claims Impaired: yes Voting: yes	Estimated total amount: \$823,919 Estimated allowed amount: \$6,000 Payment formula: Each allowed claim will share a pro rata amount in a payment of \$1,200 per year for each of five years beginning on the anniversary of the Effective Date of the plan.
Class 8 – Office copier class of Leaf Financial Corporation Impaired: no Voting: no	Mark Stevens assumes this lease on the terms and conditions of the original lease, providing for a payment of \$170 per month for the balance of the lease.
Class 9. Lease of Niacom, LLC Impaired: no Voting: no	Estimated total amount: \$1,543 Estimated allowed amount: \$1,543 Payment formula: Paid on the effective date of the plan. Mark Stevens assumes the lease for the duration of the tenancy at will.

**C. Voting Procedures and Confirmation Requirements**

1. Ballots and Voting Deadline.

A Ballot to be used for voting to accept or reject the Plan will be distributed, along with this Disclosure Statement and the Plan, upon approval of the Disclosure Statement by the Bankruptcy Court. Creditors and Equity Interest holders of the Debtor must (1) carefully review the Ballot and instructions thereon; (2) execute the applicable Ballot; and (3) return the completed Ballot to Richard D. Gaudreau, Attorney at Law, PC, P.O. Box 1359, Salem, NH 03079.

2. Creditors Entitled to Vote.

Any Creditor or Equity Interest holder of the Debtor whose Claim or Equity Interest is impaired under the Plan is entitled to vote, provided that (1) its Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent or unliquidated), or (2) it has filed a Proof of Claim on or before the last date set by the Court for such filing, and no objection to such Proof of Claim is pending at the time of the confirmation hearing. Any Class of Claims or Equity Interests that is not impaired by the Plan, and each holder of a Claim or Equity Interest of such Class, are conclusively presumed to have

accepted the Plan, and solicitation of acceptances with respect to such Class from the holders of Claims or Equity Interests of such Class is not required.

Any Claim or Equity Interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Court temporarily allows the Claim or Equity Interest in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon motion by the Creditor or holder of an Equity Interest whose Claim or Equity Interest is subject to objection. In addition, the vote of a Creditor, or holder of an Equity Interest, may not be counted if the Court determines that the Creditor's or Equity Interest holder's acceptance or rejection was not solicited or procured in accordance with the provisions of the Bankruptcy Code.

Even though a creditor may not choose to vote, or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan, if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a claim for voting purposes does not necessarily mean that the claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any claim to which an objection has been, or will be made, will be allowed only for distribution after determination by the Court. Such determination may be made after the Plan is confirmed.

### 3. Definition of Impairment.

Under § 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan of reorganization unless, with respect to each Claim or Equity Interest of such Class, the plan (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such Claim or Equity Interest, or (2) reinstates the Claim or Equity Interest pursuant to its original terms and cures any default.

### 4. Vote Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a Plan by a Class of Creditors as acceptance by holders of two-thirds in dollar amount, and a majority in number of the Allowed Claims of that Class which actually cast ballots to accept or reject the Plan. The Bankruptcy Code defines acceptances of a Plan by a Class of Equity Interests as acceptance by holders of two-thirds in amount of the Allowed Equity Interests of such Class held by holders of such Equity Interests who actually cast ballots to accept or reject the Plan.

### 5. Requirements for Confirmation.

In order to be confirmed (i.e., approved) by the Bankruptcy Court, the Plan or its proponent must (among other requirements set forth in § 1129 of the Bankruptcy Code):

- a. Disclose all compensation paid or promised for professional services rendered or to be rendered in connection with the case;
- b. Disclose the identity and affiliations of all officers to serve after the Plan is confirmed and the compensation of any insiders to be employed after Confirmation;
- c. Propose to pay each member of a class of Claimants, who has not accepted the Plan, property at least equal in value to what the Claimant would receive if the Debtor's assets were liquidated on the date of the Confirmation Hearing, and distributed to Creditors according to their rights and priorities under law;
- d. Propose to pay all Administrative Claims in full;
- e. Propose to pay all Priority Claims in full in deferred payments or cash; and
- f. Propose to pay all Priority Tax Claims in full within five years after the order for relief in this case, in a manner not less favorable than the non-priority unsecured claims.

6. Confirmation Hearing.

The Bankruptcy Code requires that the Bankruptcy Court hold a Confirmation Hearing with notice to all Creditors. The Confirmation Hearing is not yet scheduled. At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an order confirming the Plan. With respect to creditor acceptance of the Plan, if the requisite members of an impaired Class do not vote to accept the Plan, the Debtor may seek confirmation pursuant to § 1129(b) of the Bankruptcy Code, known as the “cramdown” procedure. Pursuant to this section, the Bankruptcy Court may confirm the Plan, notwithstanding the non-acceptance by an impaired Class, if at least one impaired Class votes to accept the Plan, the Plan does not discriminate unfairly, and is “fair and equitable” to the non-accepting Class.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its Claims or Equity Interests. The Bankruptcy Code establishes different “fair and equitable” standards for Secured and Unsecured Claims.

With respect to a Secured Claim, a plan may be “fair and equitable” if (1) the impaired Secured Creditor retains its liens, to the extent of its Allowed Claim, and receives deferred cash payments at least equal to the allowed amount of its Claim, with a present value as of the Effective Date, at least equal to the value of such Creditor’s interest in the property securing its liens, (2) property subject to the lien of the impaired Secured Creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (1) and (3) hereof, or (3) the impaired Secured Creditor realizes the “indubitable equivalent” of its Claim under the plan.

With respect to an Unsecured Claim, a plan may be “fair and equitable” if (1) each impaired Unsecured Creditor receives or retains property of a value equal to the amount of its Allowed Claim, or (2) the holder of any Claim or Interest that is junior to the claims of the dissenting Class will not receive any property under the plan, except that, as the Debtor is an individual, he may retain his property (property of the estate).

Finally, it must be noted that even though a Creditor or holder of an Equity Interest may vote to reject the Plan, such rejection of a confirmed Plan does not mean that the Creditor or holder of an Equity Interest will not be entitled to share in any distributions to be made under the Plan.

**III. Requisite Disclosures**

**A. Representations Limited**

NO REPRESENTATIONS CONCERNING THE DEBTORS, PARTICULARLY REGARDING FUTURE BUSINESS OPERATIONS OR THE VALUE OF THE DEBTORS’ ASSETS, HAVE BEEN AUTHORIZED BY THE DEBTORS EXCEPT AS SET FORTH IN THIS STATEMENT. YOU SHOULD NOT RELY ON ANY OTHER REPRESENTATIONS OR INDUCEMENTS PROFFERED TO YOU TO SECURE YOUR ACCEPTANCE OR REJECTION IN ARRIVING AT YOUR DECISION IN VOTING ON THE PLAN. ANY PERSON MAKING REPRESENTATIONS OR INDUCEMENTS CONCERNING ACCEPTANCE OR REJECTION OF THE PLAN SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR AT THE ADDRESS ABOVE, TO THE CLERK OF THE COURT AT NEW HAMPSHIRE BANKRUPTCY COURT, 1000 ELM STREET, MANCHESTER, NH 03101, AND TO THE U.S. TRUSTEE AT 1000 ELM STREET, MANCHESTER, NH 03101. FOR VARIOUS REASONS, THE RECORDS OF THE DEBTORS PRIOR TO PREPARATION OF THIS PLAN MAY NOT HAVE BEEN COMPLETE AND THE ACCURACY OF THE INFORMATION SUBMITTED WITH THIS STATEMENT IS DEPENDENT ON INFORMATION AVAILABLE TO THE DEBTORS WITH THE ASSISTANCE OF COUNSEL. WHILE EVERY EFFORT HAS BEEN MADE TO PROVIDE THE MOST ACCURATE INFORMATION AVAILABLE, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT ALL INFORMATION IS WITHOUT INACCURACY. THERE ARE NO KNOWN INACCURACIES. WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THAT THE ASSUMPTIONS ARE VALID

AND AS ACCURATE AS CAN BE MADE UNDER THE CIRCUMSTANCES, NEITHER THE DEBTORS NOR THEIR ATTORNEY UNDERTAKE TO CERTIFY OR WARRANT THE ABSOLUTE ACCURACY OF THE ASSUMPTIONS OR PROJECTIONS.

NO FORMAL APPRAISALS HAVE BEEN UNDERTAKEN OF THE DEBTORS' PROPERTY EXCEPT WHERE STATED. THE VALUES PLACED THEREON AND SUMMARIZED BELOW ARE THE DEBTORS-IN-POSSESSION'S BEST ESTIMATE OF THE VALUE OF THE PROPERTY, AS OF THE TIME OF THE FILING OF THE PLAN, AND THIS DISCLOSURE STATEMENT. THESE VALUES MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF FILING OF THE PETITION FOR RELIEF AND THE SUBSEQUENT SCHEDULES.

**B. Background of Income and Expenses**

Mr. and Mrs. Stevens are residents of Hampstead, NH. As noted earlier, their sole source of income consists of income earned by Mr. Stevens from his law practice. As any business, the income for the law practice fluctuates, both due to the cyclical nature of a criminal defense practice, specializing in DWI work, and the unique circumstances that have lessened that income since the death of the debtors' son. The CMI average disclosed in debtors' chapter 11, of \$24,710.67 per month for the 6-month period preceding the filing of the bankruptcy, was much lower than if that estimate had gone back 12 months. This would have brought the gross income up to \$29,134 per month, according to the Business Income and Expense report, which is part of debtors' bankruptcy schedules. The diminished income in the CMI period reflects the impact of their son's death on April 4, 2015. Their tax return in 2014 reflected gross income of \$415,000. The law practice had gross income in 2015 of \$365,549, or approximately \$30,463 per month. Attached as an exhibit is a copy of Schedule I and J reflecting disposable income of \$4,535 per month. **See Exhibit B.** This is based on the 12-month period before filing, and is corroborative of the 2015 tax return. The monthly reports, for February through July of 2016, show gross income of approximately \$157,825, or an average of approximately \$26,304 per month. Mrs. Stevens continues to suffer from PTSD as a result of their son's death, a challenging event which continues to affect both debtors, but hopefully over time this will begin to ameliorate.

CPA Consaga estimates that debtors will have disposable income of \$4,578 per month based on historical data, and a return to the more aggressive digital marketing campaign that targeted specific New Hampshire towns, and led to the 2014 gross income. **See Exhibit A.** There is ample reason to believe these efforts will permit the \$4,578 disposable income necessary to fund the attached chapter 11 plan. For the 12 months preceding the filing of the bankruptcy, debtors' gross income was \$29,134 according to their bankruptcy schedules. Schedule J is attached as Exhibit B. Schedule J reflects disposable income of approximately \$4,535 per month after payment of necessary expenses. The only notable differences between the calculations in Schedules I and J and debtors' present monthly cash flow, are the completion of the Lexus lease, \$1,050 per month, and the monthly income tax payments is now estimated to be \$3,000, instead of \$2,000. This makes the disposable income in both instances virtually the same. CPA Consaga estimates debtors have disposable income of \$4,578 per month.

**C. Procedural Posture of the Bankruptcy Case**

On February 4, 2016 (the "Petition Date"), Debtors filed a voluntary petition in this Court for reorganization relief under Chapter 11 of the U.S. Code (as amended, the "Bankruptcy Code"). The Debtors continue to hold the assets of the estate as a Debtor-in-Possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. An unsecured creditors' committee has not been appointed in this case. No trustee or examiner has been appointed. Richard D. Gaudreau, Attorney at Law, PC was appointed to represent the Debtors/Debtors-in-Possession as counsel in this case. There have been no Motions for Relief.

**D. Assets**

The Debtors' schedules of Assets and Exemptions (Schedules A-B and C) are attached as Exhibit C. **See Exhibit C.** The Debtors' principal assets are: (1) debtors' residence in Hampstead, NH which, according to the broker's price opinion has a fair market value of \$465,000. **See Exhibit D.** This property has two mortgages that far exceed this value, (2) undeveloped land in Hot Springs, Arizona valued at \$1,500 according to the attached sales' analysis (**see Exhibit E**), and is otherwise exempt, and (3) household goods and other personal property worth approximately \$38,215 (**see Exhibit C**). The IRS has a tax lien against all of debtors' assets executed in 2009, 2010, 2011, 2012 and 2015. There is no equity in any real or personal property. In the event of a Chapter 7 liquidation, it is estimated that there would be no dividend available for distribution to unsecured creditors.

**E. Creditors Committee**

No creditors' committee has been formed in this case.

**F. Professionals**

The Debtors have retained the firm of Richard D. Gaudreau, Attorney at Law, PC as bankruptcy counsel, which appointment has been approved by the Court. Counsel was paid \$15,000 as a retainer for pre and post-petition work, and this amount included the filing fee, credit counseling and financial management course fees, and credit reports costs. Counsel expects to file additional fee applications for post-petition work not covered by the original retainer as an administrative expense in the plan. Debtors also have hired Robert Consaga, CPA to file necessary returns, prepare monthly operating reports, prepare a projection of income, and enter information into Quickbooks software. CPA Consaga was paid a retainer of \$5,000, and expects to file an application for additional compensation as an administrative expense.

**G. Business entity**

Attorney Stevens operates his law practice as a sole proprietorship.

**H. Bar Date**

The bar date for the filing of pre-petition claims against the Debtor was June 3, 2016 with government claims due by August 2, 2016. Both the IRS and New Hampshire Department of Revenue have filed claims in this case.

**IV. Classification and Treatment of Claims**

The Plan establishes 9 classes of claim with the classes of claims identified and treated as follows:

**A. Class 1. Priority federal and state tax claims.** Class 1 includes the priority claims asserted as follows:

Internal Revenue Service. Pursuant to 11 USC 507(a)(8), this Class includes the priority claim asserted by the IRS in the amount of \$177,695.74, as more particularly described in amended Proof of Claim 4-2 filed by the IRS. The IRS will receive deferred cash payments of a value as of the effective date of the plan equal to the allowed amount of the claim. The amount of \$177,695.74 will be paid in full over a period of five years, payable as follows: monthly payments in such amount as are necessary to pay this claim over a 60-month period. This claim is not impaired.

NH Department of Revenue ("NHDR"). Pursuant to 11 USC 507(a)(8), NHDR has filed Proof of Claim 14, stating it has a priority claim of \$2,225.63. The New Hampshire Department of Revenue will receive deferred cash payments of a value as of the effective date of the plan equal to the allowed amount of the claim. Debtors will pay this in full to NHDR over a period of five years payable as

follows: monthly payments in such amount as are necessary to pay this claim over a 60-month period. This claim is not impaired.

**B. Class 2. Secured claim of Internal Revenue Service.**

This Class includes the secured portion of the claim asserted by the Internal Revenue Service against debtors' property of \$38,215, as more particularly described in Claim No. 4-2. On the Effective date, the claim in this Class will be allowed in the secured amount of the Proof of Claim filed by Internal Revenue Service. The allowed claim in this Class shall be paid in full, with interest at the rate of 4% per annum, over a period of five years payable as follows: monthly payments of principal and interest in such amount as is necessary to pay this secured claim in full over a 60-month period. This is estimated to pay a total of \$42,228 over a five-year period. This claim is not impaired.

**C. Class 3. Nationstar Mortgage as servicer for U.S. Bank National Association as trustee for NRZ Pass-Through Trust V (secured first mortgage claim on 57 Pitman Road, East Hampstead, NH).**

1. This Class includes the secured claim arising from, out of or incidental to the Bank of New York Mellon, fka The Bank of New York, as Trustee for CWALT Alternative Loan Trust (hereafter known as BNYM) documents, including without limitation those asserted by BNYM in Proof of Claim No. 18. This claim was assigned on August 8, 2016 to US Bank, NA as trustee for NRZ Pass-Through Trust V for Nationstar Mortgage.

2. Claim No. 18, as assigned, consists of a secured prepetition claim of \$350,195.07 against 57 Pitman Road, East Hampstead, NH and a prepetition arrearage of \$40,240.28. The first mortgage claim is secured by debtors' principal residence with a payment term from June 1, 2003 to May 1, 2033. Claimant retains its lien for the full amount of its Proof of Claim and will receive deferred cash payments to cure the prepetition arrearage in full over a seven (7) year period. This arrearage will be paid as follows: (a) from the date of confirmation, \$400 per month, payable for the first five years of the plan; (b) after 60 months, the remaining arrearage will be paid over a 24-month period. The entire prepetition arrearage will be repaid in full over a seven (7) year period at the rate of approximately \$677 per month, for the final two years. Debtors will continue making the regular post-petition mortgage payments outside the plan. This claim is impaired.

**D. Class 4. Ditech Financial, LLC (hereinafter "Ditech") (secured second mortgage claim on 57 Pitman Road, East Hampstead, NH).**

1. This Class includes the secured claim arising from, out of or incidental to the Ditech loan documents, including without limitation those asserted by Ditech in Proof of Claim No. 20.

2. Claim No. 20 is a second mortgage claim secured by debtors' principal residence with a payment term from August 14, 2006 to July 14, 2036. Claim No. 20 consists of the secured prepetition claim in the amount of \$267,243.33, as of the filing date, secured by a second mortgage against debtors' residence at 57 Pitman Road, East Hampstead, NH, with a prepetition arrearage of \$75,762.54. Ditech retains its lien for the full amount of its Proof of Claim and will receive deferred cash payments to cure the prepetition arrearage in full over a seven (7) year period. This arrearage will be as follows: (a) from the date of confirmation, \$371 per month, payable for the first five years of the plan; (b) after 60 months, the remaining arrearage will be paid over a 24-month period. The entire prepetition arrearage will be repaid in full over a seven (7) year period at the rate of approximately \$2,229.28 per month, for

the final two years. Debtors will continue making the post-petition mortgage payments outside the plan. This claim is impaired.

**E. Class 5. Nonprofessional Administrative Expense Class.**

The Debtors are not aware of any such claims, and no proofs of claim in this class have been filed. In the unlikely event that there are any allowed Claims in Class 5, they shall be paid in full, in cash, by the Debtors on the Effective Date, or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan.

**F. Class 6. Professional Administrative Expense Class.**

1. This Class includes all claims asserted by professional retainers, pursuant to Code Section 327, for professional expenses, to the extent entitled to administrative priority claims for services rendered, and reimbursable expenses incurred during the case, under Section 507(a)(2) and Section 1129(a)(9). This Court has issued orders approving the Application for Employment of Richard D. Gaudreau, Attorney at Law, PC and Robert Consaga, CPA.

2. It is believed the only administrative expenses in this class consist of amounts due to Richard D. Gaudreau, Attorney at Law, PC, counsel to the Debtors in this proceeding, and Robert Consaga, CPA, the Debtors' certified public accountant. Richard D. Gaudreau, Attorney at Law, PC received \$15,000 at the commencement of the case for legal fees, court filing fee, credit counseling and financial management courses registrations, and credit reports costs. The debtors' accountant is Robert Consaga (hereinafter, CPA Consaga). CPA Consaga received a retainer in this case of \$5,000. At this time, it is estimated that total fees and expenses will approximate \$40,000. Debtors will be liable for services and expenses in the following estimated amounts:

\$15,000 – approximate amount owed to Robert Consaga, CPA, to date, for post-petition administrative services not covered beyond the retainer

\$22,000 – approximate amount owed to Richard D. Gaudreau, Attorney at Law, PC for post-petition administrative services beyond the retainer

These services are continuing and the cost for same will continue to accrue.

3. A friend of Mrs. Stevens's, Kim Kirby, has gifted the amount of \$44,000, in August 2016, to facilitate the repayment of the professional administrative expenses. This is not property of the estate. Kim Kirby is a disinterested party. She is not a creditor of this bankruptcy, nor, to the best of debtors' knowledge, does she have any relationship with any creditors of the estate, the office of the United States Trustee, any other party in interest, or their respective attorney or accountant. She does not have an interest materially adverse to the interest of the estate, or of any class of creditors by reason of any direct or indirect relationship. Ms. Kirby has made this gift to debtors to assist debtors with the repayment of professional administrative costs and to ease the demand on disposable income made by other obligations under this plan. Debtors voluntarily provide this 'new value' to the plan to demonstrate their commitment to making this plan succeed and to ease the demands on their disposable income. This gift will be placed in the escrow account of debtors' counsel and remain there, until further order of this court. This amount is not considered property of the estate given the conditions under which this gift was made.

4. The debtors shall pay the allowed claims in this Class in full upon the Effective Date of the plan or approval of the application(s) for compensation.

5. Administrative expenses are ongoing until confirmation. It is estimated the administrative expenses will be at least \$46,000. The gift will be used to defray future administrative expenses. No dividends shall be paid to any creditor in this Class until the Court enters an order granting a fee application filed by the professional in whole or in part.

6. Administrative claims which by their terms are not due and payable on or before the Effective Date shall be paid as and when due.

**G. Class 7. General Unsecured class.**

1. This class includes all creditors asserting a non-priority, unsecured claim against the Debtors. Class 7 consists of all general unsecured claims against the debtors.

2. This class includes \$533,013.15 of general unsecured claims by the IRS as more particularly described in its Proof of Claim 4-2. This also includes claims of approximately \$290,905 of other general unsecured claims as more particularly described in Schedule F of the bankruptcy schedules and/or the Proof of Claim register.

3. On each of the first, second, third, fourth and fifth anniversaries of the Effective Date, the Debtors shall make a pro rata distribution from a lump sum of \$1,200 each year on each of the five anniversary dates. This class is impaired.

**H. Class 8. Office copier class of Leaf Financial Corporation.**

1. This class includes the copier lease in the Law Office of Mark Stevens with Leaf Financial Corporation. There is no prepetition arrearage. This is an open-ended lease, continuing from month to month, and calls for a payment of \$170 per month. The lease is cancelable by either party, upon 30 days' notice.

2. Mark Stevens, dba Law Offices of Mark Stevens, hereby assumes the lease pursuant to 11 USC 365 under the above terms and conditions. This class is not impaired.

**I. Class 9. Lease of Niacom , LLC.**

1. This class includes the tenancy at will for the Law Office of Mark Stevens at 5 Manor Parkway, Salem, NH, measuring approximately 1000 square feet. This is an oral tenancy at will. The lease provides for a payment of \$1,000 per month, for the remainder of 2016, at which point it will increase to \$1,200 per month.

2. Schedule F of the bankruptcy schedules lists a prepetition arrearage owed to Niacom, LLC of \$1,543. This will be cured in full on or before the Effective Date of the plan. Mark Stevens, dba Law Offices of Mark Stevens, agrees to assume the lease obligation for the duration of this tenancy at will. This class is not impaired.

**V. Implementation of Plan**

Debtors shall fund this Plan with income generated from the Law Practice of Mark Stevens. The Debtors shall retain the Assets of the estate, and shall pay ordinary living expenses, operating expenses for the real estate, and creditors, the amounts set forth in the Plan from the proceeds thereof. Consistent with the provisions of this Plan and subject to any releases provided for herein, the Debtors reserve the right to begin or continue any adversary proceeding permitted under the Code and Rules to collect any debts, or to pursue claims in any court of competent jurisdiction. Except as expressly provided for in this Plan, nothing in this Plan shall be deemed to constitute a waiver of any claim that the Debtor may assert against any other party, including the holder of any claim provided for in this Plan, and the allowance of any claim against the Debtor or the estate shall not bar any claim by the Debtor against the holder of such claim.

**VI. Analysis of Liquidation Value of the Estate**

In the event of liquidation of the Debtors' estate, there are no nonexempt assets. All assets are subject to an IRS tax lien that vastly exceeds any equity debtors have in any real or personal property. Debtors' real estate is estimated to have a fair market value of \$465,000, however, the first and second mortgages, total approximately \$617, 439, under Proof of Claims filed for those mortgages. Debtors have approximately \$38,315 in personal property and undeveloped land, without regard to exemptions, and the IRS has a lien on that property for an amount vastly in excess of the value. The IRS concedes in its valuation of the personal property and undeveloped land that it has a secured interest in this property of \$38,215, and there is, therefore, no equity – exempt or otherwise – in any assets owned by debtors. As such, it is clear there would be no payment available to unsecured creditors in a chapter 7 liquidation. The distribution proposed to unsecured creditors in the chapter 11 plan exceeds that which would otherwise be available in a chapter 7 liquidation.

**VII. Tax Consequences**

Debtors are not qualified to advise creditors of the specific tax ramifications to them of confirmation of the Plan, and therefore makes no representations in this regard. However, the Debtors are not aware of any potential material federal tax consequences to creditors that would result from confirmation of the Plan. Each creditor is urged to consult with a tax advisor as to such matters.

No material tax consequences to the Debtors are anticipated as a result of confirmation of the Plan. Any forgiveness of indebtedness would be exempt from taxation under IRC § 108. The Debtors' basis in the secured property will have to be adjusted, but no tax will be due as a result thereof until any such property is sold.

**VIII. Income**

Pursuant to Schedules I and J, and CPA Consaga's income projection, the Debtors' projected disposable income is approximately \$4,578. See Exhibits A and B. The discussion in Section III (B) above is incorporated here by reference.

**IX. Modifications or Withdrawals of the Plan**

The Debtors may alter, amend, or modify the Plan under § 1127(a) of the Bankruptcy Code at any time before the Confirmation Date, so long as the Plan, as modified, meets the requirements of § 1122 and § 1123. The Debtors may also alter, amend, or modify the Plan under § 1127(b), following the Confirmation Date, but before the Effective Date. The Debtors may revoke or withdraw the Plan before the Confirmation Date. If the Plan is revoked or withdrawn before the Confirmation Date, the Plan shall be of no force or effect, and shall be deemed null and void. If the Plan is revoked or withdrawn before

the Confirmation Date, nothing contained herein shall in any way effect or prejudice the rights of the Debtors with regard to Claims, Avoidance Actions, or any other rights or interests. After confirmation, the plan may be modified pursuant to § 1127(e). The payments on the Class D claim and on the note to be delivered to the holder of the Class B claim shall not be deemed payments under the plan for purposes of § 1127(e), such that the plan may not be modified under § 1127(e) after payment in full of Class E claims.

**X. Objections to Claims, Counterclaims, and Avoidance Actions**

Any objections to Claims must be filed within thirty days following the Effective Date. The Debtors believe that the claims resolution process should not delay Confirmation of the Plan. The Debtors reserve the right to file objections to any Claims, either as currently filed or as may be amended. In order to expedite payments to creditors, the Debtors seek Confirmation, notwithstanding the fact that certain Claims may be disputed. The fact that the Debtors may have not objected to a particular Claim does not mean that the Debtors will not object to such Claim. Accordingly, the Debtors make no representations either in the Plan, or this Disclosure Statement, as to the validity of any Claim filed, and Creditors should not make any assumption based upon the fact that no objection has yet been filed to any individual Claim.

**XI. Miscellaneous Plan Provisions**

**Retention of Jurisdiction, Closing.**

Pursuant to § 105(a) and § 1142 of the Bankruptcy Code, the Plan provides for the Bankruptcy Court to retain exclusive jurisdiction over all matters relating to the Plan, including the allowance of Claims and the adjudication of any Avoidance Actions. Upon substantial consummation of the plan, the case shall be closed, but shall be subject to reopening to enforce the terms of this Plan, and to enter a discharge. This provision serves to avoid the need to pay U.S. Trustee fees after substantial consummation, an expense Debtors can ill afford.

**XII. Discharge**

Upon completion of all payments due to Class A, B, E, F, and G creditors, the Debtors shall be entitled to a discharge of, and from, all debts dischargeable under § 1141(d) of the Code (which shall include the Class C and D claims). The payments on the Class C and D claims shall not be deemed payments under the plan for purposes of § 1141(d)(5)(A).

**XIII. Conclusion**

As stated previously, the Debtors are the proponent of the Plan and urge you to vote to accept the Plan. The information and materials provided in this Disclosure Statement are intended to assist you in voting on the Plan in an informed fashion. Since confirmation of the Plan will be binding on your interests, the Debtors invite you to review these materials and make such further inquiries as may be appropriate.

DATED: 8/26/16

Respectfully Submitted,  
Mark and Mary Kathleen Stevens  
Through their attorney  
Richard D. Gaudreau, Attorney at Law, PC

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