

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
at Baltimore**

IN RE: * Case No.: 16-16988-DER
AUDIENCE RESEARCH ANALYSIS, INC. * Chapter 11
Debtor *

* * * * *

DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN

Audience Research Analysis, Inc., Debtor and Debtor-in-Possession (the “Debtor”) in the above-captioned Chapter 11 Bankruptcy case, proposes the following Disclosure Statement (“Disclosure Statement”) for its Chapter 11 Plan of Reorganization:

A. TERMS OF CONSTRUCTION

Capitalized terms used and not otherwise defined in this Disclosure Statement shall have the meanings set forth in the Debtor’s Chapter 11 Plan of Reorganization (the “Plan”) , a copy of which is attached hereto and incorporated herein by reference as “Exhibit 1”. In the event a capitalized term is not defined therein, then it shall have the meaning given in the Bankruptcy Code or the Bankruptcy Rules. In the event a capitalized term is not defined in the Plan, the Bankruptcy Code or the Bankruptcy Rules, then it shall have the meaning such term has in ordinary usage, and if one or more meaning for such term exists in ordinary usage, then it shall have the meaning which is most consistent with the purposes of this Disclosure Statement, the Plan, and the Bankruptcy Code.

B. INTRODUCTION

The Debtor provides this Disclosure Statement to all of its known creditors. The

purpose of this Disclosure Statement is to disclose that information deemed by the Debtor to be material, important, and necessary for its creditors to arrive at a reasonably informed decision in exercising their right to vote on the Plan.

The Bankruptcy Code requires that the party proposing a Chapter 11 plan of reorganization prepare and file with the Bankruptcy Court a disclosure statement in order to provide creditors and other parties-in-interest in this case with sufficient information to enable them to make an informed decision as to whether to accept or reject the Plan. The requirements for approval of this Disclosure Statement are set forth in Section 1125 of the Bankruptcy Code.

If, after reading this Disclosure Statement, you believe that it does not give you sufficient information upon which to base your choice of accepting or rejecting the Plan, you may file an objection to the adequacy of the Disclosure Statement, stating what information you believe to be missing, or what facts or other information are not adequately presented. A copy must be mailed to the undersigned counsel. The Court may hold a hearing upon your objection, or may rule upon the contents of your objection and any accompanying memorandum, and the contents of any responses to your objection.

As a creditor your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds (2/3) in amount and more than one-half (1/2) in number of claims in each impaired class of claims voting on the Plan. In the event the requisite acceptance are not obtained, the Court may nevertheless confirm the Plan if the Court finds that it accords fair and equitable treatment of the class or classes rejecting it and that it provides at least the minimum treatment and distribution required by the Bankruptcy Code.

No representations concerning the Debtor or the Chapter 11 estate (particularly as to the

value of assets) are authorized by the Debtor except as set forth in this Disclosure Statement. No representations or inducements made to secure your acceptance or rejection of the Plan, which are other than as contained in this Disclosure Statement, should be relied upon by you in arriving at your decision, and such additional representation and inducements should be forwarded to counsel for the Debtor, who, in turn, shall deliver such information to the Bankruptcy Court for such action as may be deemed appropriate.

The information contained in this Disclosure Statement has not been subject to an audit. Every reasonable effort has been made to present accurate information.

C. EXHIBITS

Accompanying this Disclosure Statement are copies of the following documents, which are incorporated herein by reference:

1. **Exhibit 1:** Plan;
2. **Exhibit 2:** Liquidation Analysis; and
3. **Exhibit 3:** Projected Monthly Profit & Loss Summary.

D. BACKGROUND OF PLAN

Description of Debtor's Business

“Turning information into knowledge, knowledge into understanding, understanding into action” has been the corporate goal of the Debtor, and its promise to its clients, since the Debtor began operations in the 1980s. The Debtor was formed to provide the public radio system with easy-to-understand, actionable audience research, at a time when audience research was just starting to be used to guide programming and management decisions. The Debtor uses the raw listening data (gathered on behalf of stations by the Nielsen company), and creates in-depth

analyses of each station's audience, from who they are, to when they listen, and who is the competition, so each station can gauge the effectiveness of its programming. The Debtor is an industry leader in shaping the programming philosophy that has put audience service as the primary goal. The Debtor has authored most of the key research papers that have influenced programming, management, and policy decisions at stations, networks, and the Corporation for Public Broadcasting. In over 200 publications and numerous proprietary reports, the Debtor has helped public broadcasters grow their audience responsibly and sustain their enterprises financially by strengthening public radio's core noncommercial values.

The Debtor's income stream is based on when each of its clients annual agreements renew throughout the fiscal or calendar year. Clients are normally invoiced 30-days prior to their individual renewal dates. Renewals are spread throughout the year, though for historical reasons the largest group renews each July. There are two national clients whose annual fees are paid in two annual payments and two smaller clients who pay quarterly. Monthly receipts do vary depending on whether clients pay on time. Most clients are based at universities and there can be a lag time of 6 to 8 weeks or more while Purchasing Departments issue Purchase orders and then issue checks. However, because the Debtor's client base is well established since the 1980s and is an acknowledged industry leader, the income base is quite solid. The largest fluctuations come from any custom reports clients might request above and beyond the set annual fees reflected in the chart below. There is no way of knowing ahead of time how much activity from custom reports will be in any given year. As with all businesses, there is the variable of client loss and gain.

Average Monthly (Based on Contracts):

January	\$33,400.00
February	\$33,400.00
March	\$18,700.00
April	\$70,000.00
May	\$27,000.00
June	\$31,800.00
July	\$76,000.00
August	\$59,100.00
September	\$27,500.00
October	\$41,700.00
November	\$13,000.00
December	\$ 9,400.00
TOTAL	\$441,000.00
AVERAGE MONTHLY	\$36,750.00

The Debtor was profitable in 2013; \$7,909.00. However, because of an overdue and much-needed marketing/branding push, and required software upgrades (the Debtor is a software/Internet-based business) in 2014 and 2015, each year saw a loss (\$2014 (\$28,656.00) and 2015 (\$5,391.00)). In the Debtor's opinion, neither effort nor financial cost was optional. The marketing/branding push (which was accomplished through advertising and a presence at industry conferences which required creation of and presentation of sessions) was needed to maintain the Debtor's position in the industry, and the software upgrades were needed to adapt its numbers analysis code and website browser software code to keep the Debtor on line and in business (software had not undergone a major upgrade since 2003, and since that time there had been an explosion of different browsers and platforms, to all of which the Debtor needed to adapt). The Debtor believes that if the activities had not been undertaken 2014 would have shown a profit of \$48,500.00 and 2015 a profit of \$73,450.00. However, future income and profitability would have taken dramatic downturns.

Steven Olson purchased the stock of the Debtor on January 1, 2005 from the company's founder and is the Debtor's sole stockholder. The promissory note associated with the stock purchase agreement has since been paid-off. Mr. Olson has been involved with public radio for over 42 years. He worked for 17 years at various stations as news director, music director, program director, and director of broadcasting. From 1991 through 1997 he served as President of the Public Radio Program Directors Association ("PRPD"), where he helped programmers improve the public service provided by their stations and professionalize the sound of their programming. From PRPD he moved to National Public Radio to become Director of Program Services in 1997. Mr. Olson joined the Debtor in January 2000 as its first Vice President and General Manager.

Event Leading to Commencement of the Case

On May 21, 2016 (the "Petition Date"), the Debtor filed this case following Bank of America's demand for payment in full of its line of credit. The Debtor had been attempting to obtain alternate financing but was unsuccessful. The demand by Bank of America would have led to the closing of the Debtor's business.

Claims against the Debtor's Estate

Claim 1-1 Internal Revenue Service amended its claim to \$0.00

Claim 2-1 Funding Circle (unsecured) \$86,059.88

Claim 3-1 Bank of America (unsecured) \$117,686.92

Claim 4-1 (a) Bank of America (secured) \$90,000.00 (at contractual interest rate) less sum of adequate protection payments of \$5,329.53 each made to Bank of America under consent cash collateral order
(b) Bank of America (unsecured) \$14,769.38

Debtor also scheduled in its Bankruptcy petition an unsecured credit card owed to Bank of America with a current balance of \$21,695.32 (this amount is after setoffs against Mr. Olson's personal checking account). While Bank of America did not file a proof of claim for the credit card; it is the Debtor's intention to provide payment to the Bank of America credit card under its Plan.

Debtor also projects an administrative request for future attorney fees for its counsel. Debtor further reserves the right to request Court authority to hire other professionals as may be needed.

E. THE PLAN OF REORGANIZATION

Secured claim of Bank of America equals \$90,000.00 (at contractual interest rate which is Bank of America's prime rate + 1.50%) less the sum of adequate protection payments made by Debtor (to date: $\$5,329.53 \times 3 = \$15,988.59$). The secured claim will be paid in full under the Plan.

The Debtor will also pay its unsecured creditors approximately 91% of their respective claims or scheduled amounts owed (as adjusted for setoffs). Unsecured Funding Circle and (three) Bank of America claims equal \$240,211.50.

The Plan will provide for monthly payments to Bank of America (secured claim) and the unsecured creditors for 60-months.

The Debtor will continue to manage and control its estate during the remainder of the Chapter 11 case. The Debtor's operating expenses (including salary, insurance, and critical vendor payments) as well as Plan payments will be derived entirely from the Debtor's monthly

contract revenues.

The Plan will also pay all post-confirmation administrative claims, without further Order of Court, on a monthly basis following the Effective Date of the Plan.

All Plan payments will be paid within sixty (60) months of the Effective Date of the Plan.

The Plan represents a proposed legally binding agreement by the Debtor and an informed judgment concerning the Plan cannot be made without understanding it.

F. CLASSIFICATION & TREATMENT OF CLAIMS AND INTERESTS; TRANSFER OF CLAIMS; OBJECTIONS TO CLAIMS

Class I - Administrative Expenses

The administrative expenses of the Debtor's Chapter 11 case as allowed pursuant to Sec. 503(b) of the Bankruptcy Code shall be paid in monthly payments, following the Effective Date of the Plan or allowance of such claim, whichever is later. The Allowed Claims of this Class shall include the claims resulting all claims of professionals incurred since the submission of any Fee Applications and Orders granting same, and any quarterly fees due to the Office of the United States Trustee.

This class is unimpaired.

Class II - Secured Claim of Bank of America

This class is comprised of the secured portion (secured by cash collateral at an agreed upon value of \$90,000.00) of Bank of America's Claim No. 4-1. The Plan payment of \$5,210.38 will supercede and replace the adequate protection payments paid to Bank of America by consent of the parties and as ordered by the Court. Assuming no dramatic change in interest

rates, this claim is projected to be paid in full in no later than 18-months from the Effective Date.

While this Class will be paid in full with interest at Bank of America's Prime Rate + 1.50% (3.75% + 1.50% or 5.25% as of today), the Class is impaired as it is less than the entire balance stated under Claim 4-1.

Class III - Unsecured Claims of Bank of America (unsecured portion of Claim 4-1), Bank of America (Claim 3-1), Funding Circle (Claim 2-1), and Bank of America (scheduled claim as adjusted by setoffs against Guarantor's personal account)

This class is comprised of the aggregate balances of all unsecured claims not entitled to priority. The aggregate balances of the claims are \$240,211.50 and consist of (a) Bank of America for the unsecured portion of Claim 4-1, *i.e.*, \$14,769.38; (b) the unsecured claim of Bank of America (Claim 3-1 \$117,686.92); (c) the unsecured claim of Funding Circle (Claim 2-1 \$86,059.88); and (d) the remaining credit card balance of \$21,695.32 owed to Bank of America.

Payment to this class shall be made by monthly payments under the Plan following the payoff of the Class II claim. This class will receive no interest beyond the Petition Date on filed claims, will receive approximately 91% of the amounts owed by the Debtor, and is impaired.

Transfer of Allowed Claims

In the event that the holder of any Allowed Claim shall transfer such claim on or after the Effective Date, it shall immediately advise the Debtors in writing of such transfer. The Debtor shall be entitled to assume that no transfer of any claim has been made by any holder unless and until the Debtor shall have received notice to the contrary. Each transferee of any Allowed

Claim shall take such claim subject to the provisions of the Plan and to any request made, waiver or consent given or other action taken hereunder and, except as otherwise expressly provided in such notice, the Debtor shall be entitled to assume conclusively that the transferee named in such notice shall thereafter be vested with all rights and powers of the transferor under the Plan.

Prosecution of Objections to Claims

Unless otherwise ordered by the Bankruptcy Court after a hearing, and except as otherwise provided in the Plan, the Debtor shall have the exclusive right to make and file objections to all claims.

G. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor assumes: (a) the Technical Services Agreement dated January 1, 2005 between itself and Dgio.net, Inc. for the hardware used by the Debtor and the maintenance of certain personal property owned by the Debtor; and (b) the License Agreement dated January 1, 2005 between itself and AudiGraphics, Inc. for the computer software necessary for the continuance of the and the Debtor's business.

Dgio.net, Inc. and AudiGraphics, Inc. are critical vendors essential to the Debtor's continuing operations.

In the event that the Debtor is made aware of any other executory contracts or unexpired leases prior to confirmation, the Debtor reserves the right to apply to the Court prior to the Confirmation Date to assume or reject any executory contracts or unexpired leases pursuant to Section 365 of the Bankruptcy Code.

Any other executory contracts and unexpired leases of the Debtor and/or the estate which are not assumed prior to the Confirmation Date, or as to which the Debtor has not applied to the Court for permission to assume prior to the Confirmation Date, shall be deemed rejected. Any creditor asserting a claim for monetary damages as result of the rejection of an executory contract or unexpired lease shall file a Proof of Claim and serve it upon the Debtor within 15-days following the Confirmation Date.

H. FINANCIAL INFORMATION RESPECTING THE REORGANIZED DEBTOR

The financial information hereinafter presented is to be considered in the context of the Debtor's seeking of approval of the proposed Plan. Such financial data concerns the Debtor's assets, income and expenses.

The Debtor has filed Schedules of its assets and liabilities with the Court which should be evaluated by all interested parties.

Following is a synopsis of Schedules A/B of the Bankruptcy petition (the "Petition"). The Debtor believes that the property values shown on Schedule A/B are unchanged since the Petition Date (except as to changing balances in deposit accounts and accounts receivable) and that those values remain accurate in all material aspects (except as noted hereinabove) as of the date of this Disclosure Statement.

The Debtor owns no real estate. The Debtor's personal property as of the Petition Date consists of:

Checking	\$ 30,709.35
Accounts Receivable	\$ 26,000.00
Computer Desk	\$ 175.00
3 Drawer Cabinet	\$ 50.00
Office Chair	\$ 75.00
Dell Computer	\$ 1,000.00
HP Pavillion 25bw Computer Monitor	\$ 550.00
HP Offset Pro 8600 Printer	\$ 200.00
Goodwill	<u>\$238,449.00</u>
TOTAL	\$297,208.35

Of the foregoing assets, the checking balance of \$30,709.35 is pledged to secure the Class II creditor. The remaining assets equal \$266,499.00. Good will is an intangible asset and is solely dependent upon the continuance of the critical vendor contracts and the retention of clients. For liquidation purposes, goodwill is valued at 25% of the stated value or \$59,612.25. Accordingly, the adjusted value of the Schedule A/B assets for liquidation purposes is \$87,662.25.

A hypothetical sale of the Debtor's assets in a Chapter 7 case would thus yield significantly less than the amount necessary to pay unsecured claims in full (*see*, "Exhibit 2").

However, it is the Debtor's intent to pay more than liquidation value under the Plan and the Debtor proposes paying the unsecured claimants approximately 91% of their respective claims over a 42-month period, beginning after payment in full of the Class II creditor.

I. PLAN FEASIBILITY

The Debtor's proposes to use net monthly cash flow and cash reserves which will be set aside to cover expenses during the seasonal slowdown in contract income to make Plan payments. The Debtor has been making adequate protection payments of \$5,329.53 for the past

3-months and reasonably believes that a monthly Plan payment of \$5,210.38 will not create an undue burden or hardship upon the Debtor, its cash flow, or its business operations.

The Debtor has provided a 5-year summary income/expense budget as "Exhibit 3" to this Disclosure Statement.

Before the Plan may be confirmed, the Court must find that the Plan provides, with respect to each Class, that each holder of an Allowed Claim either: (a) has accepted the Plan or (b) will receive or retain under the Plan value that is not less than the amount such holder would receive or retain if the Debtor's estate was liquidated under Chapter 7 of the Code.

The Debtor has carefully considered the probable effects of liquidation under Chapter 7 on the eventual proceeds available for distribution to creditors including the possible costs and expenses of the Chapter 7 Trustee and the unknown risks associated with liquidation of an operating business entity.

The Bankruptcy Code requires, as a condition to Confirmation, that Confirmation of a plan is not likely to be followed by liquidation or the need for additional reorganization of the Debtor unless the liquidation is proposed in the Plan. The Debtor believes that the Plan is feasible and that Confirmation is not likely to be followed by liquidation or by additional financial reorganization. The secured creditor will be paid in full, with interest, under the Plan and unsecured creditors will receive approximately 91% of their claims - which is far more than they would receive in a Chapter 7 liquidation.

Accordingly, the Debtor submits that the proposed Plan is in the best interest of creditors

and the estate.

J. NOTICE OF CONFIRMATION HEARING; OBJECTIONS TO CONFIRMATION

Section 1128 of the Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing on the Plan at which time any party in interest may be heard in support of or in opposition to Confirmation. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement to be made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and filed with the Clerk of the Bankruptcy Court, and delivered to the following parties prior to the Confirmation Hearing by the date set by Order of the Court:

Edward M. Miller, Esq.
Miller & Miller, LLP
39 N. Court St.
Westminster, MD 21157
mmlplawyers@verizon.net
Attorneys for Debtor; and

Office of the United States Trustee
101 W. Lombard St. #2625
Baltimore, MD 21201.

K. RISK FACTORS

Risk is inherent in offers of payment made pursuant to a Chapter 11 Plan. The most significant risk is the Debtor's ability to have a continuing monthly income in order to fund the Plan. The Debtor has been in operation since the 1980s and under the current management since 2005. The Debtor is a leader in its industry and is well-respected as such. The Debtor has a historic and stable contract income and, except for factors outside of its control, such as a

change in governmental policy towards public radio, reasonably believes that its income stability will continue.

L. PENDING LITIGATION

The Debtor is not aware of any pending litigation.

M. VOTING ON THE PLAN AND CONFIRMATION

Voting on acceptance or rejection of the Plan is governed by the provisions of the Bankruptcy Code. Each voting creditor will be supplied with an official ballot, in a form prescribed by the Bankruptcy Court. Creditors may vote to accept or reject the Plan by filing a completed ballot with the undersigned counsel for the Debtor. A class of creditors will be considered to have accepted the Plan (1) if it is accepted by creditors holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims of each class that has voted, or (2) if the class is impaired within the meaning of the Bankruptcy Code.

After the time for voting on the Plan passes, the Bankruptcy Court will hold a hearing and rule on confirmation of the Plan in accordance with the Bankruptcy Code. If all requirements for confirmation of the Plan under the Bankruptcy Code are satisfied, except that the Plan is not accepted by creditors, the Bankruptcy Court may confirm the Plan without the acceptance of creditors if the Court finds that the Plan does not discriminate unfairly, and is fair and equitable (within the meaning of the Bankruptcy Code) with respect to any class of creditors that does not accept the Plan.

After carefully reviewing the Plan, this Disclosure Statement and all of the exhibits

annexed hereto, please indicate your vote on the enclosed Ballot. Please vote and return your ballot to the following address: Edward M. Miller, Esq., Miller & Miller, LLP, 39 N. Court Street, Westminster, MD 21157.

N. TAX CONSEQUENCES

Because the tax consequences to each creditor can vary depending upon such creditor's particular circumstances, all creditors and other persons affected by the Plan should consult their own tax advisor for a complete analysis of the tax consequences resulting from the confirmation of the Plan.

The Debtor does not anticipate that it will incur any federal or state income tax consequences as a result of the confirmation or implementation of the Plan.

O. EFFECT OF PLAN CONFIRMATION

The provisions of the confirmed Plan are binding on all parties to the Plan, including the Debtor and its creditors. In the event that the Court denies confirmation of the Plan, the Debtor may amend the Plan or the case may be converted to Chapter 7 or be dismissed.

The terms of a confirmed Plan shall be enforceable against the Debtor and its creditors. Should the Debtor default on any provision of the confirmed Plan, creditors shall be free to pursue any available remedies to enforce the terms of a confirmed Plan.

P. RETENTION OF JURISDICTION

The Court shall retain jurisdiction, after confirmation of the Plan, as to the provisions of the Plan and overall disputes and litigation which may be pending at the time of confirmation,

and any controversies which may arise hereafter which would affect the Debtor's ability to carry out the Plan, until all such disputes and litigation shall be concluded and the Plan shall be fully consummated. Further, the Court shall retain jurisdiction for the purpose of liquidating and determining any and all claims or disputes relating thereto, until all litigation to which the Debtor is a party is terminated and to fix the amounts of compensation and other administrative expenses which may arise.

Q. U.S. TRUSTEE FEES

The Debtor is current, and shall remain current, in paying all fees owed to the United States Trustee until the Chapter 11 case is closed.

R. CONCLUSION

Creditors are urged to read the Plan for full details of the treatment of claims. The Debtor believes that the proposed Plan is feasible, and in the best interests of creditors. The Debtor, therefore, recommends acceptance of the Plan by creditors.

Dated: February 3, 2017

By and through counsel
MILLER & MILLER, LLP

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I propose and support this Disclosure Statement

AUDIENCE RESEARCH ANALYSIS, INC.,
Debtor/Plan Proponent

By: /s/ Steven Olson
Steven Olson, President