

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

In Re: KDA Group, Inc.,  
Debtor.

Bankruptcy No. 16-21821 GLT  
Document No. ~~416~~

**SECOND** AMENDED DISCLOSURE STATEMENT  
TO ACCOMPANY AMENDED LIQUIDATING PLAN DATED ~~FEBRUARY 27,~~  
~~2017~~ MAY 10, 2017

Chapter 11 Small Business (Check box only if debtor has elected to be considered a small business under 11 U.S.C. §1121(e))

Debtor furnishes this disclosure statement to creditors in the above-captioned matter pursuant to Bankruptcy Code §1125 to assist them in evaluating debtor's proposed Chapter 11 plan, a copy of which is attached hereto. Creditors may vote for or against the plan of reorganization. Creditors who wish to vote must complete their ballots and return them to the following address before the deadline noted in the order approving the disclosure statement and fixing time. The Court will schedule a hearing on the plan pursuant to 11 U.S.C. §1129.

**Address for return of ballots:**

Donald R. Calaiaro, Esquire  
CALAIARO VALENCIK  
428 Forbes Avenue, Suite 900  
Pittsburgh, PA 15219-1621  
(412) 232-0930

**I. Background**

1. **Name of Debtor**  
KDA Group, Inc.
2. **Type of Debtor (individual, partnership, corporation)**  
Corporation
3. **Debtor's Business or Employment**  
KDA Group, Inc. was an advertising agency that specialized in converting analog advertisements into digital media.
4. **Date of Chapter 11 Petition**  
~~June 20, 2016~~ May 12, 2016
5. **Events that Caused the Filing:**  
The Debtor had not operated profitably for several years. The Debtor was

engaged in litigation with one of its largest creditors and that litigation, combined with a downturn in the economy for print media, the Debtor was not able to continue operations. The Debtor sold a majority of its accounts to a competitor and had few clients at the time of filing. The Debtor filed a Chapter 11 Bankruptcy to enable it to liquidate its assets in an orderly fashion.

**6. Anticipated Future of the Company & Source of this Information and Opinion**

The Debtor will be liquidating the assets of the company. The Debtor anticipates funds over the next 36 months from the sale of its clients. The Debtor will also attempt to collect its delinquent accounts receivable to fund the plan.

**7. Summarize all Significant Features of the Plan Including When and How Each Class of Creditor Will Be Paid and What, If Any, Liens Will Be Retained By Secured Creditors or Granted to Any Creditor Under the Plan**

- A) Class 1, Administrative Claims, will be paid in full on the plan effective date or as the parties agree;
- B) Class 2, Priority Tax Claims, to the extent that there are any tax claims, will be paid their allowed claims in full over 3 years after payment to Class 1. The penalty portion of any Class 2 claimant's claim will be paid on a pro rata basis in Class 4 provided the claimant has filed a claim and the penalties are allowed;
- C) Class 3, Secured Creditors YP Advertising & Publishing LLC and YellowPages.com LLC (together, "YP"), will retain its liens on the Debtor's accounts and in satisfaction of the secured portion of YP's claim, receive seventy-five (75) percent of the gross amount of the YPM Receivable payable by YPM on and after 1/1/2017, such amount paid directly by YPM to YP, and YP will retain a deficiency claim paid under Class 4;
- D) Class 4, General Unsecured Claims, will be paid all remaining funds after payment of Classes 1 and 2 have been paid in full. The ultimate dividend to the unsecured class will depend on the total number of allowed claims and the results of the liquidation.
- E) Class 5, Executory Contracts, this class contains claims from contracts for office space and office equipment. The leases for the office space have been rejected by the Debtor and these claims will be paid under Class 4 of this Plan. The Debtor will reject the leases for the office equipment and those creditors will be paid under class 4 of this plan.
- F) Class 6, Equity Shareholders, the stock of the equity shareholders will be cancelled and they will not receive any distribution on account of their shares of stock unless all prior Classes have been paid their allowed claims, as provided for under the Plan, in full. ~~Nicholas D.E. Barran will be paid a reduced amount for work in arranging the debt~~

~~collection and the preparation of the final corporate tax returns and while he winds down the Corporation.~~

8. **Are All Monthly Operating Statements Current and on File with the Clerk of Court?** Yes x No \_\_\_\_\_ If Not, Explain:

9. **Does the plan provided for releases of nondebtor parties? Specify which parties and terms of release.** Yes. As part of the settlement of the YP litigation, YP and the Debtor will be exchanging mutual releases regarding the underlying litigation, and YP's claim will receive the treatment set forth in the Plan..

10. **Identify all executory contracts that are to be assumed or assumed and assigned.**

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a. Renaissance Associates, L.P. for the rent of space at 7015 College Blvd., Suite 700, Overland Park, KS 66211;

b. Adelman Properties, LLC for the rent of space at 6980 North Port Washington Rd., Glendale, WI 53217;

c. Summit II Partners, LTD. for the rent of space at 303 N. Hurstbourne Pkwy., Louisville, KY 40222;

d. Hertz Gateway Center, LP for the rent of space at 444 Liberty Ave., Gateway Four, Ste. 1100, Pittsburgh PA 15222.

e. Steelcase Financial Services for office equipment;

f. TIP Capital for office equipment;

g. US Bank for office equipment;

h. Wells Fargo for office equipment;

i. Wells Fargo Financial Leasing, Inc. for office equipment;

j. Wells Fargo Vender Financial Service for office equipment;

Contracts (a) through (d) were rejected by the Court and will be paid through

Class 4 of the Plan.

Contracts (e) through (j) will be rejected by the Debtor and be paid through Class 4 of the Plan.

~~All leases have been rejected.~~

11. Has a bar date been set? Yes   x   No \_\_\_\_\_  
(If not, a motion to set the bar date has been filed simultaneously with the filing of this disclosure statement.)
12. Has an election under 11 U.S.C. §1121(e) has been filed with the Court to be treated as a small business? Yes \_\_\_\_\_ No   x
13. Specify property that will be transferred subject to 11 U.S.C. §1146(c).

**II. Creditors**  
**A. Secured Claims**

**SECURED CLAIMS**

Creditor	Total Amount Owed	Arrearages	Type of Collateral Priority of Lien (1, 2, 3)	Disputed(D) Liquidated(L) Unliquidated (U)	Will Liens be Retained Under the Plan (Y)or(N)
Extra Space Storage	\$0		Possible lien for storage payments	Disputed	Yes, to the extent they have a lien.
Iron Mountain	\$0		Possible lien for storage payments		Yes, to the extent they have a lien.
Office Resource Inc.	\$0		Possible lien for storage payments		Yes, to the extent they have a lien.
YP	\$6,350,502.45		First Priority Lien on Debtor's Accounts	Liquidated	Yes
<b>TOTAL</b>	<b>\$6,350,502.45</b>				

**B. Priority Claims**

**PRIORITY CLAIMS**

Creditor	Total Amount Owed	Type of Collateral	(D)(L)(U) *
none			

\* Disputed (D), Liquidated (L), or Unliquidated (U)

**C. Unsecured Claims**

1.	Amount Debtor Scheduled (Disputed and Undisputed)	\$13,152,958.07
2.	Amount of Unscheduled Unsecured Claims <sup>1</sup>	\$
3.	Total Claims Scheduled or Filed	\$14,999,535.71
4.	Amount Debtor Disputes	\$ 4,492,903.36
5.	Estimated Allowable Unsecured Claims	\$10,506,632.35

**D. Other Classes of Creditors**

1.	Amount Debtor Scheduled (Disputed and Undisputed)	\$
2.	Amount of Unscheduled Claims <sup>1</sup>	\$
3.	Total Claims Scheduled or Filed	\$
4.	Amount Debtor Disputes	\$
5.	Estimated Allowable Claims	\$

**E. Other Classes of Interest Holders**

1.	Amount Debtor Scheduled (Disputed and Undisputed)	\$
2.	Amount of Unscheduled Claims <sup>1</sup>	\$
3.	Total Claims Scheduled or Filed	\$
4.	Amount Debtor Disputes	\$
5.	Estimated Allowable Claims	\$

**III. Assets**

**ASSETS**

Assets	Value	Basis for Value Priority of Lien	Name of Lien Holder (if any) (Fair Market Value/Book Value)	Amount of Debtor's Equity (Value Minus Liens)
Cash	\$4,481.61	Actual Value	N/A	\$4,481.61
Computer system equipment (See attached list B)	\$9,735.00 <sup>2</sup>	Debtor's Opinion	N/A	\$9,735.00
Servers, firewalls, and storage (See attached list B)	\$6,200.00 <sup>2</sup>	Debtor's Opinion	N/A	\$6,200.00
Laptops, Desktops, and other office equipment (See attached list B)	\$6,750.00 <sup>2</sup>	Debtor's Opinion	N/A	\$6,750.00
Accounts Receivable See Attached List A1-4	\$314,471.94	Actual Value	N/A	\$314,471.94

<sup>1</sup>Includes a.) Unsecured claims filed by unscheduled creditors; b.) that portion of any unsecured claim filed by a scheduled creditor that exceeds the amount debtor scheduled; and c.) any unsecured portion of any secured debt not previously scheduled.

<sup>2</sup> The Debtor attempted to liquidate this equipment during the Chapter 11 case. They were not able to find anyone interested in liquidating the equipment due to the minimal return they expected.

Note from Joy From Within, LLC3	\$0.00	Debtor's Opinion	N/A	\$0.00
Purchase Agreement with YPM, Inc. ("YPM Receivable")	\$280,000.00	Debtor's Opinion	N/A	\$280,000.00
	\$621,638.55			\$621,638.55

1. Are any assets which appear on Schedule A or B of the bankruptcy petition not listed above? No  
If so, identify asset and explain why asset is not in estate:
2. Are any assets listed above claimed as exempt? If so attach a copy of Schedule C and any amendments. Not Applicable - The Corporate Debtor is not entitled to exemptions.

**IV. SUMMARY OF PLAN**

1. Effective Date of Plan: ~~February~~ September 2017
2. Will cramdown be sought?  Yes  No  
If yes, state bar date: The Debtor will seek a cramdown hearing at the hearing on the confirmation of this Plan, if necessary.

**3. Treatment of Secured Non-Tax Claims**

**SECURED NON-TAX CLAIMS**

Name of Creditor	Class	Amount Owed	Summary of Proposed Treatment
YP	3	\$6,350,502.45 (secured portion estimated to be \$210,000, which is 75% of estimated remaining YPM Receivable)	YP will receive seventy-five (75) percent of the gross amount of the YPM Receivable payable by YPM on and after 1/1/2017, such amount paid directly by YPM to YP, and YP will retain a deficiency claim paid under Class 4.

**4. Treatment of Secured Tax Claims**

**SECURED TAX CLAIMS**

Name of Creditor	Class	Amount Owed	Summary of Proposed Treatment
NONE			

3 Joy From Within, LLC used this note to purchase a corporation. Joy From Within, LLC believes that it was defrauded in that sale and is pursuing legal action against the seller. If Joy From Within, LLC does not recover from the seller, there will be no funds available for the Debtor.

**5. Treatment of Administrative Non-Tax Claims<sup>2</sup>**

**ADMINISTRATIVE NON-TAX CLAIMS**

Name of Creditor *	Amount Owed	Type of Debt **	Summary of Proposed Treatment and Date of First Payment
Calaiaro Valencik	\$20,000.00 – Estimated	Attorney for Debtor Fees	To be paid in full on the Plan Effective Date or as parties agree.
United States Trustee	\$650.00 - Estimated	Court Costs	To be paid in full on the Plan Effective Date.

\* Identify and Use Separate Line for Each Professional and Estimated Amount of Payment

\*\* Type of Debt (P=Professional, TD=Trade, TX=TaxeS)

**6. Treatment of Administrative Tax Claims**

**ADMINISTRATIVE TAX CLAIMS**

Name of Creditor *	Amount Owed	Type of Debt **	Summary of Proposed Treatment and Date of First Payment
NONE			

**7. Treatment of Priority Non-Tax:**

**PRIORITY NON-TAX CLAIMS**

Name of Creditor	Class	Amount Owed	Summary of Proposed Treatment
NONE			

**8. Treatment of Priority Tax Claims<sup>3</sup>:**

Name of Creditor	Class	Amount Owed	Date of Assessment	Summary of Proposed Treatment
Department of the Treasury- The Internal Revenue Service	<u>2</u>	\$10,199.53		The Allowed claims, after tax returns are filed and liabilities are determined, will be paid the principal and interest. Any penalties will be paid in class <del>34</del> .
Franchise Tax Board	<u>2</u>	\$821.92		The Allowed claims, after tax returns are filed and liabilities are determined, will be paid the principal and interest. Any penalties will be paid in class <del>34</del> .
Total		\$11,021.45		

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<sup>2</sup>Include all §503(b) administrative claims.

<sup>3</sup>Include dates when any §507(a) (7) taxes were assessed.

**9. Treatment of General Unsecured Non-Tax Claims:  
GENERAL UNSECURED NON-TAX CLAIMS  
(Percent of Available Proceeds is  
Estimated and subject to Claim Objections)**

Creditor	Class	Total Amount Owed	Percent of Available Dividend
Action Pages	<del>43</del>	\$84.24	4.3%
ADS Parish Red Books	<del>43</del>	\$7,281.93	4.3%
AJ Media Services, LLC DAB Best	<del>43</del>	\$2,503.41	4.3%
Alabama Publishing Group	<del>43</del>	\$7,413.97	4.3%
Anuncios En Directorios S.A. de PMB 192	<del>43</del>	\$4,463.44	4.3%
Argiv Media	<del>43</del>	\$9,877.96	4.3%
Associated Publishing Company Inc.	<del>43</del>	\$20,256.28	4.3%
ATD-Austin	<del>43</del>	\$11,091.32	4.3%
AXESA Servicios DE Infomacion, S.	<del>43</del>	\$6,048.60	4.3%
Best Read Phonebooks	<del>43</del>	\$919.87	4.3%
Carr Directory	<del>43</del>	\$814.40	4.3%
Central California Directories	<del>43</del>	\$412.20	4.3%
Chinese Yellow Pages	<del>43</del>	\$259.20	4.3%
Citywide Directories LLC	<del>43</del>	\$401.25	4.3%
Classified Directories	<del>43</del>	\$1,631.76	4.3%
Colorlyne Directories	<del>43</del>	\$5,573.28	4.3%
Community Yellow Pages	<del>43</del>	\$687.96	4.3%
Comporium Publishing	<del>43</del>	\$24,969.22	4.3%
Consolidated Communications Inc.	<del>43</del>	\$15,798.12	4.3%
Data Publishing	<del>43</del>	\$46,576.32	4.3%
DEX	<del>43</del>	\$177,978.15	4.3%
DEX	<del>43</del>	\$551,122.74	4.3%
DEX	<del>43</del>	\$776,153.26	4.3%
DEX	<del>43</del>	\$176,256.37	4.3%
DEX	<del>43</del>	\$30,097.73	4.3%
DEX	<del>43</del>	\$11,156.92	4.3%
Dex Media	<del>43</del>	\$586,477.64	4.3%
Dex Media	<del>43</del>	\$509,257.33	4.3%
Dex Media	<del>43</del>	\$392,543.23	4.3%
Dex Media	<del>43</del>	\$49,587.27	4.3%
Dex Media	<del>43</del>	\$490,950.73	4.3%
Dex Media	<del>43</del>	\$125,522.71	4.3%
DEX Media East, Inc.	<del>43</del>	\$854,429.51	4.3%
DEX Media West, Inc.	<del>43</del>	\$727,934.75	4.3%
Directory Plus	<del>43</del>	\$10,899.31	4.3%
Directory Publishing Solutions	<del>43</del>	\$45,659.44	4.3%
DMI	<del>43</del>	\$8,408.07	4.3%



Creditor	Class	Total Amount Owed	Percent of Available Dividend
Downey Publishing	<del>43</del>	\$20,049.90	4.3%
Eagle Publications, Inc.	<del>43</del>	\$29,167.00	4.3%
Everyday Yellow Pages	<del>43</del>	\$110.25	4.3%
Front Door Direct	<del>43</del>	\$2,377.50	4.3%
Geneseo Communications, Inc.	<del>43</del>	\$2,291.49	4.3%
Gold Leaf Directories	<del>43</del>	\$1,061.49	4.3%
Hagadone Directories	<del>43</del>	\$16,404.00	4.3%
Haines Publishing Inc.	<del>43</del>	\$15,495.12	4.3%
Hanson Directory Services, Inc.	<del>43</del>	\$88,865.55	4.3%
Hertz Gateway	<del>43</del>	\$112,450.00	4.3%
HIBU Inc.	<del>43</del>	\$1,627,150.15	4.3%
Home Town Directories, Inc.	<del>43</del>	\$312.13	4.3%
Impact Directories DBA Arrow Rock	<del>43</del>	\$9,818.94	4.3%
Impact Directories Inc.	<del>43</del>	\$13,427.75	4.3%
Lakeview Publishing	<del>43</del>	\$3,601.26	4.3%
Local Book Publishing Inc.	<del>43</del>	\$7,730.25	4.3%
Local Edge	<del>43</del>	\$21,515.34	4.3%
Metropolitan Publishing	<del>43</del>	\$1,060.80	4.3%
Names and Numbers	<del>43</del>	\$39,866.64	4.3%
National Solutions	<del>43</del>	\$79.60	4.3%
National Solutions	<del>43</del>	\$13,766.60	4.3%
National Solutions	<del>43</del>	\$2,505.75	4.3%
National Solutions Inc.	<del>43</del>	\$6,400.80	4.3%
National Solutions Inc.	<del>43</del>	\$3,571.20	4.3%
National Solutions Inc.	<del>43</del>	\$2,947.20	4.3%
National Solutions, Inc 0789	<del>43</del>	\$600.84	4.3%
NE Indiana Phone Books	<del>43</del>	\$1,062.94	4.3%
North West Austin Directories	<del>43</del>	\$938.37	4.3%
Northern Directory Publishing	<del>43</del>	\$14,988.56	4.3%
Nova Directories	<del>43</del>	\$11,078.00	4.3%
Ogden Directories Inc.	<del>43</del>	\$34,378.07	4.3%
Our Community Directory LLC	<del>43</del>	\$2,499.55	4.3%
Pelican Pages LLC	<del>43</del>	\$141.00	4.3%
Peter Salzberg and Associates	<del>43</del>	\$1,045.20	4.3%
Phone Directory Services DBA PDS	<del>43</del>	\$4,472.81	4.3%
Pinnacle Publishing, LLC	<del>43</del>	\$64,453.29	4.3%
Pioneer Directories, Inc.	<del>43</del>	\$6,497.30	4.3%
Pioneer Telephone Association Inc.	<del>43</del>	\$1,159.39	4.3%
Pioneer Telephone Cooperative	<del>43</del>	\$1,511.18	4.3%
Pioneer Telephone Cooperative	<del>43</del>	\$614.52	4.3%
Plant Telecommunications	<del>43</del>	\$992.64	4.3%

Creditor	Class	Total Amount Owed	Percent of Available Dividend
Sasktel-Customers Remittance	<del>43</del>	\$6,232.88	4.3%
Southern Directory Publishing	<del>43</del>	\$6,963.64	4.3%
Southwest Directory Publishing	<del>43</del>	\$592.56	4.3%
St. Bernard Telephone Directory	<del>43</del>	\$770.00	4.3%
Statewide Publishing	<del>43</del>	\$7,299.52	4.3%
Summit Media Inc.	<del>43</del>	\$1,429.80	4.3%
Summit Media Solutions, Inc.	<del>43</del>	\$3,473.99	4.3%
Sunshine Pages	<del>43</del>	\$15,902.22	4.3%
Surewest Directories	<del>43</del>	\$6,215.04	4.3%
SWB Group Services	<del>43</del>	\$5,128.53	4.3%
Tarheel Pages Company	<del>43</del>	\$4,611.37	4.3%
Telephone Directory of TX	<del>43</del>	\$3,757.50	4.3%
The Berry Company	<del>43</del>	\$186,183.24	4.3%
The Berry Company	<del>43</del>	\$226,260.85	4.3%
The Berry Company	<del>43</del>	\$16,409.79	4.3%
The Berry Company	<del>43</del>	\$34,922.64	4.3%
The Data Center Inc.	<del>43</del>	\$12,698.01	4.3%
The Gold Pages	<del>43</del>	\$516.80	4.3%
The Local Pages	<del>43</del>	\$4,047.75	4.3%
The Local Pages Inc	<del>43</del>	\$20,544.23	4.3%
User –Friendly Phone Book	<del>43</del>	\$40,447.60	4.3%
U.S. Bank N.A.	<del>43</del>	\$33,095.90	4.3%
Valley Yellow Pages	<del>43</del>	\$56,034.72	4.3%
Vernon Publications, LLC	<del>43</del>	\$945.36	4.3%
Watsfield Telecom	<del>43</del>	\$2,180.00	4.3%
Wells Fargo Financial Leasing, Inc.	<del>43</del>	\$5,023.61	4.3%
Wells Fargo Vendor Financial Services, LLC	<del>43</del>	\$10,691.55	4.3%
YP (Less amounts received under Class 3)	<del>43</del>	\$6,350,502.45	4.3%
Ziplocal	<del>43</del>	\$42,867.34	4.3%
Ziplocal	<del>43</del>	\$3,881.39	4.3%
Ziplocal	<del>43</del>	\$2,911.90	4.3%
Ziplocal	<del>43</del>	\$1,837.74	4.3%
Ziplocal	<del>43</del>	\$839.45	4.3%
Ziplocal	<del>43</del>	\$747.99	4.3%
Ziplocal	<del>43</del>	\$657.90	4.3%
Ziplocal	<del>43</del>	\$2,950.19	4.3%
TOTAL		\$14,999,535.71	

**10. Treatment of General Unsecured Tax Claims:  
GENERAL UNSECURED TAX CLAIMS**

Creditor	Class	Total Amount	Percent of
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	Owed	Dividend
NONE		

11. Will periodic payments be made to unsecured creditors?  
 Yes X No \_\_\_\_\_ First payment to begin April 2017

If so:

**Amount of each payment (aggregate to all unsecured claimants)**

**Estimated date of first payment:** April 2017

**Time period between payments:** Yearly

**Estimated date of last payment:** March 2020

**Contingencies, if any:**

**State source of funds for planned payments, including funds necessary for capital replacement, repairs, or improvements:**

This plan will be funded by the collection of the accounts receivable and a twenty-five (25) percent portion of the payment stream from the sale of the Debtor's clients to YPM, Inc. The Debtor anticipates a revenue stream from YPM, Inc. of approximately \$17,500 per year for four years, totaling \$70,000. This amount represents 25% of the estimated remaining YPM Receivable. These funds will be used to pay allowed claims.

The Debtor will also attempt to collect delinquent accounts receivable. The outstanding accounts receivable are approximately \$314,471.94. Any amounts recovered from the accounts receivable will be used to pay claims and increase the dividend to creditors.

The Debtor has a Note in the amount of \$250,000.00 to Joy from Within, Inc Joy From Within, LLC. Joy From Within, LLC used this note to purchase a corporation. Joy From Within, LLC believes that it was defrauded in that sale and is pursuing legal action against the seller. If Joy From Within, LLC does not recover from the seller, there will be no funds available for the Debtor. Any funds that are collected from this note will be used to pay claims and increase the dividend to creditors.

Excluding the Joy From Within amount, the assets are estimated to total \$621,638.55 if they are fully collected. After satisfaction of Class 1 (Administrative), Class 2 (Priority Tax Claims) and Class 3 (Secured Claims), there could be up to approximately \$379,967.10 available for distribution to Class 4 general unsecured creditors.

**Other significant features of the plan:**

The Plan constitutes a compromise of protracted litigation with one of the Debtor's vendors, YP. The Plan settles that litigation and avoids the Debtor incurring any further legal fees to resolve the litigation. YP asserted a first priority security interest in all of the Debtor's accounts including accounts receivable.

The Debtor disputed the security interest. The Debtor's accounts receivable have a book value of \$314,471.94, the Joy From Within receivable if fully collected has a value of \$250,000, and the Debtor estimates the remaining value of the YPM Receivable is \$280,000. These three amounts total \$844,471.94.

As more fully set forth in and subject to the terms of the Plan, YP and the Debtor agreed to settle and resolve the litigation by allowing YP's claim in the amount of \$6,350,502.45, YP retaining its liens, allocating 75% of the gross amount of the remaining YPM Receivable to YP's secured claim (Debtor estimates this value at \$210,000), YP retaining a deficiency claim in the Class 4 general unsecured claim pool, and agreeing to resolve the underlying litigation with mutual releases.

The settlement satisfies the four-factor standard applicable in this Circuit in In re Martin, 91 F.3d 389 (3d Cir. 1999) (the probability of success in the underlying litigation, likely collection difficulties, the complexity of the litigation as well as the expense, inconvenience, and delay necessarily attending it, and the paramount interest of the creditors).

-First, the probability of success is uncertain for either party. Although YP obtained a preliminary injunction in the underlying litigation, the Debtor filed an appeal which remained unresolved at the time the bankruptcy case was commenced.

-Second, collection difficulties are not relevant here as the Debtor is the party that owes the monies.

-Third, the underlying litigation was expensive and time consuming, and had been pending for close to one year when the bankruptcy case was filed.

-Fourth, the interests of creditors are satisfied as the settlement falls within the range of reasonableness for the potential outcome of the litigation. Of the \$844,471.94 the Debtor estimates it can possibly recover on its accounts, the settlement allocates an estimated \$210,000 to YP's secured claim. The settlement also results in the Debtor not spending additional legal fees on the litigation and results in assets projected to be available for distribution to unsecured creditors in the bankruptcy case. Were YP to be successful in the litigation, no assets would be projected to be available to distribute to unsecured creditors in the bankruptcy case.

Calaiaro Valencik will file lawsuits in state court to collect delinquent accounts receivable, if feasible. They will be paid for their collection work under the same hourly rate that was approved in their Motion to Employ Counsel in this case. Their fees will be paid from any proceeds paid to the Disbursing Agent.

Hertz Gateway Center L.P. has filed proof of claim # 15 in the amount of \$ 112,450.00. Hertz Gateway has asserted that it also has an administrative

priority claim for post- petition rent for the contract amount of the lease rental of the office space at Gateway Center; Pittsburgh Pa. Hertz Gateway argues that it is entitled to an administrative claim for the contractual rent due until the lease was rejected. The Debtor asserts that it did not occupy the space or conduct any business in that space after the bankruptcy. The Debtor believes that the right to an administrative claim is governed by 11 U. S. C. § 503. The debtor believes that since the estate received no benefit from the occupancy; Hertz Gateway does not have an administrative claim. The Debtor also believes that if Hertz Gateway does have an administrative claim; it is allowable only to the extent of the benefit to the estate and not governed by the contract rate of rent.

This is an ongoing dispute with Hertz Gateway Center L.P. which has not been resolved as of the date of the filing of this Amended Disclosure Statement.

If the Hertz Gateway Center L.P. claim is allowed as an administrative claim, that claim will be paid along with other administrative claims prior to unsecured creditors.

**Include any other information necessary to explain this plan:**

**V. Comparison of Plan with Chapter 7 Liquidation**

If debtor's proposed plan is not confirmed, the potential alternatives would include proposal of a different plan, dismissal of the case or conversion of the case to Chapter 7. If this case is converted to Chapter 7, a trustee will be appointed to liquidate the debtor's non-exempt assets. In this event, all secured claims and priority claims, including all expenses of administration, must be paid in full before any distribution is made to unsecured claimants.

Total value of Chapter 7 estate (See Section III)	\$621,638.55
1. Less secured claims (See IV-2)	\$6,350,502.45
2. Less administrative expenses (See IV-3 and include approximate Chapter 7 expenses)	\$ 20,000.00
3. Less other priority claims (See IV-4)	\$ 11,021.45

<b>Total Amount Available for Distribution to Unsecured Creditors</b>	<b>\$ 0.00</b>
Divided by total allowable unsecured claims of (See Section II C)	\$10,506,632.35
<b>Percentage of Dividend to Unsecured Creditors:</b>	<b>0%</b>

Will the creditors fare better under the plan than they would in a Chapter 7 liquidation? Yes X No \_\_\_\_\_ Explain:

The Plan constitutes a compromise of protracted litigation with one of the

Debtor's vendors, YP. The Plan settles that litigation and avoids the Debtor incurring any further legal fees to resolve the litigation. In a chapter 7 case, the creditors will receive a smaller dividend due the additional fees that would be incurred to continue the litigation and the risk of an adverse result from the litigation with YP. In addition, litigation may be necessary to collect and monetize the assets of the Debtor. In a chapter 7 case, it is unlikely that the full value of these claims will be realized as the chapter 7 trustee will not be familiar with the debtor's business. The income from YPM, Inc. will be paid in increments over time. In a chapter 11, the money will be paid to a disbursing agent over the life of the plan and disbursed to creditors. They will receive more funds over time than if the estate was liquidated in a chapter 7.

**VI. Feasibility**

**Estimated amount to be paid on effective date of plan, including administrative expenses.**

**Show how this amount was calculated.**

\$20,000.00	Administrative Class (subject to available cash)
\$0	Taxes
\$0	Unsecured Creditors
<u>\$650.00</u>	UST Fees
\$20,650.00	TOTAL

**What assumptions are made to justify the increase in cash available for the funding of the plan?** *The Debtor will begin receiving revenue from the YPM Receivable starting in the first quarter of 2017.*

**Will funds be available in the full amount for administrative expenses on the effective date of the plan? From what source? If not available, why not and when will payments be made?** Some funds will be available on the Plan Effective Date from the contract with YPM. The administrative claimants may agree to receive payment of their claims over time.

**Cash on hand \$ \$4,481.61 (Current) Attach current bank statement**  
**Cash on hand \$ \$21,981.61 (Estimated amount available on date of confirmation or shortly thereafter)**

**If this amount is less than the amount necessary at confirmation, how will debtor make up the shortfall?**

**VII. Management Salaries**

**MANAGEMENT SALARIES**

Position/Name of Person Holding Position	Salary at Time of Filing	Proposed Salary (Post-Confirmation)
Nick Barran		\$25 per hour to help with collections None

**VIII. Identify the Effect on Plan Payments and Specify Each of the Following:**

1. What, if any, Litigation is Pending?  
None (YP litigation is being settled under the Plan)
2. What, if any, Litigation is Proposed or Contemplated?  
-Any Objections to Claims  
-State Court Actions to collect delinquent accounts receivable  
-Any Actions to reject contracts  
**-Objections to alleged administrative claims**

**IX. Additional Information and Comments**

**IX. Certification**

The undersigned hereby certifies that the information herein is true and correct to the best of my knowledge and belief formed after reasonable inquiry.

Respectfully submitted,

Date: ~~February 27, 2017~~ MAY 10, 2017

BY: /s/ Donald R. Calaiaro  
Donald R. Calaiaro, Esquire,

PA I.D. #27538

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/s/ David Z. Valencik

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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

In Re: KDA Group, Inc.,  
Debtor.

Bankruptcy No. 16-21821 GLT  
Document No.

CERTIFICATE OF SERVICE OF SECOND AMENDED DISCLOSURE STATEMENT  
TO  
ACCOMPANY AMENDED LIQUIDATING PLAN DATED ~~FEBRUARY 27, 2017~~MAY  
10, 2017

I certify under penalty of perjury that I served the above captioned Order on the parties at the addresses specified below or on the attached list on ~~February 27, 2017~~MAY 10, 2017

Service by First Class Mail:

KDA Group, Inc., Four Gateway Center, 444 Liberty Avenue, Suite 1100, Pittsburgh, PA 15222

Service by NEF:

Office of the U.S. Trustee, 1001 Liberty Avenue, Suite #970, Liberty Center, Pittsburgh, PA 15222

The type(s) of service made on the parties (first-class mail, electronic notification, hand delivery, or another type of service) was: **First Class Mail or Electronic Notification.**

If more than one method of service was employed, this certificate of service groups the parties by the type of service. For example, the names and addresses of parties served by electronic notice will be listed under the heading "Service by Electronic Notification," and those served by mail will be listed under the heading "Service by First-Class Mail."

Date: ~~February 27, 2017~~MAY 10, 2017

/s/ Donald R. Calaiaro  
Donald R. Calaiaro,

Esquire, PA I.D. #27538

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/s/ David Z. Valencik

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