

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In Re:
DigitalTown, Inc.

Debtor.

BKY No. 20-32155
Chapter 11

**DEBTOR'S PLAN OF REORGANIZATION FOR SMALL BUSINESS
UNDER CHAPTER 11**

DigitalTown, Inc.'s Plan of Reorganization Dated November 27, 2020.

INTRODUCTION

The Debtor, DigitalTown, Inc. ("Digitaltown" or the "Debtor"), the debtor-in-possession in the above-captioned Chapter 11 proceedings, proposes the following Plan of Reorganization dated November 27, 2020 ("Plan") for confirmation under Subchapter V, 11 U.S.C. §1181, *et seq*, pursuant to applicable provisions of the United States Bankruptcy Code, Title 11 of the United States Code.

Generally, the Plan provides for the reorganization of the Debtor's business and debt. All unsecured creditors' claims will be converted into common stock equity interests in the Debtor. Unsecured creditors will receive Class C preferred shares which, in addition to all of the rights of shareholders generally, Class C shareholders will receive distributions out of the realized disposable income of the Debtor over the five-year term of the Plan.

The Debtor intends to reorganize its business operations by obtaining additional investments and a new equity line of credit facility to enable it to fully implement its business plan.

Background for Cases Filed Under Subchapter V

A. Description and History of the Debtor's Business.

The Debtor is a Minnesota corporation. The Debtor's shares are publicly traded on the "Over the Counter" Market ("OTC") under the ticker "DGTW". The Debtor was incorporated in 1982, and in recent years the Debtor has been in the business of developing a local community-based e-commerce platform.

B. Liquidation Analysis.

To confirm the Plan, the court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. A liquidation analysis included in the Attachment – Disclosure Information, which is appended to this Plan.

C. Ability to make future plan payments and operate without further reorganization.

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments and operate the debtor's business.

The Plan Proponent has provided projected financial information in the Attachment – Disclosure Information.

The Plan Proponent's financial projections show that the Debtor will have projected disposable income (as defined by § 1191(d) of the Bankruptcy Code) for the 5-year terms of the plan of \$988,159.

The final Plan payment is expected to be paid on December 31, 2025.

Article 1: Summary

The Debtor proposes to satisfy the claims of the general unsecured creditors by issuing to them common shares and Class C Preferred Shares and making preferred distributions to the holders of Class C Preferred Shares from future income from operations. The Plan provides for one class of priority claims; one class of non-priority unsecured claims; and two classes of equity security holders.

Current shareholders who acquired their shares by converting prepetition debt into equity are treated in Class 3 and will also receive Class C Preferred Shares.

Non-priority unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 22.5 cents on the dollar. This Plan also provides for the payment of administrative and priority claims.

All creditors and equity security holders should refer to Articles 2 through 4 of this Plan for information regarding the precise treatment of their claim. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

Article 2: Classification of Claims and Interests.

Class 1: Priority Claims. All allowed claims entitled to priority under §507(a) of the Code (except administrative expense claims under §507(a)(2) and priority tax claims

under §507(a)(8). Class 1 Priority Claims will be paid within thirty days after the effective date of the Plan, unless other treatments has been agreed upon by the Claimant and the Debtor.

Class 2: Non-Priority Unsecured Claims. All allowed non-priority unsecured claims allowed by §506 of the Code. All holders of Class 2 Non-Priority Unsecured Claims are impaired.

Class 3: Certain Equity Holders of the Debtor. Class 3 consists of those equity holders of the Debtor whose shares were issued pre-petition in consideration for the conversion of debt into equity. All holders of Class 3 Interests are impaired.

Class 4: Other Equity Holders of the Debtor. Except as otherwise provided for in the Plan, the equity security holders (excluding those equity security holders included in Class 3) shall retain their equity and preserve any voting and distribution rights as existed pre-petition; provided however that holders of Class 4 Interests shall not receive any distributions of profit until Class C Shares have expired.

Article 3: Treatment of Administrative Expense Claims, Priority Tax Claims and Quarterly and Court Fees.

Unclassified Claims. Under section §1123(a)(1), administrative expense claims and priority tax claims are not in classes.

Administrative Expense Claims. Each holder of an administrative expense claim allowed under §503 of the Code will be paid in full on the effective date of the Plan in cash or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

Priority Claims. Each holder of a priority tax claim shall be paid consistent with §1129(a)(9)(C) of the Code. (The Debtor is unaware of any priority tax claims.) Debtor estimates that there will be less than \$1,000 of current trade payables due and owing entitled to priority under §503(b)(1). All such claims shall be paid within five years of the date of filing of the Plan

Statutory Fees. All fees required to be paid under 28 U.S.C. §1930 that are owed on or before the effective date of this Plan have been paid or will be paid on the effective date.

Prospective Quarterly Fees. All fees required to be paid under 28 U.S.C. §1930(a)(6) or (a)(7) will accrue and be timely paid until the case is closed, dismissed or converted to another chapter of the Code.

Article 4: Treatment of Claims and Interests under the Plan.

Class 1: Priority Claims. All allowed claims entitled to priority under §507(a) of the Code (except administrative expense claims under §507(a)(2) and priority tax claims

under §507(a)(8). Class 1 Priority Claims will be paid within thirty days after the effective date of the Plan, unless other treatments has been agreed upon by the Claimant and the Debtor.

Class 2: Non-Priority Unsecured Claims. All allowed non-priority unsecured claims allowed by §506 of the Code. All holders of Class 2 Non-Priority Unsecured Claims are impaired. Holders of Class 2 Non-Priority Unsecured Claims will receive 20 shares of common stock for each dollar of debt. Additionally, they will receive one Class C preferred share per dollar of debt, which entitles them to receive pro rata distributions of disposable income through the term of the Plan. All distributions will be made on a calendar semi-annual basis with distributions being made sixty days after the conclusion of each semi-annual period and a determination by the board of directors of whether there is disposable income available for distribution.

Class 3: Certain Equity Holders of the Debtor. Class 3 consists of those equity holders of the Debtor whose shares were issued in consideration for the conversion of debt into equity prepetition. Holders of interest will receive one Class C preferred share for each dollar of debt that was previously converted to common stock, which will entitle them to receive pro rata distributions of disposable through the term of the Plan. All distributions will be made on a calendar semi-annual basis with distributions being made sixty days after the conclusion of each semi-annual period and a determination by the board of directors of whether there is disposable income available for distribution.

Class 4: Other Equity Holders of the Debtor. Except as otherwise provided for in the Plan, the equity security holders shall retain their equity and preserve any voting and distribution rights as existed pre-petition. Notwithstanding the foregoing, the Debtor shall not issue dividends to the holders of common stock until the Class C shares expire.

Article 5: Allowance and Disallowance of Claims.

Disputed claims. A disputed claim is a claim that has not been allowed or disallowed and as to which either:

- (i) A proof of claim has been filed or deemed filed and the Debtor or another party in interest has filed an objection; or
- (ii) No proof of claim has been filed and the Debtor has scheduled such claim as disputed, contingent or unliquidated.

Delay of distribution on a disputed claim. No distribution will be made on account of a disputed claim unless such claim is allowed by final non-appealable order.

Settlement of disputed claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

Article 6: Executory Contracts. The Debtor has no executory contracts.

Article 7: Means for Implementation of the Plan.

As of the Effective Date, all assets of the estate including all Net Operating Losses will be revested in the Debtor. The Debtor will implement its business plan as described in Attachment 1 – Disclosure Information

Within thirty days after the Effective Date, the Debtor will issue: 20 shares of common stock for each dollar of debt to all holders of allowed Class 2 claims; 1 Class C Preferred Share for each dollar of debt held by holders of Class 2 claims; and 1 Class C Preferred Share for each dollar of previously converted debt of Class 3 claims.

If the Debtor objects to the allowance of any Class 2 Claims, the issuance of shares to the holders of disputed claims will be made within thirty days after an order resolving such dispute becomes a final non-appealable order.

All holders of Class C Preferred Shares will be entitled to receive pro rata distributions of the Debtor’s realized disposal income over the 5-year term of the Plan, and will expire at the earlier of: (1) the receipt by the creditor of an amount equal to the allowed amount of their claim; or (2) the end of the five-year term of the Plan.

Article 8: General Provisions.

Definitions and rules of construction

The definitions and rules of construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan, and they are supplemented by the following definitions:

“Debtor” means DigitalTown, Inc.

“Plan” means this Plan of Reorganization, dated November 27, 2020

“Shareholders” means those persons or entities holding common stock of the Debtor, as recorded by the Debtor’s transfer agent as of the date of filing.

Effective date

The effective date of this Plan is the first business day following the date that is 14 days after the entry of the confirmation order. If, however, a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the date on which the stay expires or is otherwise terminated.

Severability	If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.
Binding effect	The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.
Captions	The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.
Controlling effect	Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Minnesota shall govern this Plan and any agreements, documents and instruments executed in connection with this Plan, except as otherwise provided in the Plan.
Corporate governance	The Debtor shall amend its Bylaws to include a provision prohibiting the issuance of nonvoting equity securities, and providing, as to the several classes of securities possessing voting power, an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends;
Retention of Jurisdiction	This court shall retain jurisdiction following confirmation.

Article 9: Discharge.

Discharge if the Debtor is a corporation under Subchapter V

If the Debtor's Plan is confirmed under § 1191(a), on the effective date of the Plan, the Debtor will be discharged from any debt that arose before confirmation of this Plan, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor will not be discharged of any debt:

- (i) imposed by this Plan; or
- (ii) to the extent provided in § 1141(d)(6).

If the Debtor's Plan is confirmed under § 1191(b), confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments due within the first 3 years of this Plan, or as otherwise provided in § 1192 of the Code. The Debtor will not be discharged from any debt: (i) on which the last payment is due after the first 3 years of the plan, or as otherwise provided in § 1192; or excepted from discharge under § 523(a) of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

Respectfully submitted,

DigitalTown, Inc.

Dated: November 27, 2020



Salvatore (Sam) Ciacco, CEO