

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

**In Re: NORMAN EDWARD McMAHON, : CHAPTER 11
Debtor : BANKRUPTCY NO. 16-11874'**

DEBTOR'S DISCLOSURE STATEMENT IN REFERENCE HIS SECOND AMENDED PLAN OF REORGANIZATION

A. INTRODUCTION

On March 18, 2016, NORMAN EDWARD McMAHON ("the Debtor") filed the instant voluntary bankruptcy case under Chapter 13 of the Bankruptcy Code ("Code") in the United States Bankruptcy Court for the Eastern District of Pennsylvania ("Court") pro se. The undersigned entered his appearance for the Debtor on April 9, 2016, and filed an Application for appointment as the Debtor's counsel that day which was granted by the Court on May 4, 2016. Since the filing of this case the Debtor has functioned as a debtor-in-possession pursuant to the requirements of Chapter 11 of the Code.

Section 1125 of the Code requires that Chapter 11 debtors prepare and file a proposed disclosure statement ("DS") for Court approval prior to circulating a proposed plan with an accompanying approved DS to provide certain information about the Plan to holders of all claims filed and other interested parties. On April 22, 2016, in the course of a hearing granting the Debtor's motion to extend the automatic stay beyond the initial 30-day period pursuant to 11 U.S.C. section 362(c)(3) in light of the dismissal of a prior case of the Debtor within one year, the Court ordered the Debtor to file a plan by July 8, 2016. The Plan was filed on July 6, 2016. The Order of April 22, 2016, did not expressly address the filing of a DS, but, since a filing of a proposed DS must normally accompany the filing of a plan, the court made clear at a hearing on the Motion to approve the modification of the loan from National Capital Management ("NCM") on August 3, 2016, that a DS was to be filed. The court allowed the Debtor until

August 10, 2016, to file a DS. The DS was accordingly filed on August 8, 2016.

Thereafter, an Amended Plan and Amended Disclosure Statement were filed on September 8, 2016. A Second Amended Plan and accompanying Second Amended Disclosure Statement were filed on September 26, 2016.

After approval of a DS, it is transmitted to all parties entitled to vote on the Plan with the Plan itself and a Ballot on which all parties entitled to vote indicate whether they accept or reject the Plan, the form of which must be approved by the Court. Ballots cast are then sent to counsel for the Debtor in pre-addressed envelopes within 25 days. Creditors voting are informed of the dates by which completed Ballots must be sent and/or Objections to confirmation of the Plan must be filed. A hearing to determine whether the Plan can and should be confirmed is then scheduled. If each impaired class of creditors designated in the Plan accepts the Plan by majority of number and two-thirds of the amount of all claims in that class, and there are no Objections found by the Court to be valid, the Plan will likely be confirmed at that hearing. As long as one impaired class accepts the Plan, it may nevertheless be confirmed if it is found to be fair and equitable to all classes.

B. THE DEBTOR

The Debtor was born on February 13, 1948, and is therefore 68 years old at present. He has been married to Laura McMahon, his wife, since September 23, 1978. The couple has three adult children, none of whom presently live with the Debtor and his wife in their home at 801 Lawrence Lane, Newtown Square, PA. 19073 ("the Home").

The Debtor's highest educational attainment is a bachelor's degree from Villanova University in 1972. The Debtor was employed as a trainee at Central Penn National Bank from 1973 through 1978. Thereafter, the Debtor was employed as a Human Resources

Manager at Price Waterhouse from 1978 through 1981; as a Partner in Romac & Associates, a recruiting and placement firm from 1981 through 1991; as owner and President of The McMahon Company, an executive search business, from 1991 through 2003; and from 2003 to the present as owner and President of Payall Solutions, LLC ("Payall"), a payroll processing firm. From 1995 to the end of the Spring, 2016 semester, at which time she retired, Laura had been a teacher at Notre Dame Academy in Villanova, PA. Upon her retirement, she received a retirement package worth \$47,000.

C. EVENTS LEADING TO BANKRUPTCY

The Debtor and his wife had been a highly successful professional couple until the Spring of 2010. The Debtor's business, Payall Solutions, was a commercial account client of Eagle National Bank ("Eagle"). The Debtor and his wife had a commercial loan and mortgage that totaled approximately \$1.1 Million. Their monthly payments totaled just under \$10,000, and they were able to maintain those payments for several years. Two events led to their current situation:

1. Payall was part of a joint venture ("JV") with another payroll company, Innovative Payroll Services ("IPS"). The Debtor owned 50% and the IPS partners owned 50%. The JV was called IPS/Payall Solutions. At the Debtor's request, the JV's accounts were opened at Eagle. The JV was successful and its accounts reflected this. However, in 2010, the partners of the JV decided to cut the Debtor out of any payments from the JV, which would have been \$120,000 to 130,000 annually. The IPS partners moved all funds to a different bank in Georgia, and the Debtor initiated a law suit against IPS.
2. At the same time, the Management of Eagle changed, and, even though the loan was current and not in default, Eagle took the position that the Debtor was in "technical default" because payments on the first mortgage on the Home had fallen behind schedule.

due to non-payment to the Debtor from the JV. The Debtor was told that he had to “move his loans,” but, in every discussion that the Debtor had with Eagle Management, they said they would be willing to “take a haircut” on part of the loan, because the only finance company to which the Debtor could “move,” Frankel Financial, was charging an interest rate of 13.9%, and the fees to move the loan totaled around \$300,000. The Debtor knew that he could not support the remaining balance at Eagle with the enormous new debt payment schedule into which he was forced; the Debtor’s monthly loan payment went from approximately \$9,500 to \$18,000. When Frank Devine, Eagle’s loan officer, arrived at the settlement table in May of 2010, there was no “haircut” offered, and Frank Devine told the Debtor and his wife that they had to sign the loan papers from Eagle. The Debtor told Mr. Devine that he would not be able to sustain the payment schedule, but was nevertheless told in response that he had no choice. With limited funds available, and significantly larger monthly payments, the Debtor was advised by Andy Gibbs, CPA, his financial advisor at the time, that he could either use his money litigating with Eagle for unfair treatment, or to bring a lawsuit against IPS to get the money due to him on those contracts. He opted to sue IPS, and that suit is finally hopefully heading to a successful conclusion. The Debtor’s attorney in this matter is Joseph Cronin, Esquire, who despite repeated contacts, has not yet responded to requests for information which would allow an application for appointment as the Debtor’s special counsel to be filed.

Adding to the Debtor’s problems was the fact that the attorney to whom he was originally referred for the lawsuit against IPS, Kahiga Tiagha, Esquire, caused additional problems. Mr. Tiagha took the case, advised the Debtor to sue both Eagle and IPS, but then missed deadline after deadline imposed in the cases. Upon the Debtor’s confrontation, Mr. Kahiga assured that he would “be on top of everything,” but then left the country to pursue business opportunities in Africa. When the Debtor arrived at Mr. Kahiga’s office in December, 2013, to prepare for a court hearing on the next day, he was told that Mr. Kahiga was out of the country, and that a young, inexperienced attorney, William Ravennell, would be representing the Debtor at the next day’s hearing. The

Debtor was then compelled to agree to the entry of a judgment against him and in favor of Eagle in open court.

Thereafter, the Debtor retained Mr. Cronin in the summer of 2014, and he filed a new action in the New Jersey Superior Court for Camden County, New Jersey, where it appears that it should have been all along. Mr. Cronin also indicated that he would be filing a malpractice lawsuit against Kahiga Tiagha.

During the time period from November, 2010, until October, 2014, the Debtor's parents moved into the Home because their savings had been depleted during the 2008 financial crisis. Further, the McMahons' daughter, Megan, also moved in with her four-year-old son because of her marital difficulties. Due to his circumstances, the Debtor was not able to take any salary from Payall, and the couple lived on Laura's salary.

The Debtor filed a previous bankruptcy case, at Bankr. No. 14-18302, on October 17, 2014. That case was dismissed on July 15, 2015, without a plan's ever having been filed. The intention of the Debtor in that case was to obtain a reverse mortgage loan which would be the cornerstone of a resolution with his first mortgagee on the Home Wells Fargo Home Mortgage ("Wells"), and the second mortgagee on the Home, ESSA Bank & Trust ("ESSA"), the successor to Eagle.

The Debtor notes that, in May, 2015, he was within 12 hours of settling with Eagle/ESSA through a combination of a reverse mortgage and a loan from a friend. Due to some administrative problems beyond the Debtor's control, he and his wife were not able to settle. According to the reverse mortgage lender used, the regulations changed, and the loan could not be closed. The Debtor consulted a new reverse mortgage lender, which obtained tentative approval of a reverse mortgage. However, dissatisfaction with the reverse mortgage loan scenario was expressed by several creditors, whereupon the Debtor changed his approach and decided to sell his Home.

The Debtor's domestic problems have been lessened by the death of the Debtor's parents in 2014, and the departure of their daughter Megan, who has obtained her own apartment. Also, the Debtor began accepting social security benefits in 2015. Although Laura retired from her teaching position, she is entitled to a separation package of \$47,000 from Notre Dame Academy and her own social security benefits.

Payall has begun to grow and the Debtor has been negotiating with several prospective lenders about making an investment in this company.

D. EVENTS IN THIS BANKRUPTCY CASE

The Debtor successfully moved to extend the automatic stay in this case beyond the 30-day period due to a prior dismissed case within the past year, per the Court's Order of April 22, 2016.

On April 21, 2016, the Court signed an Order establishing June 1, 2016, as the Bar Date for the filing of all but governmental claims, for which the Bar Date is statutorily established as September 14, 2016. Only ten claim have been filed, all of which are secured except for two small unsecured claims totaling less than \$2000 and a late-filed, disputed claim of the Debtor's counsel in his first case of about \$20,000. It is not anticipated that any additional governmental claims will be filed in addition to a small state tax claim totaling about \$3700.

On June 21, 2016, the United States Trustee filed a motion to dismiss this case, principally because requisite Reports were not filed. On July 2, 2016, the Debtor filed his Initial Response to this Motion. A hearing was initially scheduled on the Motion on August 3, 2016, but it has been continued until September 28, 2016.

On June 22, 2016, the Debtor filed a Motion Seeking Permission to Enter into a Note Modification Agreement with his largest creditor, NCM. Basically, this Agreement would extend

the maturity of the Debtor's loan from NCM for a year, until May 5, 2017, in consideration for an addition of approximately \$75,000 to the loan balance. An untimely Objection to this Motion (and to confirmation of the Plan) was filed by ESSA on July 20, 2016. The Motion was also initially scheduled for a hearing on August 3, 2016. The Debtor initially requested a continuance of this hearing until August 31, 2016. ESSA withdrew its Objection to the Motion on August 9, 2016.

On August 24, 2016, both ESSA and NCM filed motions seeking relief from the automatic stay to foreclose on their respective mortgage. On August 30, 2016, the Debtor filed a Motion for permission to sell his former business property at 160 East Essex Avenue, Sewell, NJ 08080 ("the Business Property") for \$175,000 and to appoint B. John Duffy of Duffy Real Estate, Inc. to sell the Home. A hearing on the sale motion is scheduled on September 28, 2016, along with motions to avoid judicial liens obtained against the Home and the Business Property held by Benjamin A. Burrows and Green, Silverstein and Groff, LLC, in order to facilitate the planned sales of the Home and the Business Property.

On September 8, 2016, the Debtor filed an Amended Chapter 11 Plan, and this Amended DS, scheduling wrote to interested parties indicating that the Amended Plan & DS rather than the original Plan & DS would be presented at the hearing on September 28, 2016. On September 9, 2016, the United States Trustee filed the only Objection filed to any DS. The only Objection Filed to the Plan was on September 20, 2016, by Wells Fargo Bank

On September 21, 2016, the hearings on the Motions of ESSA and NCM for relief from the automatic stay were conducted, and both resulted in conditional orders for relief, which will shape the future of this case. ESSA was granted relief, but prevented from proceeding until at least January, 2017, to allow Realtor John Duffy, who was appointed by the court, to attempt

to sell the Home in the interim. NCM was granted relief, but the order was stayed until October 12, 2016, to permit the Debtor to prepare a further amended plan which specifically dealt with the disposition of the real property of the Debtor and his wife at 112 115th Street, Stone Harbor, NJ 08042 ("the Beach RE"), which had not been specifically dealt with in the prior plans. The Motion to modify NCM's Note obligation was denied.

The Debtor has filed Certificates of No Objections to the Motions to avoid the judicial liens against his properties and an Objection to the proof of claim filed by ESSA, the latter of which listed for a hearing on November 2, 2016. He has also filed, on September 26, 2016, a Second Amended Plan and this proposed amended Disclosure Statement. Therein, the Debtor proposed to refinance the NCM Beach RE or, if unsuccessful in refinancing, to sell the Beach RE. He also made certain revisions to the prior DS requested by the United States Trustee, notably attaching hereto a Business Plan for Payall Solutions.

E. THE PLAN

The Debtor's Amended Plan of Reorganization contains eight classes. Class 1 is all priority Claims. Classes Two through Six are classes which each contain a separate secured claim, namely the respective secured claims of NCM; Wells Fargo Home Mortgage ("Wells"); ESSA; US Bank, as Custodian for PFS Financial I, LLC ("USB"), Benjamin A. Burrows ("Burrows"), and Green, Silverstein & Groff, LLC ("Green"). Class 7 is the priority portion of the claim of the Pennsylvania Department of Revenue. Class 8 is the residual class of unsecured creditors. The treatment of each of the respective classes is as follows:

Class 1-Unimpaired	Class 1 is unimpaired by this Plan, and each holder of a Class 1 Priority Claim will be paid in full, in cash, upon the later of the effective date of this Plan as defined in Article VII, or the date on which such claim is allowed by a final non-appealable order.
Class 2-Impaired	Will through proceeds of the sales of the Home and the Business Property and the proceeds of the litigation referred to herein. Will refinance the remaining mortgage on the Beach RE after it becomes the residence of the Debtor and his wife or will sell the Beach RE and pay off any remaining balance with the proceeds.
Class 3-Impaired	Will pay off in full with proceeds of sale of the Home.
Class 4-Impaired	Will pay off in full as allowed with proceeds of sale of the Home.
Class 5-Impaired	Paid in full from proceeds of sale of business property.
Class 6-Impaired	Will avoid liens on properties to be sold. Will pay off remaining secured portion of claims, and unsecured portions will be paid the same as unsecured claims, i.e. 10 % of the claims.
Class 7-Impaired	Pay in full on effective date from proceeds from operation of business.

Class B-	Pay 10% on effective date from proceeds from operation of business.
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The Debtors believe that all classes except the Class One administrative attorneys' fee claims are impaired, and they will solicit ballots for all but Class One claims.

F. LIQUIDATION ANALYSIS

The only bankruptcy alternative to Chapter 11 is a Chapter 7 liquidation. The Debtor observes that he has very few unsecured claims, the total amount of which is approximately \$25,000, including the approximately \$20,000 contested claim of the Debtor's prior bankruptcy counsel. Therefore, for this reason alone, if this case were in Chapter 7, it would not fit the mold of a Chapter 7 asset case.

The Debtor's plan consists mainly of restructuring the Debtor's substantial secured claims. Such activities would not appear to be compensable to a Chapter 7 trustee, as there would be no distributions which would be the basis for computing any commission payable to a Chapter 7 trustee for such activities.

Therefore, it is submitted that there is no practical bankruptcy alternative available to the Debtor other than Chapter 11.

The Debtor therefore urges all creditors eligible to vote to accept the Plan.

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Business Plan – Executive Summary

Business Overview: Introducing PayAll Solutions

PayAll Solutions is an established provider of quality payroll and human resources software, as well as payroll processing services. The company was organized as a provider of outsourced payroll and human resource services with a proprietary platform that offers the highest quality, cost effective payroll processing services and software to companies. The software was originally designed to run on any computer hardware and under any operating system using IBM's transaction server and now PayAll has also been developing a SaaS based Internet version of their software, scheduled for completion in late 2016. The new system greatly increases access to the software, and enables customers to easily use the system with PC and Internet browser on highly versatile devices. Unlike its major national competitors, PayAll Solutions' payroll processing service and software is **flexible, customizable, responsive, scalable and completely secure**. It was designed with the ability to tailor the system to provide any interface with any client in-house system, and/or any outside agencies with which the client may interact, offering its clients more **customized and tailored Payroll solutions**, and allowing them to interface with their General Ledger system, 401K administrator, benefits administrator, time clocks and incentive systems. The unique features, flexibility and functionality of PayAll Solutions' payroll processing platform make it a preferred solution for those situations requiring a reliable and cost-effective payroll processing program.

PayAll – a Diversified Strategic Customer Footprint

- PayAll today currently serves approximately 20 customers in various distinct market segments:
 - 1) **Healthcare/Life Sciences/Other Healthcare**
 - 2) **Municipalities**
 - 3) **Financial Services Companies**

4) **Diversified / Other assorted industries**

5) **Non-Profit Organizations**

- PayAll Solutions has recently committed to focus primarily towards the large and lucrative Non Profit industry.

Investment Concept:

In 2016, Payall Solutions was introduced to Simple2Give, a New York based company that has been benefitting charities with their free fundraising and marketing platform since 2010.

Payall Solutions embraced the Simple2Give model, and recognized it as a strategic advantage to the not for profit organizations and charities in our region, and beyond.

We have now made this sector our primary focus, and through active networking and referrals are making numerous connections. We are welcomed into the not for profit organization or charity because we are offering to help them enhance their mission by introducing them to Simple2Give, and also demonstrating our savings based payroll model, which reduces their costs and allows them to further enhance their mission.

We have experienced virtually no rejection in our marketing efforts, and every meeting leads to several additional warm referrals for us, both for Simple2Give and for Payall Solutions' services. We see this as a very lucrative market for us, with very little competition, and no resistance from our client prospects.

Initial Targeted Non-Profit Organizations

- **Delta Community Supports**
- **Williamson College of The Trades**
- **Michael J. Fox Foundation**
- **Bringing Hope Home**
- **Operation First Response**
- **Travis Manion Foundation**
- **Villanova University**
- **Augustinian East Coast Province**
- **Catholic Leadership Institute**

- **Malvern Retreat House**
- **Sisters of St. Joseph**
- **Main Line Chamber of Commerce-** Interested in Simple2Give and introducing the concept to their Non-profit clients.
- **Cabrini University**
- **Lions Club of Cape May County**
- **Voya Foundation**

Significant Market Opportunity / Unmet customer needs: PayAll provides customized outsourced payroll processing and related services to companies in the eastern half of the US. This includes HR, time and attendance, employee self-service, and tax filing services. Its clients are facing significant and costly challenges associated with:

1. Increasing payroll/ HR compliance and regulatory costs and errors
2. Deteriorating customer service and longer time investments for preparing payroll
3. Managing complex regulatory, tax reporting, compliance risks @ changing Local/ State/Federal levels

Businesses including Non-Profits, especially small to mid-size organizations, are facing a myriad of significant competitive challenges today, including consolidation, cost and margin pressures, regulatory complexities, and many others. Preparing & processing payroll is becoming more challenging and expensive w/several issues:

- a. Missing payroll deadlines: Reporting/depositing payroll taxes to Federal/State, IRS penalties
- b. Misclassifying workers – w/growing number of temporary employees, consultants
- c. Neglecting to send 1099's – all independent contractors making \$600 or more must file
- d. Poor record keeping / data entry – Mismatching names / social security numbers, hours
- e. Garnishments, levies, child support – No remittance to correct party by

deadlines

f. Miscalculating overtime pay –litigation regarding unpaid overtime pay

g. Saving Payroll history- Federal, State, Local, cancelled checks, W-4 forms

Target Segments - Large Potential “Addressable Market”

1. ***Nationally - The target market for Payroll and related services is large and fragmented.*** According to a recent IBIS study estimates the payroll services is a **\$48B market** with a total number of participant businesses estimated at **264,066**. The US Small Business Administration estimates the total number of businesses at 5.9 million with 5.2m between 1-19 employees and 635,000 between 20 and 500 employees, which is considered PayAll’s target market.

2. ***Regionally:*** We believe that a focused effort concentrated regionally in the Pennsylvania, New Jersey, and New York areas in the short term, Mid-Atlantic States in the medium term, and Eastern United States in the longer term, toward the non-profit sector will enable PayAll to compete effectively, significantly expand and dominate its target market.

Fragmented Competition – w/underperforming services

• **Nationally:** Historically the dominant three main industry competitors are...

1. ADP - \$9B (585,000 clients in 125 countries with 400,000 small business clients and 25,000 vehicle dealerships), served by 5,000 sales reps organized by size of employees National (1000 employees), Major(50-1000), Small Bus.(<50), Telesales
2. PayChex (561,000 clients)
3. Ceridian (110,000 clients)

All together these three competitors represent **approximately 20%** or 1/5th of the total market with the remaining 4/5th of the market served by a fragmented set of competitors...While ADP serves primarily large companies > 100 employees, PayChex has only 2% of clients over 100 employees, according to industry research sources. Recent trends suggest

ADP is increasing its focus on serving smaller and mid-size companies and PayChex is focusing on serving larger customers. Intuit also represents a significant share of the 1-5 employee businesses.

- **Regional Players:** There are multiple small fragmented competitors such as for example:

1. **Checkpoint HR.** CheckPoint HR's clients (approximately 450 according to website) represent U.S. mid-market organizations that have an employee count ranging from 50 to 2000. A list of representative industries served includes: Hospitality Services, Non-Profit, Auto Dealerships, Pharmaceutical, Technology/Communications, Retail, Financial Services, Real Estate Management, Health Care, Manufacturing, Food Related Industries, Education.

2. **Paylocity.** Paylocity grew from a small start-up with a handful of employees to a successful business with 320 employees. The company has over 6,000 clients with a concentration in the Chicago market while expanding nationally at a revenue rate of \$32m in 2010. They claim they have created a technologically advanced, Software-as-a-Service (SAAS), web payroll and HR solution in the industry and complemented that with award-winning customer service

Why customers switch payroll providers: Dissatisfied Customer Service Complaints

Using social media based analytical techniques, PayAll began research into how satisfied or dissatisfied 200+ customers were of its major market competitor (a statistically significant sample) PayAll categorized all its complaints and switching motivations into four major categories: Customer Service, Clerical Errors, Charges/Fees, and Products. The failure of customer service, which customers describe as an opaque and confusing process, was a predominant theme along with failure to deliver an efficient, mistake-free service and the poor management of customer relationships.

PayAll's Opportunity

- On a National and Regional level, there is no payroll company specifically focused on the Non-Profit Sector.
- Our flexible, cost effective payroll solution provides Non-Profit Organizations with additional savings that can be redeployed towards their mission.
- **Partnership with Simple2Give:**
 - a) Provides a no cost opportunity for Non-Profits to develop a new stream of recurring revenue, enabling them to significantly enhance their mission.
 - b) Provides PayAll Solutions with the opportunity to gain numerous payroll referrals through the large Non-Profit network that Simple2Give has developed.

PayAll Solutions– Growth Strategy

a) ***Organic growth*** with business development efforts and investments in direct sales, referral sales via channel partners including a) Accounting Professionals: (AICPA recognized), b) Financial Advisors, c) Broker Insurance, d) Affiliations with Non-Profit Organizations and highly targeted marketing and awareness building campaigns, using direct marketing and web based social media platform initiatives. It is believed there is a high degree of dissatisfaction with national competitors ADP, Paychex, and Ceridian. PayAll promotes switching in 3 areas:

- a. Cost Reduction – achieving at least 20% sustainable reduction of cost in payroll services through competitive pricing and cloud technology enhancements.
- b. Tailored industry specific solutions – offering greater controls and industry specific insights around payroll, tax, and other areas with reduced staff levels.
- c. Customer Service responsiveness – deliver better service enhancements in multiple areas. Offer seamless conversion team dedicated to transitions to new payroll providers.

Together, the combination of improvements in all three areas - cost reduction through SAAS cloud based technology, tailored industry specific solutions, and customer responsiveness will enable PayAll to differentiate itself relative to the national players and accelerate switching by customers to PayAll Solutions and capturing new customers who have not yet selected outsourced providers.

PayAll – Customer Value Creation Proposition / Competitive Advantages:

A) **Reducing Cost for Customers:** Value of outsourcing to PayAll by reducing labor, technology costs

- a. Reducing labor and technology costs: According to a Hackett Group Study: The total “cost per employee paid” for top payroll performers—which includes labor, outsourcing, technology, and other costs—is 19% lower than that of the peer group. The study shows the total cost per employee paid is \$118 for top performers and \$146 for the peer group. Additionally, for top-performing organizations, 44% of the total cost per employee paid represents technology costs compared to 23% for the peer group. PayAll’s existing and future SaaS based technology investments have enabled its clients to reduce costs by as much as 30%. As an example, a large municipality was paying ADP \$250k for payroll services, while PayAll’s contract was \$185k per year. A large city government was paying ADP \$130k per year for payroll with an IT consulting firm on site dedicated to fix mistakes ADP couldn’t fix. PayAll’s contract was now \$100k annually for 5 years, with a 30% savings using less overhead.
- b. Reducing longer payroll processing time freeing up management to focus on strategic business issues: On average according to the Hackett study, client peer groups take 2 times longer than top performers to post payroll entries to the general ledger after the payroll has closed. Top client performers experience shorter cycles due to the automation of routine processes and the integration of key systems. For example, PayAll’s previous client Hudson County was able to do a mass change for union dues and deductions, with a much simpler and faster way to make union changes using PayAll. Trenton also had completely automated jury checks coming out of its court system.

B) **Improving Customer Service and customized Business Intelligence:**

Complaints with ADP and other national providers start with unresponsive and inflexible customer service....not being able to reach anyone from ADP after 5pm for example.... and seem to have no end. Customers claim ADP and Paychex are inflexible with rigid payment cycles...only allowing clients to submit one payroll a day, so if a client has a part time payroll, or a commission payroll, (as many do) they must submit them on another day. PayAll on the other hand allows its clients to be preparing and submitting multiple payrolls on the same day. In the words of one well-known local PayAll client. “We are getting much better service with PayAll. We always

get a live person, & our questions and issues are addressed and resolved. They are very proactive about things like local taxes, deadlines and things we need to know about in advance. We have never been surprised with anything we did not know about in advance. We just started a new company related to physical therapy, and we gave this business to PayAll as well. We recommend them very highly." Another PayAll client complains about not being able to get reports the way they need to structure the information for their business and locations.

C) **Strategic "Go to Market" Channel Partners:** Companies will bring a broader set of HR solutions including workers compensation, 401k, etc., and a wider set of payroll sales referrals to PayAll Solutions. PayAll has already been establishing exclusive regional sales partnerships with two well-recognized organizations:

1. **Simple2Give-** Simple2Give is a software company that provides non-profit organizations and associations with a free fund raising and marketing platform to maximize the opportunity for real time social impact. It allows fundraisers to tap potential donors across the globe in real time through a centralized web application platform. With Simple2Give, charity members who install the Simple2Give application become Affinity Members at zero cost, without intrusion, and while enjoying contribution transparency, transaction security and privacy. Payall Solutions is a member of the team that has secured the rights to the only national franchise that Simple2Give has offered, and we are very focused on maximizing our opportunity to assist our non-profit clients and charities in developing significant new streams of revenue for their organizations through this model.

2. **Arthur J Gallagher** – Arthur J. Gallagher is one of the world's largest insurance brokerage and risk management services firms. Arthur J. Gallagher & Co. is ranked fourth in Business Insurance's world's largest brokers list. It provides a full range of retail and wholesale property/casualty (P/C) brokerage and alternative risk transfer services, employee benefit brokerage, consulting and actuarial services. In addition, Gallagher Global Alliance has an independent network of insurance brokers and consultants with about 25 insurance representatives in Pennsylvania, New Jersey, and DE regions. It is anticipated PayAll and Arthur J. Gallagher can and will broaden its strategic relationship leading to referrals in multiple additional geographies and offer more product/solution offerings.

3. Krum Financial Service- Krum Insurance & Financial Services, LLC is an insurance-based financial service provider with a long tradition of expertise in covering risk and building a relationship of trust with our clients. We are an independent broker which allows us the opportunity and the freedom to develop a well thought out strategy designed just for you- our client. Located in Feasterville, Pa, and with over 30 years of experience, we offer personal and direct service for individuals, families, and small to medium-sized businesses. Our goal is to form a personal relationship with each of our clients based on knowledgeable advice and service. We help people make informed and strategic decisions for every stage in their life.

Key Personnel & Advisors in place

- 1. Norm McMahon: Role/ Owner President of PayAll (Full time)** Norm has spent his entire career working in the Human Resources industry. At the Philadelphia office of Price Waterhouse, he had responsibility for all recruiting and Human Resources for the Delaware Valley region. Mr. McMahon was a founding partner of Romac & Associates, a regional recruiting franchise, and in that role provided independent executive search and Human Resources consulting to companies located across the Delaware Valley for ten years. As part of the natural growth of that business, Mr. McMahon had added a payroll component to the range of services he offered to client companies. In June of 2003, he purchased PayAll Solutions so that he could better penetrate the mid-size company payroll services market. Norm McMahon is a graduate of the Villanova University class of 1972. He recently received his insurance license for Pennsylvania, New York, and New Jersey, through AFLAC.
- 2. Ed Cichy: Role/ CTO**- Ed is the founder and current President of Harmony Computer Services, Inc. He has over 40 years of experience in the IT industry, coming from the mainframe operations and software support environment to the PC environment as it began in the late 70's. The company investment in the development tools it uses has allowed it to re-platform mainframe systems to the PC world as well as develop custom applications for many vertical markets. Ed has a degree in Computer Science from New Jersey Institute of Technology.
- 3. Blaise S. Mazzone: Role/ PayAll Finance Leadership** – Blaise brings nearly 30 years of accounting and financial experience to PayAll. Mr. Mazzone held significant management, financial & operational roles

including Pres., CFO, Controller, Dir. of Finance & Treasury positions, Dir. of Operations. Mr. Mazzoni also worked at Arthur Andersen, LLP for several years as a systems analyst; auditor; and tax senior before entering private industry. Mr. Mazzoni received his Bachelor of Science degree in Comm. & Eng. f/ Drexel Univ. He also has an MBA in Marketing & Stat. f/ Drexel Univ. He is a CPA and a member of the Pennsylvania Institute of Certified Public Accountants.

4. **Max Conarroe: Role/ Operations Manager (Full Time)**- Max joined Payall Solutions' leadership team in February 2016, after graduating from Temple University. He worked full time while attending college fulltime, and developed a strong record of success in various operational roles during this time period. Max's primary focus is to lead and manage the operations process as new clients are brought on board. He is responsible for managing the client relationship through the entire on-boarding process, entering their employee and related information into our payroll system, testing the information for accuracy, and making sure we are completely ready for each client to "go live" at the projected time, based on their payroll schedule and other employer/employee considerations. As we grow, Max will lead this critical department, and will ensure that our operations and processes are working smoothly, that our growth is not impeded by any slowdown in getting new clients into our system, and processing with us. He is, and will be, responsible for client communication during, and after, new clients are brought on board with Payall and Simple2Give.

5. **Steve Fugale**- Steve is the Vice President and CIO at Villanova University. He is responsible for rebuilding and expanding technology role as a strategic partner in the transformation of Villanova University into a competitive market leader. He has created strategy and implemented initiatives that completely turned around, stabilized, centralized, and positioned IT as a value-add partner in the strategic growth and technology evolution of the organization going forward. As a highly accomplished, award-winning Chief Information Officer and Strategy Leader, he creates and implements IT strategies in alignment and support of business goals, building IT infrastructures that are scalable, secure, agile, reliable, and critical to ongoing business success. With a breadth of experience beyond a normal CIO Role, he has held leadership roles in enterprise-wide strategic planning, business start-ups and M&A due diligence and integration efforts across higher

education, insurance, technology, medical/clinical software, financial services and consulted with VC and PE entities.

6. **Jeff Berkheimer: Role - Technology Consultant, (Part Time)** Jeff has worked with PayAll Solutions as a systems developer and programmer and now functions as a technology consultant. Mr. Berkheimer focuses his efforts in the areas of systems design, programming, and development. In addition, he is an additional resource in the area of technical support. Mr. Berkheimer has extensive experience with the payroll needs and issues facing large and growing companies, and plays an integral role in the strategic direction of our company.
7. **Dr. Norman Rosenthal: Role - Advisor to PayAll. (Part time)-** Dr. Rosenthal is the President of Norman L. Rosenthal & Associates, Inc. He is on the Board of Directors at Arthur J. Gallagher & Co., Plymouth Rock Assurance Corp., High Point Safety & Insurance Management Co., and The Plymouth Rock Co., Inc. Dr. Rosenthal was previously employed as an Analyst by Morgan Stanley & Co., Inc. and a Managing Director & Research Analyst by Morgan Stanley. He also served on the board at Alliant Insurance Services, Inc., Aspen Insurance Holdings Ltd., Mutual Risk Management Ltd., Vesta Insurance Group, Inc., and Palisades Safety & Insurance Management Corp. He received his doctorate degree from Wharton School.
8. **Thomas M. Tammany, Attorney at Law -Advisor to Payall (Part-Time)-** Tom is one of the leading health care attorneys in the Tri-State (PA, NJ and Delaware) area. With over 30 years of experience, clients have come to trust Tom's judgment, responsiveness and positive approach in finding creative solutions to their issues. He represents academic medical centers, hospitals, health systems, physicians, home care companies, and other health care providers in transactional and regulatory matters, including M&A, joint ventures, physician practice acquisition and lease arrangements, ACO development, co-management agreements and other contractual arrangements. His practice also encompasses government investigations, compliance counseling, reimbursement and medical staff and credentialing disputes. Prior to entering private practice, Tom gained valuable in-house experience as chief counsel of the University of Pennsylvania Health System, and, before that, as associate general counsel of the Main Line Health system. Tom began his career as a Captain in the U.S. Army JAGC Corps, and was a U.S. Army Ranger.

Intellectual Property – Owned and Secured

Technology

PayAll Solutions Payroll System is owned entirely and solely by PayAll. All of the Cobol source code has been migrated from the mainframe to the Windows PC environment. The data has been converted and reloaded in the PC environment. The batch system has been parallel tested with exact matching results. The original Mainframe CICS front end is currently being migrated to a Windows GUI environment using tools designed precisely for this purpose. The GUI interface allows the system to be deployed over the Internet in a secure Thin Client/Server environment. The data layer will be loaded into a Btrieve/Pervasive SQL environment, which will preserve the Cobol indexed file access as well as provide the capability of an SQL interface. The PayAll system is capable of integrating with virtually any existing time and attendance system, HRIS, General Ledger and financial packages, Benefits Administration system, 401k Administration system, and other systems related to the payroll suite of services.

Trademarks

The PayAll name, logo, and taglines are trademark properties owned entirely and solely by PayAll Solutions.

Use of Funding - well focused and defined

- **MARKETING FOCUSED INVESTMENTS- \$350,000**

The Payroll, Insurance and Pension Management industries are fragmented, yet highly competitive and require investments in raising brand awareness and capability differentiation relative to well-entrenched national players. There appears to be a high degree of customer switching behavior between providers, which merits additional consideration and research with regard to customer loyalty and sustainability drivers. To enhance and build loyalty, and avoid commoditization from competitors focusing merely on price, a margin enhancing strategy, focusing on brand development and more deeply understanding customer needs, and preserving loyalty is needed.

There is no payroll company nationally that is focused primarily on the not for profit industry, providing Payall with a significant opportunity. These marketing investments will focus on several aspects to better identify, tailor, and service customer needs within the non-profit and for profit market segments such as the following:

- Marketing Research, Branding/Customer Insights, develop additional service offerings
 - Marketing Programs – Multi-channel, Social Media, Website Update, Internet, Mobile, Print, Professional Conferences, Sponsorships
 - Direct Marketing highly targeting Activities – including targeted direct mail campaigns, and permission based email programs
 - Formalize and expand our current strategic partner relationships with Simple2Give, and BCG Securities (Pension Management, specifically focused on Associations of Not for Profit Organizations). Develop additional partners where appropriate.
-
- **OPERATIONAL & ADMINISTRATIVE INVESTMENTS- \$300,000**

This investment will allow Payall Solutions to hire 1-4 new, but experienced, employees. As the company continues to grow it will need more employees in order to ensure that the company is keeping up with our service standards.

- Payall Solutions will hire an experienced Operations Manager, who will be responsible for overseeing all day-to-day operations of the company.
- Payall Solutions will hire an experienced Payroll Administrator to process the additional payrolls the company will be receiving as growth continues.
- Payall Solutions will also hire an additional Operations/ Sales person in order to help the company continue consistent growth with both payrolls as well as our not for profit campaign programs (Simple2Give/BCG Securities).
- Payall Solutions may also hire a customer service representative that will be able to answer and assist with any customer service related issues or questions.

• **TECHNOLOGY PROCESS IMPROVEMENT, CONVERSION, & ENHANCEMENTS - \$250,000**

This investment will allow us to accelerate transitioning PayAll Solutions' technology capabilities to the Cloud, providing us with the ability for significant growth without the added expense of additional servers and equipment. This will provide significant efficiencies, and security, as we grow. The system will be re-platformed from a mainframe based CICS system to a Windows environment. It will have the capability of running in a standalone Windows environment or deployed over the Internet using Thin Client/Server technology.

Summary of Financial Projections

Assumptions:

- Contribution Income:
 1. Simple2Give Program:
 - Charitable Contribution: 6% of Internet Purchases
 - \$1000.00 in purchases per user, annually
 - Payall Commission: .25% of Internet Purchases
 - FYE 2017: 500,000 users
 - FYE 2018 1,000,000 users
 2. Payroll Services income:
 - 8 new clients per month with an average of 15 employees.
 - Additional 480 employee transactions per quarter.
 3. New RFP's: 20 per month.
 4. Standard average bill rate= \$12.00 per check

	9/1/16 thru 8/31/17						9/1/17 thru 8/31/18					
	CASH BASIS						CASH BASIS					
	PROFORMA		Year 1		PROFORMA		PROFORMA		PROFORMA		PROFORMA	
	FYE 2017	%	W/1-11/30/18	%	12/1-2/28/17	%	3/1-05/31/17	%	6/1-8/31/17	%	FYE 2018	%
Income:												
Simple2Give Program	781250	90.04	78125	2.31	156250	1.73	234375	1.54	312500	1.44	2343750	0.96
Payroll Services Income	86400	9.96	8640	0.58	17280	0.58	25920	0.38	34560	0.43	259200	2.31
	867650	100.00	86765	100.00	173530	100.00	260295	100.00	347060	100.00	2602950	100.00
Total Income												
Cost of Goods Sold												
Materials	14000	1.61	2000	2.31	3000	1.73	4000	1.54	5000	1.44	25000	0.96
Oper. Mgr.	54000	6.22	12000	13.83	12000	6.92	15000	5.76	15000	4.32	60000	2.31
Operating Staff	53000	6.11	9000	10.37	14000	8.07	14000	5.38	16000	4.61	61000	2.34
Processing (Pay Relief)	18000	2.07	1800	2.07	3600	2.07	5400	2.07	7200	2.07	23400	0.90
Total Cost of Goods Sold	139000	16.02	24800	28.58	32600	18.79	38400	14.75	43200	12.45	165400	6.51
Gross Profit:	728650	83.98	61965	71.42	140930	81.21	221895	85.25	303860	87.55	2433550	93.49
Expenses:												
Advertising and Promotion	16500	1.90	1500	1.73	3000	1.73	6000	2.31	6000	1.73	20000	0.77
Computer & Consulting												
Computer Expense	12000	1.38	3000	3.46	3000	1.73	3000	1.15	3000	0.88	15000	0.58
Supplies	4000	0.46	500	0.58	1000	0.58	1000	0.38	1500	0.43	5000	0.19
Consulting fees	30000	3.46	0	-	0	-	15000	5.76	15000	4.32	15000	0.58
Total Computer & Consult.	46000	5.30	3500	4.03	4000	2.31	19000	7.30	19500	5.62	35000	1.34
Insurance Expense												
Worker's Comp.	4000	0.46	1000	1.15	1000	0.58	1000	0.38	1000	0.29	5200	0.20
Liability	4800	0.55	1200	1.38	1200	0.69	1200	0.46	1200	0.35	6240	0.24
Total Insurance	8800	1.01	2200	2.54	2200	1.27	2200	0.85	2200	0.63	11440	0.44
Selling Expense	31500	3.63	4500	5.19	9000	5.19	9000	3.46	9000	2.59	35000	1.34
Facilities Expense												
Rent/RE Taxes	14000	1.61	3000	3.46	3000	1.73	4000	1.54	4000	1.15	18200	0.70
Utilities & Telephone	12000	1.38	3000	3.46	3000	1.73	3000	1.15	3000	0.88	13000	0.58
Total Facilities Exp	26000	3.00	6000	6.92	6000	3.46	7000	2.69	7000	2.02	31200	1.28
Professional Fees											0	-
Professional fees												
Acct., Tax, & Compliance	7500	0.86	0	-	7500	4.32	0	-	0	-	9375	0.36
Legal	5000	0.69	0	-	2000	1.15	2000	0.77	2000	0.58	7500	0.29
Other	0	-	0	-	0	-	0	-	0	-	0	-
Total Profess. Fees	13500	1.58	0	-	9500	5.47	2000	0.77	2000	0.58	16875	0.65
Travel	11000	1.27	2500	2.88	2500	1.44	3000	1.15	3000	0.88	14300	0.55
Taxes	8770	1.01	900	1.04	1800	1.04	2600	1.00	3470	1.00	14935	0.57
Total Operating Expenses	166870	19.23	22300	25.70	39200	22.59	52000	19.98	53370	15.38	186990	7.18
Other Expenses												
Interest	164300	18.94	44600	51.40	39900	22.99	39900	15.33	39500	11.50	160000	6.15
Total Expenses	331170	38.17	66900	77.10	79100	45.58	91900	35.31	93270	26.87	346990	13.33
Net Income	397480	45.81	4935	5.69	61830	35.63	129995	49.94	210590	60.68	2086560	80.16
Cum. Net Income:			40000		0		186890		397480			
Part Exp. Catch up			40000		0							
Total Cash Req.			44935		-61830		-129995		-210590			
Sources:												
Line of Credit			100000		0		-50000		-50000		-50000	
Investment			100000		0		0		0		0	
Profit			0				129995		210590		2086560	
Total			200000				79995		160590		2036560	
Cumulative Cash Avail. by Taxes			155065		216895		296890		457480		2484040	

By 2017, Payall Solutions expects to generate an income of at least \$867,650.00 from payroll and related services, and from commissions from the Simple2Give partnership.

By 2018, Payall Solutions expects to grow its income from payroll and related services, and from commissions from the Simple2Give partnership to \$2,602,950.00.

Income Opportunity from Simple2Give

- The average person spends \$1000.00 per year through online shopping
- If 10,000 people use Simple2Give when online shopping, they will be able to donate approximately 6% of the amount of their purchases to a charity. If all of those 10,000 people spend \$1000 annually (\$1,000,000), they will donate approximately \$600,000.
- PayAll receives .25% of the money spent by donors, so if they spend \$1,000,000 combined, we receive \$2500.00. (1,000,000x.0025= 2500)

Amount of Users (X)	Avg. Amount Spent Annually (Y)	Total Amount Spent (Z) (X)(Y)=Z	Amount Donated (Z)(.06)	Payall's Revenue (Z)(.0025)
10,000	\$1000	\$10,000,000	\$600,000	\$25,000
100,000	\$1000	\$100,000,000	\$6,000,000	\$250,000
1,000,000	\$1000	\$1,000,000,000	\$60,000,000	\$2,500,000

Concluding remarks – Thank You!

We respectfully wish to thank you for reading this executive summary of PayAll's business plan outlining what we believe to be clear and thoughtful ambitions to build a world-class Philadelphia based leading technologically advanced, Software-as-a-Service (SAAS), web payroll, insurance, and HR advisory service solution, complemented by stellar customer service focused primarily on the Non-Profit sector.