

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF PENNSYLVANIA**

**In re:** **Bankruptcy Case No. 16-21752 GLT**  
**Digiexpress, Inc.,** **Chapter 11**  
**Debtor**

**DISCLOSURE STATEMENT IN SUPPORT OF  
SMALL BUSINESS PLAN OF REORGANIZATION FILED BY  
THE DEBTOR DATED NOVEMBER 1, 2016**

Digiexpress, Inc. ("Debtor") herein, presents this Disclosure Statement to Creditors in the above-captioned matter pursuant to 11 U.S.C. § 1125 to assist them in evaluating the Plan of Reorganization filed by Digiexpress, Inc. dated November 1, 2016 (the "Plan"), a copy of which is attached hereto. Creditors may vote for or against the Plan. 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 said time. (The Court will schedule a hearing on the Plan pursuant to 11 U.S.C. § 1129). **ONLY the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.** Capitalized terms herein shall have the same meanings as those set forth in Article I of the Plan.

**ADDRESS FOR RETURN OF BALLOTS:**

**Christopher M. Frye, Esquire  
Suite 2830 Gulf Tower  
707 Grant Street  
Pittsburgh, PA 15219  
412- 391-8000  
chris.frye@steidl-steinberg.com  
Counsel for Debtor**

- A. Creditors may vote to accept or reject the Plan. Only the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.
- B. A Class of Creditors shall be determined to have accepted the Plan if, in good faith, two-thirds (2/3) in amount and more than one half (1/2) in number of the voting members of the Class vote to accept the Plan. The Plan shall be confirmed if each impaired Class votes to accept the Plan.
- C. In the event an impaired Class of Creditors does not vote to accept the Plan, the Court may nevertheless confirm the Plan if it finds the Plan meets the requirements of Section 1129 of the Bankruptcy Code, specifically, that the Plan does not unfairly discriminate among Classes, that each holder of a non-accepting Class shall receive at least what it would have received in a Chapter 7 liquidation, and that no holder of a junior Claim or interest shall receive any distribution or retain any interest unless all senior Classes or interests are paid in full.
- D. Even if a junior Class or interest will receive a distribution or retain an interest despite non-payment in full of senior Claims or interests, and non-acceptance of the same, the Court may, under certain circumstances, confirm the Plan through the invocation of certain judicially created exceptions to the “absolute priority” rule set forth above.

#### **I. Background**

A. *Name of Debtor:*

Digiexpress, Inc.

B. *Type of Debtor:*

Small Business

C. *Debtor's Business :*

Mobile Device Repair

*History:*

The Debtor does retail business with its sole source of revenue coming from the repair of mobile devices such as phones and tablets. Michael Polimadei is the president and 100% shareholder of the Debtor.

D. *Date of Chapter 11 Petition:*

May 9, 2016

*E. Events that caused the Filing:*

The Debtor overextended its operations and got into a significant amount of unsecured debt as a result. The Debtor currently does retail business at four locations at various malls in Western Pennsylvania. Due to downsizing, the Debtor has stabilized revenue and has become profitable. The Debtor has remained current on all expenditure since the filing of the Chapter 11 proceeding and now proposes this Plan which will pay a dividend of approximately 21% to general unsecured creditors.

*F. Present Status and Anticipated Future Income For Funding The Plan:*

The Debtor's income has stabilized and can now fund a Plan with income from ongoing business revenue. No additional funding sources are necessary. For a detailed explanation of Plan feasibility, please see Part VI of the disclosure statement and the attached Exhibit "A".

*G. 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.*

All secured creditors will be paid the full value of their claims with interest, administrative claims will be paid in full, and general unsecured creditors will be paid approximately twenty one percent (21%) of their allowed claims.

### **SUMMARY OF PLAN**

Class 1 are the allowed Administrative Claims which will be paid in full. This Class is not impaired by the Plan.

Class 2 is the allowed secured claim of First Commonwealth Bank in the amount of \$47,351.05. This claim will be paid in full over 60 months at 4.5% interest. This Class is impaired by the Plan.

Class 3 is the allowed secured claim Kabbage/Celtic Bank in the amount of \$77,333.00. The Class 3 creditor will not retain its lien and will be considered a general unsecured creditor to be paid the same rate as all other general unsecured creditors in Class 4. This Class is impaired by the Plan.

Class 4 are the general unsecured creditors of the Debtor which will receive approximately twenty one percent (21%) of their allowed claims. This Class is impaired by the Plan.

Class 5 are the Equity Security Holders who shall retain their ownership interest in the Debtor.

H. Are all Monthly Operating Statements Current and on File with the Clerk of Court?

Yes **X** No

*If Not, Explain:* N/A

**II. Summary of Assets**

<b>A. Assets – The value of the Estate as presented in the Plan is congruent with that contained in the Debtors’ ASSETS</b>	<b>ESTIMATED VALUE</b>	<b>NAME OF LIEN HOLDER OR EXEMPT</b>
<b>Real Property</b>  None		
<b>Personal Property</b>  Cash on hand  Bank Accounts  Office Equipment  Machinery and Equipment  Security Deposit with Landlords  Receivables	\$400.00  \$20,000.00  \$800.00  \$1,300.00  \$5,000.00  \$5,000.00	First Commonwealth Bank has a first lien encumbering all business assets of the Debtor in the amount of \$47,351.05 and Kabbage/Celtic Bank has a second lien encumbering all business assets in the amount of \$77,333.00
<b>Total Personal Property</b>	\$32,500.00	
<b>Total Real Property</b>	\$0.00	
<b>Total of All Liens</b>	\$124,651.05	
<b>Total Value of all</b>	\$32,500.00	

<b>Assets</b>		
<b>Total Amount of Exemptions Taken</b>	\$0.00	
<b>Total Value of All Non-Exempt, Non-Liened Assets</b>	\$0.00	

1. Are any assets which appear on Schedule A or B of the Debtors' bankruptcy schedules not listed above?

No.

2. Are any assets listed above claimed as exempt?

No.

### III. Summary of Liabilities

A. Liabilities – Following are lists of the Debtor's outstanding obligations. The asserted amounts and classifications of these Claims are based on the Debtor's schedules and internal records and have been adjusted to reflect any and all proofs of claims that have been timely filed by creditors. Nothing herein shall limit the Debtor's ability to object to proofs of claims. All amounts set forth in the Debtor's Plan and Disclosure Statement reflect the amounts due in either the Debtor's Schedules, as adjusted by timely filed proofs of claims, or as agreed to by the parties.

#### Administrative Claims – Class 1 Claims

Name of Creditor		Amount Owed (Professional Fees & Costs Subject To Court Approval)	Type of Claim
Final U.S. Trustee quarterly fee		\$4,875.00*	Court fees
Clerk Notice Fees		\$250.00*	Court fees
Christopher M. Frye, Esq.		\$20,000.00*	Approximate Professional fees (legal) and expenses pending Court approval
<b>TOTAL</b>		<b>\$25,125.00*</b>	

Note: \* - estimated amounts

**Secured Creditors – Class 2-3 Claims**

<b>Name of Creditor</b>	<b>Classes</b>	<b>Asserted Amount Owed As of Filing Date</b>	<b>Type of Collateral/Priority of Lien</b>	<b>Disputed (D) Liquidated (L) or Unliquidated (U)</b>	<b>Will Liens Be Retained Under the Plan?</b>
First Commonwealth Bank	2	\$47,351.05	UCC	L	Yes
Kabbage/Celtic Bank	3	\$77,300.00	UCC	L	No
<b>TOTAL</b>		<b>\$124,651.05</b>			

**General Unsecured Creditors – Class 4 Claims**

<b>Name of Creditor</b>	<b>Class</b>	<b>Asserted Amount Owed</b>	<b>Type of Claim</b>
Kabbage/Celtic Bank	3 (being treated as Class 4)	\$77,333.00	Loan
Country Court Properties, LLC	4	\$14,400.00	Lease Rejection Damage Claim
First Commonwealth Bank	4	\$19,172.00	Loan
MTC Custodian FBO Varadero Master Fund, L.P. (Lending Club)	4	\$93,791.00	Loan
American Express Bank, FSB	4	\$155,611.00	Credit Card
Mayvillage Trading, LLC	4	\$210,187.00	Vendor
Peoples TWP LLC	4	\$126.00	Utility
Capital One Visa	4	\$4,684.00	Credit Card
Paypal Working Capital	4	\$83,797.00	Loan
<b>TOTAL</b>		<b>\$659,101.00</b>	

General Unsecured Creditors:

- |  |              |
|--|--------------|
| 1. Amount Debtor Scheduled (Disputed and Undisputed) | \$677,436.00 |
| 2. Amount of Unscheduled Claims                      | \$0.00       |
| 3. Total Claims Scheduled or Filed                   | \$659,101.00 |

- |                                       |              |
|---------------------------------------|--------------|
| 4. Amount Debtor Disputes             | \$0.00       |
| 5. Estimated Allowable Class 6 Claims | \$659,101.00 |

**IV. Summary of Plan**

A. When is the Effective Date of the Plan?

Thirty (30) days after the date of Confirmation.

B. Proposed Treatment of Creditors:

**Following are lists of the Creditors including the anticipated schedule of cash distribution(s) thereto:**

**Administrative Claims – Class 1 Creditors**

Name of Creditor	Type	Amount Owed	Proposed Treatment
Final U.S. quarterly fee	Court fee	\$4,875.00*	To be paid in full at time of initial distribution (not impaired)
Clerk notice fees	Court fee	\$250.00*	To be paid in full at time of initial distribution (not impaired)
Christopher M. Frye, Esq.	Professional Fees and Expenses	\$20,000.00*	Payable in full immediately upon court approval or as agreed to by Claimant. If insufficient funds exist to pay counsel fees for Debtor’s counsel upon Court approval, the Debtor and counsel will enter into an agreement whereby counsel fees will be paid in a manner that does not interfere or interrupt payments to any classes of creditors in this Plan. (not impaired)

**NOTE: \* - estimated amounts**

**Secured Claims – Class 2-3**

<b>Name of Creditor</b>	<b>Class</b>	<b>Asserted Amount Owed</b>	<b>Proposed Treatment</b>
First Commonwealth Bank	2	\$47,351.05	<p>The total amount due on the Class 2 claim as of the Petition Date was \$47,351.05, and said claim is an allowed secured claim in that amount. The Debtor and the Class 2 creditor entered into a “Stipulation Authorizing the Usage of Cash Collateral” which was approved by the Court on June 9, 2016. The “Stipulation Authorizing the Usage of Cash Collateral” called for monthly adequate protection payments by the Debtor to the Class 2 creditor of \$885.00 per month, which monthly payment was based on taking the claim amount of \$47,351.05 and amortizing the claim over a five (5) year term at 4.5% interest. Debtor has been making those monthly payments during the pendency of the case, and shall continue to make those payments on a monthly basis until such time as plan payments commence. The purpose of this provision of the plan is to ensure that there is no gap in payments. The balance due the Class 2 creditor will be amortized over a term equal to five (5) years from the petition date at a fixed interest rate of 4.5%. At least ten (10) days prior to the Effective Date, the Class 2 creditor will provide the Debtor’s counsel with the current balance owed, such that the exact amount of the monthly payment going forward can be calculated. For projection purposes, it is anticipated that the monthly plan payment will be approximately \$885.00. Within 30 days of completion of all payments due and owing to the Class 2 creditor pursuant to this Plan, the Class 2 creditor shall satisfy and/or extinguish any and all liens on the assets of the Debtor and shall file appropriate satisfaction documents with the Commonwealth of Pennsylvania. Any pre-payment penalty shall be stricken as a term of the loan. The Class 2 creditor shall not seek to recover any legal</p>



			<p>fees or expenses from the Debtor related to this bankruptcy proceeding or otherwise from the petition date through the date of confirmation of the Plan. The Class 2 creditor reserves its right to recover any legal fees or expenses incurred thereafter in accordance with the loan documents. Except as specifically set forth otherwise in this section of the Plan, all other terms of the loan documents executed in connection with the loan shall remain binding and enforceable. The Debtor agrees to execute any documents requested by the Class 2 creditor to allow the Class 2 creditor to internally administer and implement the terms of this Plan. Class 2 is impaired by the Plan and entitled to vote thereon.</p>
Kabbage/Celtic Bank	3	\$77,333.00	<p>The total amount due and owing to the Class 2 creditor is \$77,333.00 pursuant to the amount listed on the Debtor's schedules. No proof of claim was filed by the Class 3 creditor. The debt to the Class 3 creditor is secured by a UCC filed with the state of Pennsylvania on February 1, 2016. The Class 3 creditors shall not retain its lien as the debt to the Class 2 creditor and the UCC filed in support of the Class 2 creditor predates and supersedes the UCC filed by the Class 3 creditor and encumbers the entirety of the value of the Debtor's assets. The Class 3 debt in the amount of \$77,333.00 shall be paid along with and at the same rate as General Unsecured Creditors in Class 4 and shall be considered a Class 4 debt for the purpose of payment under this Plan. The Class 3 creditor's vote (should the Class 3 creditor vote on the Plan) shall be considered a Class 4 vote and shall be calculated in with all other Class 4 votes for purposes of Plan confirmation. Within 30 days of plan confirmation, the Class 3 creditor shall file the appropriate documents with the State of Pennsylvania to satisfy, remove, and/or extinguish the UCC filed with the State of Pennsylvania. If the Class 3 creditor does not vote or take part in the plan confirmation process, the Debtor will initiate an adversary</p>

			proceeding Pursuant to 11 U.S.C. Section 506 to avoid the lien of the Class 3 creditor. The order issued in the adversary proceeding may then be filed by the Debtor to satisfy, remove, and/or extinguish the UCC filed with the State of Pennsylvania. Class 3 is impaired by the Plan.
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### General Unsecured Creditors – Class 4 Creditors

The total amount of anticipated general unsecured Class 4 debt is \$659,101.00. A distribution of \$6,921.00 will be made to the general unsecured creditors beginning in the third month following the month of the effective date of the Plan from the ongoing revenue of the Debtor. A distribution will be made every three months thereafter and will continue for a total of sixty months (60) months (20 distributions). From each distribution, creditors will receive a pro-rata share of \$6,921.00. As a result, the general unsecured creditors will receive a total pro-rata share of \$138,420.00 from the quarterly distributions made from ongoing revenue of the Debtor. All general unsecured creditors will receive a total distribution of approximately twelve percent (21%) of their allowed unsecured claims. Class 4 is impaired by the Plan.

C. Will periodic payments be made to unsecured creditors?

Yes      X      No

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

The Debtors' Chapter 11 Plan will be funded through the ongoing income from the Debtor's mobile device repair business. No outside funding sources are necessary to fund the Chapter 11 Plan.

E. Other significant features of the Plan:

None

F. Include any other information necessary to explain this Plan:

None

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

If Debtor's proposed Plan is not confirmed the potential alternatives would include 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 assets. In this event, all secured claims (to the value of the collateral) all priority claims and all expenses of administration (both Chapter 7 and Chapter 11) must be paid in full before any distribution is made to unsecured creditors.

Total value of Chapter 7 estate

<u>ASSET</u>	<u>ACTUAL VALUE</u>	<u>LIQUIDATION VALUE</u>
Real Property	N/A	N/A
Personal Property	\$32,500.00	<u>\$29,250.00</u>
Balance		\$29,250.00
LESS Liens		<u>\$124,651.05</u>
Balance		\$0.00
LESS Chapter 7 Administrative Fees (Assume 7%)		(\$0.00)
LESS Est. Chapter 11 Administrative Fees		<u>(\$25,125.00)</u>
Balance		\$0.00
Total available for unsecured creditors.		\$0.00

\*Assume 90% recovery of the actual value due to costs of liquidation.

A. *Will the Creditors fare better under the Plan than they would in Chapter 7 liquidation?*

Yes X            No

**Explain:**

In a liquidation scenario, secured creditors would not be paid the full value of their claims at interest. Further, in a liquidation, unsecured creditors would receive

nothing. In the Plan, all secured creditors will be paid the full value of their claims at interest and general unsecured creditors will be paid 21% of their claims.

## VI. Feasibility

Attached and Labeled Exhibit "A" please find a "Historic Summary" of income and expenses for the Debtor while in bankruptcy, a "Projected Summary" of monthly income and expenses, and a "Plan Feasibility" summary.

The "Historic Summary" of income and expenses relies on the following assumptions:

a) The "Total Cash Flow From Operations" figures were taken directly from the monthly operating reports filed by the Debtor while in the reorganization.

b) The "Less Total Disbursements Excluding Payments to Creditors in a Plan" figures were derived by taking the expenses listed on the monthly operating reports and subtracting adequate protection payments made during the reorganization to First Commonwealth Bank in the amount of \$885.00 per month.

The "Projected Summary" relies on the following assumptions:

a) The "Total Cash Flow from Operations" figure is an average of the income of Month One through Month Five of the "Historic Summary" which is based on the monthly operating reports filed by the Debtor.

b) The "Less Total Projected Disbursements Excluding Payments to Creditors in a Plan" figure is an average of the expenses of Month One and Month Five of the "Historic Summary" which is based on the monthly operating reports filed by the Debtor and subtracting adequate protection payments made during the reorganization to First Commonwealth Bank in the amount of \$885.00 per month..

The "Plan Feasibility" summary was calculated as follows:

The Plan provides for the Debtor to make ongoing monthly payments pursuant to the Plan as follows:

<b>Class of Creditor</b>	<b>Monthly Payment</b>
Class 2	\$885.00
Class 4	\$2,307.00
<b>TOTAL</b>	<b>\$3,192.00 per month</b>

As set forth in the "Projected Summary" attached hereto, the Debtor will have projected gross income of \$122,518.00 per month and projected expenses in the amount of \$118,200.00 per month (Again note that the projected expenses do not include payments made by the Debtor for creditors included in the Plan while in the reorganization) The projected income over expenses based on the above is \$4,318.00 per month. Consequently, the "Anticipated Receipts Available for Plan" on the "Plan Feasibility" summary is \$4,318.00. As the Plan calls for payments of \$3,192.00 per month it is clear that the proposed Plan is feasible. The projected overage of monthly income in the amount of \$1,126.00 per month will be used by the Debtor for unforeseen expenses that occur during the Plan term.

Therefore, since creditors will receive more under a plan than they would in a liquidation, it appears that the proposed Plan of Reorganization is certainly in the best interest of all of the creditors of the estate. Further, the Plan of reorganization calls for realistic income that is necessary to meet the payments required in the Debtor's Plan of reorganization and is based on income and expenses of the Debtor while in the reorganization and does not rely on any additional income or funding sources.

Periodic financial statements (Monthly Financial Reports) have been filed with the Bankruptcy Court during the course of this Chapter 11 reorganization proceeding. These are available for inspection at the Clerk's Office of the United States Bankruptcy Court for the Western District of Pennsylvania at 5414 U. S. Steel Tower, 600 Grant Street, Pittsburgh, PA 15219 during normal business hours. These statements, along with the Debtor's Schedules and Statement of Affairs, may be inspected by all interested parties.

The estimated amount to be paid on effective date of Plan, including administrative expenses, is \$25,125.00 which is calculated as follows:

\$20,000.00	Class 1 – Professional fees and expenses
\$ 4,875.00	Class 1 - Final U.S. Trustee fee
<u>\$ 250.00</u>	<u>Class 1 - Clerk notice fee</u>

**\$25,125.00 TOTAL**

Payments with respect to the Class 1 Final U.S. Trustee fee and Class 1 Clerk notice Fee will be paid from funds in the Debtor's bank account accumulated during the reorganization proceeding. Counsel for the Debtor will work out an arrangement for professional fees and expenses to be paid if funds are unavailable on the effective date. Payments made for professional fees to Debtor's counsel will not interfere with payments to other classes of creditors under the Plan.

What assumptions are made to justify the increase in cash available for the funding of the Plan?

There is no increase in cash necessary to fund this proposed Plan.

Will funds be available in the full amount for administrative expenses on the effective date of the Plan? From what source?

Yes. The Debtors should have an amount available in its bank account to meet the requirements of the Plan. If not, Debtor's counsel will work out a payment arrangement for professional fees and expenses with the Debtor that will not interfere with payments to other classes of creditors in the Plan.

#### **VII. Reorganized Debtor: Management, Ownership and Management Salaries**

Michael Polimadei is the 100% shareholder of the Debtor and will retain 100% ownership of the Debtor and there will be no change in the equity security holders of the Debtor. Day to day management of the Debtor shall be performed by Michael Polimadei who shall be paid a salary of \$60,000.00 per year for work performed.

#### **VIII. Executory Contracts and Leases**

Zamias Services, Inc., agent for Pittsburgh Mills, LP - The Debtor currently has two leases of non-residential real property with Zamias Services, Inc. for property located at the Pittsburgh Mills Mall. The first lease is identified as License Agreement #8171 and is for space identified as unit #511. The second lease is identified as License Agreement #7985 and is for space identified as unit #555. The real property subject to the leases is a storefront for the Debtor's retail business at the Pittsburgh Mills Mall and office space for the Debtor's retail business. The Debtor intends to assume these leases and continue operating at these locations. On October 14, 2017, the Debtor filed a "Motion to Assume the Leases of Non-Residential Real Property".

Robinson Mall Associates, LLC - The Debtor currently has a lease of non-residential real property with Robinson Mall Associates, LLC for property located at the Mall at Robinson. The real property subject to the lease is a storefront for the Debtor's retail business at The Mall at Robinson. The Debtor intends to assume this lease and continue operating at this location. On October 14, 2017, the Debtor filed a "Motion to Assume the Leases of Non-Residential Real Property".

CBL/Westmoreland, L.P. - The Debtor currently has a lease of non-residential real property with CBL/Westmoreland, L.P. for property located at the Westmoreland Mall. The real property subject to the lease is a kiosk for the Debtor's retail business at The Westmoreland Mall. The Debtor intends to assume this lease and continue operating at this location. On October 14, 2017, the Debtor filed a "Motion to Assume the Leases of Non-Residential Real Property".

CBL/Monroeville, L.P. - The Debtor currently has a lease of non-residential real property with CBL/Monroeville, L.P. for property located at the Monroeville Mall. The

real property subject to the lease is a kiosk for the Debtor's retail business at The Monroeville Mall. The Debtor intends to assume this lease and continue operating at this location. On October 14, 2017, the Debtor filed a "Motion to Assume the Leases of Non-Residential Real Property".

Country Court Properties, LLC – By operation of Law pursuant to 11 U.S.C. Section 365(d)(4)(A), the Debtor has rejected the lease of non-residential real property with Country Court Properties, LLC. Pursuant to 11 U.S.C. Section 502(b)(6), the lease rejection damage claim of Country Court Properties, LLC is \$14,400.00. This lease rejection damage claim is categorized and treated as a Class 4 general unsecured claim in this Plan. Any vote of Country Court Properties, LLC shall be treated as a Class 4 vote under this Plan.

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

1. What, if any, litigation or litigation claims are pending?

The Debtor has filed four motions to assume leases of non-residential real property which have yet to be ruled on by the Court.

2. What, if any, litigation or litigation claims are proposed or contemplated?

If there is no participation in the Plan confirmation process by the Class 3 creditor, Kabbage/Celtic Bank, the Debtor will initiate an adversary proceeding to avoid the lien of the Class 3 creditor.

**X. Additional Information and Comments**

All capitalized terms in this Disclosure Statement shall have the same meanings as ascribed in the Plan of Reorganization.

**XI. Certification**

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

Respectfully submitted,

November 1, 2016

*/s/ Christopher M. Frye, Esquire*  
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