

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

IN RE:

**DILLE FAMILY TRUST,**

Debtor.

Bankruptcy Case No. 17-24771-JAD

Chapter 11

**DISCLOSURE STATEMENT  
TO ACCOMPANY CHAPTER 11 PLAN DATED OCTOBER 12, 2018**

☐ Chapter 11 Small Business (Check box only if debtor has elected to be considered a small business under 11 U.S.C. § 101(51D))

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

ANY CAPITALIZED TERMS NOT DEFINED HEREIN SHALL HAVE THE MEANING SET FORTH IN THE ACCOMPANYING CHAPTER 11 PLAN.

Address for return of ballots:

DILLE FAMILY TRUST, BALLOT RETURN  
c/o Bernstein-Burkley, PC  
Attn: Robert S. Bernstein, Esq.  
707 Grant Street, Suite 2200  
Pittsburgh, PA 15219

**I. Background**

1. Name of Debtor: Dille Family Trust ("DFT")
2. Type of Debtor (individual, partnership, corporation, etc.): Business Trust
3. Debtor's Business or Employment: Business trust established for benefit of named beneficiaries.
4. Date of Chapter 11 Petition: 11/28/2017

5. Events that Caused the Filing: The Debtor's only significant asset(s) are certain intellectual property rights, including but not necessarily limited to copyright and trademark rights, generally described as related to and arising from the character "Anthony Rogers" a/k/a "Buck Rogers" and the novella *Armageddon 2419 A.D.* written by Phillip Francis Nowlan and first published in the United States in 1928 ("*Armageddon*"). The ownership and rights of use of said intellectual property rights are the subject of various disputes pending in multiple courts. The Debtor filed this Chapter 11 case in order to facilitate the resolution of said disputes and to maximize the value of the intellectual property rights for the benefit of all interested parties.
6. Anticipated Future of the Debtor & Source of this Information and Opinion: DFT intellectual property rights will be transferred to a new entity ("Newco" or "BRC"), with the Estate retaining a 34% Member Interest in Newco. The distributions from Newco will be used to fund the payments under the Plan. The source of the information for the Plan and Disclosure Statement is records of the Debtor, as well as input from other parties in interest.
7. Summarize all Significant Features of the Plan Including When and How Each Class of Creditor Will Be Paid and What, If Any, Liens Will Be Retained By Secured Creditors or Granted to Any Creditor Under the Plan:

A. Background

On November 28, 2017 ("Petition Date"), Dille Family Trust ("Debtor") filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, at Case Number 17-24771-JAD in the United States Bankruptcy Court for the Western District of Pennsylvania. The Debtor trust was established on August 16, 1979. The Debtor's only asset(s) are certain intellectual property rights, including but not necessarily limited to copyright and trademark rights, generally described as related to and arising from the character "Anthony Rogers" a/k/a "Buck Rogers" and the novella *Armageddon 2419 A.D.* written by Phillip Francis Nowlan and first published in the United States in 1928 ("*Armageddon*") (the "Intellectual Property Rights").

As more fully addressed in this Plan, the ownership and rights of use of said Intellectual Property Rights are the subject of various disputes pending in multiple courts. In particular, use of the Intellectual Property Rights is the subject of contentious and lengthy litigation between the Debtor and Team Angry Filmworks, Inc. ("TAF") (see Case No., 15-1381 in the District Court for Western District of Pennsylvania, captioned : Team Angry Filmworks, Inc. v. Louise A. Geer, Trustee of the Dille Family Trust, (the "TAF Litigation")). The TAF Litigation involves a dispute as to TAF's assertion and claim that the copyrighted aspects of the Intellectual Property Rights have entered the public domain and, therefore, are not subject to any restrictions as to use by third parties. The disputes

regarding the Intellectual Property Rights were the catalyst for the filing of the instant Bankruptcy case.

On July 30, 2018, the Trustee was appointed by the Court pursuant to Section 1104 of the Bankruptcy Code. The Plan implements a payment plan from the resolution of the disputes regarding use of the Intellectual Property Rights in order to allow for the use of the Intellectual Property Rights for the benefit of all interested parties.

*B. Key Plan Terms*

The Trustee and TAF have entered into a settlement agreement (the “Settlement Agreement”) that will resolve any and all disputes as to the rights to use the Intellectual Property Rights and allow for maximization of the value of the Intellectual Property Rights for the benefit of the Estate and its creditors. The Settlement Agreement is the subject of a Motion to Approve Settlement Agreement pending before the Bankruptcy Court. A copy of the Settlement Agreement is attached hereto as Exhibit 1. Pursuant to the Settlement Agreement, the Intellectual Property Rights will be conveyed to a new entity (“Newco”). TAF and the Estate shall be the initial members of Newco, with TAF owning 66% of the Membership Interests and the Estate owning 34% of the Membership Interests.

On or before the Closing, Newco shall be established and registered with the proper governmental authorities. TAF, through Don Murphy, as president of TAF, shall be the managing member of Newco. The primary business purpose of Newco shall be to market, use and maximize the value of the Intellectual Property Rights via, for example, opportunities such as production of a major motion picture based on the subject matter of the Intellectual Property Rights. The revenue stream generated from the Estate’s Member Interest shall be utilized to fund the obligations of the Plan.

At or before the Closing, TAF and/or Murphy will have paid \$15,000 to the Estate as an advance to the Estate against its first distributions on account of the Estate Member Interest in Newco. At the Closing, the Plan Administrator and TAF shall execute the Operating Agreement.

The Operating Agreement shall provide, inter alia, that the Estate Member Interest shall expire and be transferred to the remaining Members in Newco for no further consideration when the Plan Administrator shall have received sufficient proceeds from, or distributions on account of, the Estate Member Interest to make all payments required under this Plan including without limitation payment of all claims and expenses as required by this Plan.

Based on industry estimates, the Estate's share of net revenues from BRC are projected to be:

End of Year 1: \$405,450

End of Year 2: \$1,049,750\*

End of Year 3: \$4,077,450\*

\*Revenue from Newco will cease when the Plan Administrator has received sufficient revenue to pay all required expenses and Plan payments under the Plan.

The projections are shown on the attached Exhibit 2, which show sufficient funds should be available to permit Plan payments to commence to all classes of Allowed Claims early in the 2<sup>nd</sup> year of the Plan. Projected revenue should allow for a partial payment to Class 2 Creditors after in the 2<sup>nd</sup> year of the Plan and all required Plan payments should be able to be made by the end of the 3<sup>rd</sup> year of the Plan.

The Operating Agreement shall provide, inter alia, that the Estate Member Interest shall expire and be transferred to the remaining Members in BRC for no further consideration when the Plan Administrator shall have received sufficient proceeds from, or distributions on account of, the Estate Member Interest to make all payments required under this Plan including without limitation payment of all claims and expenses as required by this Plan.

Upon expiration of the Estate Member Interest, the remaining Members of Newco may, by separate agreement, agree among themselves how the Estate Member Interest shall be apportioned among them.

*C. Claim Treatment*

Allowed administrative claims against the estate shall be paid in full on a pro rata basis as funds become available from the revenue stream due to the Estate on account of its membership interest in Newco, subject to the Trustee's discretion to retain a reasonable fund for ongoing expenses. Additionally, Net Recoveries on any Recovery Action or Cause of Action, received by the Debtor (or the Plan Administrator, after the Effective Date), shall be used first to fund expenses of the Plan Administrator, then for additional distributions pursuant to the priority scheme provided herein and by the Bankruptcy Code.

Class 1 consists of all Allowed Priority Claims. After Administrative Claims are paid in full, Priority Claims will be paid in full on a pro rata basis as funds become available from the revenue stream due to the Estate on account of its membership interest in Newco

as soon as practicable, subject to the Trustee's discretion to retain a reasonable fund for ongoing expenses.

Class 2 consists of Allowed General Unsecured Claims. Unless the Plan Administrator and the holder of any such Claim agree to a different treatment, each holder of an Allowed Class 2 Claim will receive 75% of the allowed amount of their claims, on a pro rata basis as funds become available from the revenue stream due to the Estate on account of its Membership Interest in Newco, which distributions shall begin as soon as practicable after payment in full of Administrative Claims and Priority Claims, subject to the Trustee's discretion to retain a reasonable fund for ongoing expenses.

Class 3 consists of the Beneficiary Interests held by the Beneficiaries of the Debtor. All Beneficiary Interests of the Debtor shall be canceled, annulled and voided on the Effective Date, and holders thereof shall be entitled to no distribution whatsoever under this Plan or in the Bankruptcy Case on account of such Beneficiary Interests.

8. Are All Monthly Operating Statements Current and on File With The Clerk of Court?

Yes  X  No

9. Does the plan provide for releases of nondebtor parties? Specify which parties and terms of release.

The Trustee and/or Plan Administrator and their respective members, partners, officers, directors, employees and agents (including any attorneys, financial advisors, investment bankers and other professionals retained by such persons) shall have no liability to any person for any act or omission in connection with, or arising out of, (i) the Disclosure Statement, (ii) the Plan, (ii) the solicitation of votes for, and pursuit of confirmation of, the Plan, (iv) the formulation, preparation, implementation or consummation of the Plan, (v) the administration of the Plan or the property to be distributed under the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or (vi) any other act taken or omitted to be taken in connection with the Case, except for willful misconduct or gross negligence as determined by a Final Order after exhaustion of all rights of appeal, reconsideration or rehearing and, in all respects, shall be entitled to rely upon the advice of counsel with respect to its duties and responsibilities under the Plan and the Case.

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

None.

11. Has a bar date been set? Yes X No \_\_\_\_\_  
(If not, a motion to set the bar date has been filed simultaneously with the filing of this disclosure statement.)

12. Specify property that will be transferred subject to 11 U.S.C. §1146(a).

None.

## **II. Creditors**

### **A. Secured Claims**

#### **SECURED CLAIMS**

<u>Claim Number</u>	<u>Creditor Name</u>	<u>Secured Claim Amount</u>	<u>D, L, U*</u>
	None	\$	

### **B. Priority Claims**

#### **PRIORITY CLAIMS**

<u>Claim Number</u>	<u>Creditor Name</u>	<u>Priority Claim Amount</u>	<u>D, L, U</u>
	PA DEPT. OF REVENUE	\$1,736.82	

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

### **C. Unsecured Claims**

1.	Amount Debtor Scheduled (Disputed and Undisputed)	\$ 787,299.59
2.	Amount of Unscheduled Unsecured Claims <sup>1</sup>	\$ 4,680,715.02
3.	Total Claims Scheduled or Filed	\$ 5,468,014.61
4.	Amount Debtor Disputes	\$ 4,500,000.00
5.	Estimated Allowable Unsecured Claims	\$ 900,000.00

## **III. Assets**

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

The Debtor's only material assets are the Intellectual Property Rights, which are, without limitation, all copyright and trademark rights, generally related to and arising from the character "Anthony Rogers" a/k/a "Buck Rogers" and the novella *Armageddon 2419 A.D.* written by Phillip Francis Nowlan and first published in the United States in 1928 ("*Armageddon*") and potential Recovery Actions, if any, which potential actions are of an unknown value. Chapter 11 Trustee estimates that the Estate's revenue from Newco over the first 2 years will be \$1.5 million, while the net value of assets if sold at a §363 Sale would be \$300,000 or less.

Debtor also owns miscellaneous exemplars and office equipment valued at less than \$5,000. The exemplars are to be transferred to Newco under the Settlement Agreement. The office equipment is of nominal value and will be sold or abandoned by the Plan Administrator.

1. Are any assets which appear on Schedule A or B of the bankruptcy petition not listed above? If so, identify asset and explain why asset is not in estate:

No.

2. Are any assets listed above claimed as exempt? If so attach a copy of Schedule C and any amendments.

No.

#### **IV. SUMMARY OF PLAN**

1. Effective Date of Plan: Upon Final Order of Confirmation and occurrence of the conditions precedent identified in Section 12.2 of the Plan.

2. Will cramdown be sought?  X  Yes      \_\_\_ No  
If Yes, state bar date: May 8, 2018

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

#### **SECURED NON-TAX CLAIMS**

<u>Claim Number</u>	<u>Creditor Name</u>	<u>Secured Claim Amount</u>	<u>Treatment</u>
	None		

4. Treatment of Secured Tax Claims (Included in Class 2)

SECURED TAX CLAIMS

<u><i>Claim Number</i></u>	<u><i>Creditor Name</i></u>	<u><i>Secured Claim Amount</i></u>	<u><i>Treatment</i></u>
	None		

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

ADMINISTRATIVE NON-TAX CLAIMS

<u><i>Claimant</i></u>	<u><i>Administrative Claim Amount</i></u>	<u><i>Treatment</i></u>
Robert S. Bernstein, Trustee	\$ 50,000.00	Paid in full from Newco revenue stream
Bernstein-Burkley, PC, Counsel for the Trustee	\$ 75,000.00	
Calaiaro, Valencik, Counsel for the Debtor	\$ 65,000.00	
Judith Fitzgerald, Mediator	\$ 6,921.45	Same

6. Treatment of Administrative Tax Claims

ADMINISTRATIVE TAX CLAIMS

(None)

7. Treatment of Priority Non-Tax Claims

PRIORITY NON-TAX CLAIMS

<u><i>Claim Number</i></u>	<u><i>Creditor Name</i></u>	<u><i>Priority Claim Amount</i></u>	<u><i>Treatment</i></u>
	None		

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

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

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



PRIORITY TAX CLAIMS

<u>Claim Number</u>	<u>Creditor Name</u>	<u>Priority Claim Amount</u>	<u>Treatment</u>
12	PA Dept of Revenue	\$ 1,763.82	Paid in full from Newco revenue stream.

9. Treatment of General Unsecured Non-Tax Claims

GENERAL UNSECURED NON-TAX CLAIMS

GENERAL UNSECURED CLASS 2 CLAIMS

Class 2 consists of Allowed General Unsecured Claims. Each holder of an Allowed Class 2 Claim will receive 75% of the allowed amount of their claims, on a pro rata basis as funds become available from funds of the Estate, including the revenue stream due to the Estate on account of its Membership Interest in BRC and Net Proceeds of Recovery Actions, which distributions shall begin as soon as practicable after payment in full of Administrative Claims and Priority Claims, subject to the Trustee's discretion to retain a reasonable fund for ongoing expenses.

<u>Creditor Name</u>	<u>Scheduled Unsecured Amount</u>	<u>Proof of Claim Amount (if any)</u>	<u>Claim Number</u>
Becker and Company	\$ 450.00		
David Gettings, CPA	\$ 500.00		
Fox Rothschild LLP	\$ 24,576.50	\$49,174.00	2
Geer and Herman, P.C.	\$ 143,500.00		
IM Global	\$ 0		
Jeff Rovin	\$ 1,000.00		
Jerry Wind, Wind Associates, Inc.	\$ 500.00		
Kloss Stenger & LoTiempo	\$ 129,830.61	\$129,830.61	4
Leech Tishman	\$ 56,647.00		
Lorraine Dille Williams	\$ 363,409.57		
Louise A. Geer	\$ 22,458.33		
Matthew Fladell, Esq.	\$ 5,000.00		
Michael S. Ramage	\$ 919.17		
NBC Universal Television Distribution	\$ 546.00		
Nowlan Family Trust		\$537,721.00	6
Pietragallo Gordon Alfano Bosick & Raspanti	\$ 17,773.00	\$17,773	3
Precision Sample LLC	\$ 2,705.00		
Robert Nichols Flint Dille		\$3,950,000.00	7

Richard Spreng	\$ 6,200.00		
Team Angry Filmworks, Inc.		\$166,491.70	5
Thomas Andrae	\$ 5,000.00		
Vertex Corp.	\$ 5,784.41		
Wind Associates	\$ 500.00		

10. Treatment of General Unsecured Tax Claims

GENERAL UNSECURED TAX CLAIMS

None

11. Will periodic payments be made to unsecured creditors?

Yes X No \_\_\_\_\_

As described above with regard to each Class of unsecured creditors, periodic payments will be made to unsecured creditors as funds become available from the revenue stream due to the Estate on account of its Membership Interest in Newco and from the Net Proceeds of Recovery Actions.

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

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

Total value of Chapter 7 estate (See Section III)	\$ 300,000.00
1. Less secured claims (See Section II A)	\$ 0.00
2. Less administrative claims (See Section IV-5-6 and include approximate Chapter 7 expenses)	\$ 227,000.00
3. Less other priority claims (See Section II B)	\$ 1,763.82

Total Amount Available for Distribution to Unsecured Creditors **\$ 71,000**

Divided by total allowable unsecured claims of (See Section II C) \$ 900,000

Percentage of Dividend to Unsecured Creditors: 7.88%

Will the creditors fare better under the plan than they would in a Chapter 7 liquidation?

Yes   X   No           

Explain: Under the Plan, the Estate will benefit from the use of the Intellectual Property Rights without the uncertainty and expense of further disputes and litigation and creditors will recover substantially more through the Estate's interest in Newco than they would recover in a Chapter 7 liquidation.

## **VI. Feasibility**

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

\$1,000.00

Show how this amount was calculated.

\$ 0.0	Administrative Class
\$ 0.0	Taxes
\$ <u>0.0</u>	Priority and Unsecured Creditors
<u>\$ 1,000.00</u>	UST Fees
<u>\$ 1,000.00</u>	TOTAL

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

None. The Plan will be funded by the revenue stream generated from the Estate's Member Interest in BRC, as well as net amounts obtained from Recovery Actions.

Will funds be available in the full amount for administrative expenses on the effective date of the plan? From what source? If not available, why not and when will payments be made?

Funds will not be available to pay all Allowed Administrative Claims of Professionals in full on the Effective Date. Administrative Claims of Professionals will be paid pro rata from the revenue stream generated from the Estate's Member Interest in BRC as funds become available.

Cash on hand \$ 0.00 (Current – held in Escrow).

Cash on hand \$ 15,000.00 (Estimated amount available on date of confirmation)

## **VII. Management Salaries**

None.

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

1. What, if any, litigation is pending?

Dille Family Trust v. Nowlan Family Trust – Eastern District of PA

2. What, if any, litigation is proposed or contemplated?

The Debtor and Plan Administrator reserve all rights to object to any Claims and pursue any Recovery Actions, including but not limited to preference Claims or Causes of Action, fraudulent conveyance Claims or Causes of Action, rights of setoff and other Claims and Causes of Action under sections 510, 542, 544, 545, 547, 548, 549, 550, and 553 of the Bankruptcy Code and other applicable bankruptcy and non-bankruptcy law.

The Chapter 11 Trustee has been advised by parties-in-interest of possible claims against the Trust Trustee, Louise Geer, and Dan Herman, counsel to the Trust, as well as Geer and Herman, P.C., counsel to the Trust and Kloss, Stenger & LoTiempo, P.C. former counsel to the Trust. The Trustee has only recently begun to investigate such claims and reserves the right to bring or abandon such claims under the Plan.

**IX. Additional Information and Comments**

None.

**X. Certification**

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

/s/ Robert S. Bernstein  
Chapter 11 Trustee

October 12, 2018  
Date