# DISCLOSURE INFORMATION

ATTACHMENT TO PLAN OF REORGANIZATION DATED NOVEMBER 27, 2020

## Introduction

This document is being submitted by DigitalTown, Inc., a Minnesota corporation (the "Debtor"). The document contains information about the Debtor and describes the Debtor's Plan of Reorganization dated November 27, 2020 and filed by the Debtor on November 27, 2020 (the "Plan"). The Debtor is seeking confirmation of the Plan. This document is intended to provide information to better understand the Plan and the Debtor's intended reorganization. This document includes information about the Debtor's historical operations and its plans for future operations.

The Debtor filed for relief under Chapter 11, Subchapter V of the United States Bankruptcy Code on September 8, 2020 with the intention of reorganizing its debts. The Plan is intended to implement the Debtor's reorganization of its business and finances. The Plan provides for the reorganization of the Debtor's business and the satisfaction of the claims of all creditors. The Debtor believes that the Plan complies with all the requirements of the Bankruptcy Code and that it should be confirmed by the Court.

## Narrative: History of the Company

The Company was incorporated in 1982 under the laws of the State of Minnesota as Command Small Computer Learning Center, Inc., a computer training company, and operated under several different names in the computer hardware and training sector. In late 1999, the company went public on the OTC Markets. In 2005, the Company began acquiring domain names as an alternate business strategy. On March 1, 2007, the Company changed its name to DigitalTown, Inc. and began developing a business plan to build a platform to monetize their domain names. The vision was subsequently expanded to develop an integrated search, community and commerce platform for both web and mobile devices. The Company's headquarters are now located in New Westminster, BC, Canada. The Company's common stock is listed on the OTC Markets under the ticker symbol of DGTW.

The Debtor has a wholly owned subsidiary, Comencia Inc, which has no operations and did not file for bankruptcy protection.

## Most Recent Rendition of the Enterprise

DigitalTown provided turn-key hosted solutions to power "Digital Towns", which improve quality of life for residents and visitors through locally owned solutions for economic development, civic engagement and digital inclusion for cities around the world. The Debtor's website is at: www.digitaltown.com

The company's mission was to keep more business local and envisioned a world of thriving communities that transacted locally and connected globally. We proposed to provide an alternative to out-of-town booking and search engines, saving merchants money and ensuring more revenue stayed within the local economy. Our SmartWallet solution proposed to provide a mechanism for instant payments, using Fiat or cryptocurrencies, while also offering a Community Points reward system. The community tools were intended to support local initiatives, connecting people and businesses in support of their respective cities. Digitaltown proposed to leverage blockchain technology to harness the real power of a secure distributed internet; to deliver a localized commerce platform and to transact in a multi-currency world.

The DigitalTown strategy was centered around a requirement for significant equity raises that were to fuel the complete production and development of the platform before any of it could be effectively marketed. This was problematic because, in the absence of finding a single investor that would fund the entire

strategy, it involved regular and ongoing sales efforts to investors. The strategy was not well aligned with the required reality of creating revenue streams to factor into the growth formula and make the ongoing investor sales pitches more meaningful with a proven track record of step-wise success milestones.

The Company's strategy also included the acquisition of various organizations around the world, using cash from the equity raises, and many as all-stock transactions. These companies were not cash flow positive, and most required significant working capital, causing a further drain on the Company's liquid assets. Further, none were initially well-aligned with the Company's vision, creating further distractions for all involved.

**Circumstances Leading to the Bankruptcy and Reorganization Filing**

DigitalTown has never lacked entrepreneurial spirit, but it has lacked a coherent management philosophy and an ability to execute on its ambitious plans. Many ideas were ill-conceived and lacked the necessary resources to effectively develop and promote them. Programs were implemented with little regard or understanding of registration and licensing requirements, such as the CityShare program (and the potential of it being confused with a securities offering); and disregard of fierce and inexorable competition, like the SmartWallet solution (and the associated implications of registering as a money services business).

In the twenty-four months preceding the reorganization filing, DigitalTown encountered several operating, legal and financing challenges. First, the Board of Directors of that time began to demand greater evidence of returns on the company's significant investments over the most recent four years of capital raising. They began to believe that the version of the company's operational achievements which they received may have not been representative of the market's true perception of the company. This resulted in the company not being able to go to market with its software with the originally contemplated timelines. In September 2018, the then CEO, Robert Monster, resigned and was replaced with an interim CEO, George Nagy, who was serving as a Board Director at the time.

Second, and coinciding with the challenges mentioned above, investors with an established history of injecting working capital as required, ceased to do so, and new investors were not convinced, leaving the company with only very expensive borrowing options which it was in danger of not being able to service or repay. Credibility in the company by potential customers and investors had been lost.

To maintain minimum viable operations and with a desire to prove out a working model of the company's software in the marketplace, between July and November 2018 the company raised $574,250 with the issuance of convertible notes to six different noteholders. These notes, if not repaid with significant premiums and interest within a six-month period, had the rights to begin converting to stock on the six-month anniversary, in small blocks until fully extinguished, at the discretion of each respective noteholder. The predetermined mechanism for conversion was laid out in the terms and conditions of each respective note, and ranged from 25-45% discount off market rates, and included numerous charges and expenses related to each conversion that the Debtor was responsible for. Furthermore, the terms and conditions of each respective note required a block of authorized shares be reserved in favor of the noteholder, for if and when they decided to convert.

These convertible notes, in the absence of mitigation efforts, significantly diluted the company's stock and drove the market price downward. Starting from the six-month anniversary of the first note, right through to the filing of this petition, a total of $516,521 of these notes converted to 2,272,401,154 shares, at the

sole discretion of these noteholders, with no ability from the Debtor to slow or mitigate the impact (due to their pre-established and registered conversion mechanism). The stock price plummeted from $0.10 to $0.0001 during this period of time. Also during this time period, an additional $122,500 worth of convertible notes were issued to some of the same noteholders to raise sufficient working capital to cover basic operating expenses. This amount, along with the outstanding unconverted balance from the first round of note issuances remain outstanding and are included as unsecured creditors in this petition.

Third, a former CEO (Mr. Richard Pomije, employed until May 2015) had filed a suit against the company in 2016 asserting personal losses related to an employment agreement.

These litigation matters, in particular, presented immediate challenges to the Debtor. Although the Debtor maintains substantial defenses to the Pomije claims, the costs of defense would have been substantial and an unmanageable burden to the Debtor. Counsel was received in 2019 not to defend the claim from an affordability perspective. This lawsuit resulted in summary judgment against the company.

Mr. Pomije commenced a second lawsuit in April 2020, and a response was prepared and filed immediately. As of the petition filing date, Mr. Pomije's counsel had not taken any steps to advance the lawsuit.

These circumstances presented challenges that the Debtor was not able to meet, absent a coherent reorganization process. Consequently, the Debtor's current board of directors determined to file for relief under Chapter 11, Subchapter V.

(These litigation matters are discussed in more detail below in Summary of Litigation)

**Pre-Filing Efforts to Restructure**

In October and November of 2018, when it became evident the company had insufficient means to maintain adequate working capital, operations were temporarily suspended. All employees were laid off and overhead expenses were reduced to bare minimum for the company to maintain SEC compliance, which would be required to continue raising additional working capital.

In early 2019, the then Board consisting of Darv Habben and Jeff Mills (both significant shareholders themselves), began selling off the few remaining revenue generating assets the company had previously acquired (the intellectual property of the Debtor's fully owned subsidiaries: Rezserve Technologies Ltd. and Comencia Inc.), in addition to issuing several more convertible notes, to continue covering short term operating costs and legal fees. They were overwhelmed by the daily pressure of calls and messages from creditors and noteholders to have their outstanding debts paid in a timely manner. They did not have direct and working relationships with creditors, nor did they have the financial ability to retain anyone who did, to try and garner the required support to move forward. The convertible debtors had begun their process of relentlessly converting their notes into stock at massive discounts, resulting in significant dilution and downward pressure on the stock price. Absent an orderly plan (which they did not have) to reorganize, they believed their only path forward was bankruptcy.

At the time, Sam Ciacco's involvement with DigitalTown was limited to financial and SEC reporting compliance. However, in the years that preceded the company's decline, Mr. Ciacco had built solid relationships with vendors, creditors and employees. When Mr. Ciacco heard of Habben and Mills'

intention to seek alternatives for the company's future, he offered to take over control with the intention of cleaning up the balance sheet and moving the company forward with a renewed vision and strategy.

Habben and Mills agreed and handed control over to Mr. Ciacco on May 1, 2019. Mr. Ciacco began taking steps to restructure the business and to advance a reorganization by contacting all vendors and creditors with the plan of converting their debt to stock; the company's only available currency.

The plan was simple and clear; voluntarily partake in the reorganization process by converting all outstanding creditor debt (all of which was unsecured) to stock at a pre-established rate of $0.05 per share ($1.00 of debt converts to 20 shares of restricted common stock), and with enough support, the company would be in a position to move forward and begin the process of increasing stock price and shareholder value, which benefited the creditors and shareholders alike. Without the majority in support, the company would not be able to attract sufficient investors to fund the go-forward operational plan.

A total of 32 unsecured creditors voluntarily converted an accumulated $1,576,382 of their debt to 92,928,522 shares of the company's common stock. An additional 4 unsecured creditors committed to converting $585,300 of their debt at the same rate, but the paperwork and share issuance had not been completed prior to the filing date of this petition (and as a result, they are included as unsecured creditors under this Plan). The prescribed conversion rate was set at $0.05 per share, which 31 of the 32 creditors successfully and agreeably converted at. One creditor, who represented $496,508 of the amount above (approximately one-third of the converted amount) was one of the first to convert and negotiated more favorable terms, converting at $0.007 with an option for Digitaltown to repay a portion of the debt ($105,000) in exchange for the return of 36,633,626 shares back to treasury. The negotiation that resulted in better terms for this one particular vendor was required for the credibility of all those that followed. This particular creditor has also expressed their support for the go-forward plan and existing management team in the attached letter (Exhibit A).

The Debtor sought to settle litigations in the same manner as with other trade debts, whereby creditors were offered shares in the company at a prescribed conversion rate in exchange for extinguishing the debt balance owed. At this time, there were two active suits against the company. One of the lawsuits, SkiAlberta (which was filed against one of the Debtor's fully owned subsidiaries: Rezserve Technologies Ltd.), was successfully settled with this formula. Mr. Pomije initially indicated his willingness to negotiate a settlement associated with his first suit, which began the lengthy process of regular telephone conference calls to negotiate terms. It was made perfectly clear in follow up conversations that Mr. Pomije's only desire was control of the company for the purpose of gathering information to build a case for him to litigate against former board directors against whom he had personal vendettas.

In the absence of Mr. Pomije's support of our plan, and in an effort to continue negotiating in good faith, Mr. Ciacco sought and received commitment from an investor to inject $150,000 into the company for the sole purpose of settling Mr. Pomije's suit in exchange for full release (so the company could move forward unencumbered by Mr. Pomije's past and future lawsuits), which was offered to Mr. Pomije and promptly declined. The Pomije judgment has demonstrably been a major obstacle to bringing in new investments. That investment opportunity and the prospect of follow-on additional capital were lost. Mr. Pomije has threatened additional claims against the Company, current board members, past board members, executives and auditors, if unrealistic and unjustifiable conditions aren't met. The details of Mr. Pomije's suits and threats are detailed in the Summary of Litigation Claims section.

The downward pressure on the stock price required each respective noteholders' share reserves to be significantly increased, which consumed the remaining available authorized shares in the company's treasury. This limited the company's ability to raise additional working capital to meet current and future operational and financial requirements. Within the framework of the company's bylaws and articles of incorporation, the Board established a class of super-voting preferred shares which were equal to at least 51% of the total voting power of all issued and outstanding voting capital. This structure was required to allow swift and timely decisions to be made for the benefit of the company and its shareholders. The first decision voted on utilizing these preferred shares was to increase the authorized share limit from 2 to 5 billion, creating the breathing room the company needed to continue operating, settling convertible notes and converting company debts. The second decision voted on (and discussed in further detail in a later section of this document) was the proposed reverse stock split.

As the Company contemplated its options, it became abundantly clear DigitalTown was a prime candidate and appropriately suited for the new Subchapter V reorganization mechanism. The significant debt load, coupled with the pending and threatened lawsuits, create difficulties for the company that are insurmountable without a successful reorganization. The Debtor believes the new Subchapter V regulation creates a path forward that is fair and equitable to creditors and shareholders alike.

Existing shareholders and creditors who voluntarily converted their debt to stock have expressed overwhelming support to reorganize and move forward with a renewed business plan and vision. Several letters of support are attached as Exhibit A for your reference.

**Summary of Litigation Claims**

Pomije - Suit #1

On December 5, 2016, Richard Pomije filed a lawsuit against the Company, asserting an employment agreement existed and a continuing obligation of the Company in the form of a monthly salary for a 1 year term from May 18, 2015 to May 17, 2016 was due in addition to a stock subscription receivable. Mr. Pomije claimed the Company owed him $260,900. On April 18, 2018, Mr. Richard Pomije was granted a judgment for this lawsuit. Mr. Pomije was awarded $256,488 as damages, and $296,488 as attorney's fees and costs, for a total award of $552,976. During the quarter ending May 31, 2018, $10,910 was paid to Mr. Richard Pomije towards this amount.

The Company filed an appeal on June 13, 2018. On April 1, 2019, the Court of Appeals issued its opinion in favor of the Company. The matter was scheduled for trial.

On May 9, 2019, Mr. Pomije agreed to extend scheduling deadlines by 60 days to negotiate a settlement prior to trial. After three months of discussions between Mr. Pomije and Mr. Ciacco, Mr. Pomije indicated he was unwilling to settle the matter and would pursue it further through the courts. He also indicated his intention to bring additional claims against the Company, its current board members, past board members and officers of the Company if certain far-reaching demands were not met.

The trial was scheduled for January 21, 2020. The Company advised the Courts in December 2019 of its intention to not appear at the trial nor offer any evidence. Although the Debtor maintains substantial defenses to the Pomije claims, the costs of defense would have been significant and an unmanageable burden to the Debtor. Counsel was received in 2019 not to defend the claim from an affordability perspective. Mr. Pomije was granted summary judgment for this suit on January 24, 2020. He was

awarded $256,488 as damages, and $419,203 as attorney's fees and costs, for a total award of $675,691.

Pomije - Suit #2

On April 15, 2020, Richard Pomije filed a second lawsuit against the Company, asserting breach of contract, intentional interference with contract, breach of fiduciary duty, detrimental reliance and estoppel, defamation of character, and fraud. Mr. Pomije asserted he was entitled to recover losses and damages pertaining to an agreement he held with a third party that was unable to be enforced because the third party filed for personal bankruptcy. Mr. Pomije also included his employment claim originally filed in the 2016 suit in this second suit, to which he already had summary judgment for.

The Company filed a response on May 8, 2020 denying each and every statement and allegation. As of the Plan filing date, the Plaintiff had not taken any steps to advance the cause of actions. The Debtor maintains that it has substantial defenses to these claims by Mr. Pomije, and that these claims are entirely without merit.

Pomije - Potential Future Claims

Mr. Pomije indicated in subsequent phone calls and emails (further in 2020) his intent to file additional claims against the Company, current board members, past board members, executives and auditors, if Sam Ciacco and Kevin Wilson did not comply with relocating the corporate headquarters back in the State of Minnesota, and immediately resigning and turning over all company records and assets to Mr. Pomije. Mr. Pomije claimed he would be the one to move DigitalTown forward, not anyone else. However Mr. Pomije has never provided any indication that he, in fact, has a plan for moving the company forward; has not indicated that he either has the capital to invest in the company's business or that he has arranged for third party investment.

These examples are typical of Mr. Pomije's demands. In management's view, Mr. Pomije's claims and threats are unrealistic and far-reaching. Mr. Pomije threatened additional claims against current and past board members, directors and executives if the above-mentioned transition did not happen in an expedited manner. He also indicated he would bring additional motions to: (1) seek full disclosure of the books of DigitalTown (even though the books are externally audited quarterly and previously reported per SEC guidelines), and (2) seek dismissal of any reorganization proceedings, if any were to commence. His claims are consistently hostile, adversarial and grandiose.

Possible Claims against former CEO (Richard Pomije)

The Debtor believes that a former CEO engaged in misconduct, including breach of fiduciary duty. The Debtor has determined not to pursue those claims at this time. This decision is largely pragmatic - the Debtor believes it will be difficult to prove the misconduct; to establish damages and ultimately to collect from the former CEO. The Debtor has taken into account the likely costs of litigation, the lack of ready availability of material documents, and the likelihood of enforcing a judgment if one were obtained. Although the Debtor believes that those claims have little to no practical value in light of these considerations, and does not intend to pursue those claims at this time, nonetheless the Debtor does not intend to waive, release or discharge such claims and reserves the right to pursue them post-confirmation.

Possible Claim Litigation with Richard Pomije

The Bankruptcy Code provides for the allowance of claims (See, generally, 11 USC §§ 501 and 502 and Rule 3007 of the Federal Rules of Bankruptcy Procedure) and the procedure for objecting to claims. As described above, Mr. Pomije holds a judgment in the amount of $675,691 in connection with the first of his lawsuits. That amount is a final judgment and is not subject to any viable dispute (regardless of the Debtor's view of the merits). The amounts claimed due in the second Pomije lawsuit are vigorously disputed.

The Debtor has not yet determined whether to object to the allowance of Mr. Pomije's claim. First, as of this writing, Mr. Pomije has not yet filed a proof of claim. More importantly, the Debtor has the obligation to make a deliberate, thoughtful and considered decision in determining whether to object to the allowance of any claim. The prosecution of an objection to the allowance of a claim can be costly; and the Debtor intends to take into account the likely litigation costs, the litigation risks, the likely and possible outcomes, as well as the impact of the litigation and possible outcomes might have on the Debtor's reorganization efforts, and the impact the allowance or disallowance of a claim might have on the Plan and other creditors and stakeholders.

The Debtor strongly believes that the claims asserted in the second Pomije lawsuit are without merit and are objectionable. The Debtor reserves the right to file objections to claims, including the claims of Richard Pomije. The Debtor will determine whether to file objections to any claims by the filing deadline that has been established by the Court; subject to review as circumstances develop. The Debtor currently intends to object to the allowance of Mr. Pomije's claim to the extent of the amounts claimed due in the second lawsuit.

SkiAlberta - Suit #1

SkiAlberta, a client of the Debtor's fully owned subsidiary Rezserve Technologies Ltd, filed a suit against the company in November 2017 asserting Rezserve had not delivered a finished website product to SkiAlberta's specifications, and seeking $50,000 in damages and costs. Although the Debtor was confident that it had viable defenses against the claims asserted, the costs and risks of litigation were overwhelming. Prior to the scheduled hearing date in early 2019, the Debtor concluded that a negotiated resolution was advantageous and settled the lawsuit on August 9, 2019 in exchange for 700,000 of the company's restricted common stock (mutually agreed settlement of $35,000 at $0.05 per share, consistent with other debt conversions of that time and later times).

**Management**

The Debtor is a Minnesota public corporation (OTC Pink: DGTW). The Debtor is governed by a Board of Directors and managed by a Chief Executive Officer and Chief Financial Officer.

The current Directors are: Sam Ciacco and Kevin Wilson.

The Chairman and Chief Executive Officer is Sam Ciacco. Mr. Ciacco is a respected software industry professional with a proven track record of implementing structure and discipline, working in Canada, the United States and the Middle East, with a focus on improving organizational culture. Sam is known for his ability to forensically audit financial and operational processes of companies and improve profitability and shareholder value. From September 2017 to December 2018, Mr. Ciacco served the Company in various

roles including Vice President of Finance. In evaluating Mr. Ciacco's specific experience, qualifications, attributes and skills in connection with his appointment to the Board, the Company considered Mr. Ciacco's industry experience and intimate knowledge of the Company.

Mr. Ciacco has deferred salary of $5,300 related to 2018, plus accrued compensation of $15,000 per month from April 1, 2019 to August 31, 2020, leaving a balance owing of $260,300.

The Director and Chief Financial Officer is Kevin Wilson. Mr. Wilson has almost four decades of finance leadership and entrepreneurial experiences from a wide variety of organizations. Under Mr. Wilson's leadership, he has assisted growth companies in various sectors. Mr. Wilson is a Stanford University undergraduate with an MBA from UCLA.

Mr. Wilson has accrued compensation of $5,000 per month from May 1, 2019 to August 31, 2020, of which none has been paid, leaving a balance of $80,000.

The Debtor anticipates that the current Board of Directors and Chief Executive Officer and Chief Financial Officer will continue as board members and part of the management team following confirmation.

**Description of the current equity structure**

DigitalTown, Inc. is listed on the OTC Market Pink Sheets (Ticker: DGTW). The table below outlines the current equity structure of the Debtor, as at the Plan filing date:

| ***Share Type*** | **Common Shares** | **Non-Convertible Preferred Shares** |
|---|---:|---:|
| *Authorized* | 5,000,000,000 | 20,000,000 |
| *Outstanding* | 2,963,377,176 | 51 |
| *Restricted* | 560,888,812 | - |
| *Unrestricted* | 2,402,488,364 | 51 |
| *Outstanding Warrants (fully vested)* | 6,080,000 | - |
| *Outstanding Options (fully vested)* | 26,668,750 | - |
| *Par Value* | $0.01 | $0.01 |
| *Registered Shareholders* | 360 | 1 |
| *Characteristics* | Common, publicly-traded shares (OTC Pink: DGTW) | Super-voting preferred shares equal to at least 51% of the total voting power of all issued and outstanding voting capital |

Current Board Member Holdings:

| | | |
|---|---|---|
| Sam Ciacco | 52,545,990 common shares | (0.0177%) |
| Sam Ciacco | 51 non-convertible preferred shares | |
| Kevin Wilson | 50,000,000 common shares | (0.0169%) |

**Historical Financial Performance**

As a public entity, DigitalTown is externally audited and previously reported quarterly to its shareholders and the public. The most recent annual statements audited by DigitalTown's external auditors and accountants, M&K CPAS, PLLC (a PCAOB registered firm), was for the year ending February 28, 2019. The most recent quarter reviewed by M&K was for the quarter ending November 30, 2019. Due to non-payment of M&K's quarterly review invoice, the financials were not able to be filed with the SEC. However, both sets of financials are included below for the convenience of the Court.

On August 27, 2020, the Debtor filed Form 15 with the Securities and Exchange Commission, terminating its reporting obligations under Section 13 of the Securities Exchange Act of 1934. The Debtor's reporting requirements under Section 15(d) have been automatically suspended on March 1, 2019 and March 1, 2020, and have remained suspended since the Debtor has not filed any registration statements during either of these two fiscal years.

A full history of DigitalTown's financials can be accessed via the Edgar site here:
https://www.sec.gov/cgi-bin/browse-edgar?company=DigitalTown%2C+Inc.&match=&filenum=&State=WA&Country=&SIC=&myowner=exclude&action=getcompany

**CONSOLIDATED BALANCE SHEETS**

| | February 28, 2019 | February 28, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $15,271 | $58,712 |
| Accounts receivable, net | 25,343 | 12,089 |
| Short term investment | - | 10,000 |
| Prepaid domain name renewal fees | - | 77,977 |
| Prepaid insurance | - | 3,103 |
| Total current assets | 40,614 | 161,881 |
| Property and equipment, net | 19,208 | 22,433 |
| Total assets | $59,822 | $184,314 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Current liabilities: | | |
| Accounts payable | $551,387 | $214,700 |
| Accounts payable – related parties | 213,566 | 458,125 |
| Deferred revenue | 186,305 | 170,000 |
| Domain marketing development obligation | 168,174 | 145,906 |
| Interest payable | 46,235 | 34,783 |
| Accrued expenses - related parties | 542,066 | 552,976 |
| Notes payable - related parties | 1,025,200 | 105,479 |
| Notes payable - third parties, net | - | 30,548 |
| Convertible notes payable - related parties | - | 468,493 |
| Convertible notes payable - third parties, net | 246,175 | 118,655 |
| Liabilities held for sale | 12,828 | - |
| Total current liabilities | 2,991,936 | 2,299,665 |
| Commitments and contingencies | | |
| Stockholders' equity (deficit): | | |
| Common stock, $0.01 par value, 2,000,000,000 shares authorized, 146,740,570 and 84,509,824 shares issued and outstanding at February 28, 2019 and February 28, 2018, respectively | 1,467,406 | 845,098 |
| Preferred stock, $0.01 par value, 20,000,000 shares authorized, no shares issued and outstanding at February 28, 2019 and February 28, 2018, respectively | - | - |
| Additional paid-in-capital | 51,411,971 | 43,698,746 |
| Stock payable | 478,650 | 2,221,603 |
| Subscriptions receivable | | |
| Accumulated other comprehensive income | (819) | 5,098 |
| Accumulated deficit | (56,289,322) | (48,885,896) |
| Total stockholders' equity (deficit) | (2,932,114) | (2,115,351) |
| Total liabilities and stockholders' equity (deficit) | $59,822 | $184,314 |

DigitalTown, Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Years Ended | |
|---|---|---|
| | **February 28, 2019** | **February 28, 2018** |
| Revenues | $34,473 | $80,940 |
| Cost of revenues | 743,464 | 889,454 |
| Gross loss | (708,991) | (808,514) |
| Operating expenses: | | |
| Selling, general and administrative expenses | 5,079,787 | 7,248,968 |
| Loss from operations | (5,788,778) | (8,057,482) |
| Other income (expense): | | |
| Impairment expense | - | (1,721,760) |
| Interest expense | (942,891) | (374,331) |
| Gain on disposal of asset, net | 192,973 | - |
| Loss on settlement of debt | (48,037) | - |
| Cryptocurrency losses | (571,718) | - |
| Total other income (expense) | (1,369,673) | (2,096,091) |
| Loss before income taxes | (7,158,451) | (10,153,573) |
| Income tax provision | | - |
| Net loss from continuing operations, net of income taxes | (7,158,451) | (10,153,573) |
| Loss from discontinued operations | (244,975) | (89,823) |
| Net loss | $(7,403,426) | $(10,243,396) |
| Net loss per common share – basic and diluted | $(0.06) | $(0.17) |
| Weighted average common shares outstanding – basic and diluted | 121,297,460 | 61,786,169 |

DigitalTown, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the Years Ended | |
|---|---|---|
| | **February 28, 2019** | **February 28, 2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss from discontinued operations | $(244,975) | $(89,823) |
| Net loss from continuing operations | (7,158,451) | (10,153,573) |
| Adjustments to reconcile net loss to net cash flows used in operating activities: | | |
| Loss on conversion of debt and accrued expenses | - | 329,526 |
| Depreciation and amortization | 8,567 | 70,929 |
| Debt discount amortization | 879,734 | 276,257 |
| Loss on debt settlement | 48,037 | - |
| Loss on crypto dispositions | 925,817 | - |
| Impairment expense | - | 1,721,760 |
| Imputed interest | 20,125 | 66,257 |
| Stock based compensation | 2,059,677 | 3,524,123 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (13,254) | 13,520 |
| Other current assets | 10,000 | - |
| Prepaid expenses | 78,080 | 35,893 |
| Accounts payable | 239,958 | 40,544 |
| Accounts payable – related parties | 520,641 | 447,512 |
| Accrued expenses | 235,122 | 428,845 |
| Deferred revenue | - | (20,000) |
| Domain marketing development obligation | - | 145,906 |
| Net cash used in operating activities, continuing operations | (2,390,922) | (3,162,324) |
| Net cash provided by operating activities, discontinued operations | 12,828 | - |
| Net cash used in operating activities | (2,378,094) | (3,162,324) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for office equipment | (5,342) | (26,158) |
| Cash received from Comencia acquisition | - | 11,989 |
| Cash received from business dispositions | 192,973 | - |
| Cash received from sale of cryptocurrency | 718,181 | - |
| Cash paid for Congo acquisition | - | (125,000) |
| Net cash used in investing activities | 905,812 | (139,169) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings from convertible note | 570,250 | 735,000 |
| Borrowings from promissory note | - | 450,000 |
| Payments on promissory note | (206,037) | (30,000) |
| Proceeds from issuance of common stock | 1,070,545 | 1,662,732 |
| Net cash provided by financing activities | 1,434,758 | 2,817,732 |
| Foreign currency translation adjustment | (5,917) | 3,230 |
| Net change in cash and cash equivalents | (43,441) | (480,531) |
| Cash and cash equivalents, beginning of year | 58,712 | 539,243 |
| Cash and cash equivalents, end of year | 15,271 | 58,712 |
| Non-Cash Transactions: | | |
| Issuance of common stock for stock payable | 1,828,200 | 2,559,061 |
| Stock issued for cryptocurrency | 1,659,000 | - |
| Conversion of debt to common stock | 1,159,572 | 210,000 |
| Accounts payable and accrued expenses converted to stock - related party | 915,200 | - |
| Beneficial conversion feature | 536,951 | 450,246 |
| Debt discount from warrants | - | 450,000 |
| Conversion of accrued expenses to stock | 61,700 | 121,986 |
| Debt in exchange for assets - related party | 20,000 | - |
| Cryptocurrency issued for AP settlement | 15,080 | - |
| Stock issued for debt discount | 8,010 | - |
| Stock retired for domains | 3,000 | - |
| Stock issued for finder's fee | 1,000 | - |

**DIGITALTOWN, INC. AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**

| | November 30, 2019 (Unaudited) | February 28, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $14,553 | $15,271 |
| Accounts receivable, net | - | 25,343 |
| Total current assets | 14,553 | 40,614 |
| Property and equipment, net | - | 19,208 |
| Total assets | $14,553 | $59,822 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Current liabilities: | | |
| Accounts payable | $210,412 | $551,387 |
| Accounts payable – related parties | 412,729 | 213,566 |
| Deferred revenue | 120,000 | 186,305 |
| Domain marketing development obligation | 168,174 | 168,174 |
| Interest payable | 66,604 | 46,235 |
| Accrued expenses - related parties | 542,066 | 542,066 |
| Notes payable - related parties | 171,342 | 1,025,200 |
| Convertible notes payable - third parties, net | 186,002 | 246,175 |
| Liabilities held for sale | - | 12,828 |
| Total current liabilities | 1,877,329 | 2,991,936 |
| Commitments and contingencies | | |
| Stockholders' equity (deficit): | | |
| Common stock, $0.01 par value, 2,000,000,000 shares authorized, 2,562,664,837 and 146,740,570 shares issued and outstanding at November 30, 2019 and February 28, 2019, respectively | 25,626,648 | 1,467,406 |
| Preferred stock, $0.01 par value, 20,000,000 shares authorized, 51 and 0 shares issued and outstanding at November 30, 2019 and February 28, 2019, respectively | 1 | - |
| Additional paid-in-capital | 29,959,263 | 51,411,971 |
| Stock payable | 4,377 | 478,650 |
| Accumulated other comprehensive income | (1,685) | (819) |
| Accumulated deficit | (57,451,380) | (56,289,322) |
| Total stockholders' equity (deficit) | (1,862,776) | (2,932,114) |
| Total liabilities and stockholders' equity (deficit) | $14,553 | $59,822 |

**DIGITALTOWN, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Operations**

| | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | - | - | $50,000 | $27,065 |
| Cost of revenues | - | $115,960 | 306 | 623,042 |
| Gross profit (loss) | - | (115,960) | 49,694 | (595,977) |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | $110,446 | 1,491,991 | 715,827 | 4,179,348 |
| Loss from operations | (110,446) | (1,607,951) | (666,133) | (4,775,325) |
| Other income (expense): | | | | |
| Interest expense | (102,803) | (117,519) | (476,717) | (791,338) |
| Loss on disposal of asset | - | - | (19,208) | - |
| Loss on debt settlement | - | - | - | (48,037) |
| Digital currency losses | - | - | - | (925,817) |
| Total other income (expense) | (102,803) | (117,519) | (495,925) | (1,765,192) |
| Loss before income taxes | (213,249) | (1,725,470) | (1,162,058) | (6,540,517) |
| Income tax provision | | | | - |
| Net loss from continuing operations, net of income taxes | (213,249) | (1,725,470) | (1,162,058) | (6,540,517) |
| Loss from discontinued operations | - | (60,370) | - | (233,981) |
| Net loss | $(213,249) | $(1,785,840) | $(1,162,058) | $(6,774,498) |
| Net loss per common share – basic and diluted | $(0.00) | $(0.01) | $(0.00) | $(0.06) |
| Weighted average common shares outstanding – basic and diluted | 2,245,019,198 | 130,861,189 | 1,263,656,178 | 114,708,907 |

**DIGITALTOWN, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Cash Flows**

| | For the Nine Months Ended November 30, 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | (Unaudited) | (Unaudited) |
| Net loss from discontinued operations | - | $(233,981) |
| Net loss from continuing operations | $(1,162,058) | (6,540,517) |
| Adjustments to reconcile net loss to net cash flows used in operating activities: | | |
| Loss on debt settlement | - | 48,037 |
| Loss on cryptocurrency sale | - | 925,817 |
| Depreciation and amortization | - | 5,854 |
| Debt discount amortization | 400,254 | 740,272 |
| Loss on debt penalty | 32,343 | - |
| Imputed interest | 2,773 | 17,375 |
| Loss on disposal of fixed assets | 19,208 | - |
| Stock based compensation | 320,266 | 1,869,744 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 25,343 | 11,222 |
| Prepaid expenses | - | 58,539 |
| Accounts payable | 92,740 | 354,839 |
| Accounts payable – related parties | 199,163 | 307,075 |
| Deferred Revenue | (41,456) | |
| Liabilities held for sale | (12,828) | |
| Interest payable | 19,400 | - |
| Accrued expenses | - | 276,003 |
| Net cash used in operating activities | (104,852) | (2,159,721) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for equipment | - | (5,244) |
| Cash received from sale of digital currencies | - | 718,181 |
| Net cash provided by investing activities | - | 712,937 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock | - | 1,070,545 |
| Borrowings on convertible notes | 105,000 | 592,750 |
| Payments on convertible debt | - | (206,037) |
| Net cash provided by financing activities | 105,000 | 1,417,258 |
| Foreign currency translation adjustment | (866) | (3,609) |
| Net change in cash and cash equivalents | (718) | (33,135) |
| Cash and cash equivalents, beginning of year | 15,271 | 58,712 |
| Cash and cash equivalents, end of year | $14,553 | $25,577 |
| Non-Cash Transactions: | | |
| Issuance of common stock for stock payable | $696,900 | $1,828,200 |
| Stock issued for digital currencies | - | 1,659,000 |
| Stock issued for debt conversions | 1,370,508 | 1,129,007 |
| AP and accrued expenses converted into promissory notes - related party | - | 915,200 |
| Beneficial conversion feature | 105,000 | 518,001 |
| Stock issued for AP conversions | 433,715 | 61,703 |
| Digital currency issued for AP settlement | - | 15,080 |
| Stock issued for debt discount | - | 8,010 |
| Stock retired for domain purchase | - | 3,000 |
| Stock issued for finder's fee | - | 1,000 |
| Stock payable for accounts payable | - | - |



**Alternatives to the Plan**

In the months leading up to the filing of this petition, the Debtor sought several different approaches to refinancing and restructuring the organization.

1. As a result of the significant dilution caused by the convertible notes, and the negatively impacted stock price, a reverse stock split was proposed and the process initiated. With a successful reverse stock split, many more funding options would have become available to the company. The Debtor had initiated the process of effectuating a reverse stock split at a ratio of 1 for 2,000 of its common shares prior to filing this Plan, but was unsuccessful in completing the process due to a lack of financial resources. Several attempts were made to raise sufficient capital to finance the reverse stock split process. Unfortunately, the timing of these aligned with the start of COVID19-related shutdowns and market tightening, and as such the Debtor was unable to obtain the financial commitments we required to move forward.

2. Concurrent with our efforts above, Mr. Pomije was threatening further legal actions against the Debtor if certain demands were not met; namely (and not limited to) relocating the company's headquarters back to the State of Minnesota; Mr. Ciacco and Mr. Wilson's immediate resignations as executives and board members; and Mr. Pomije being handed full control of the company and its books. In recognition of his desire to control and move the company forward, and in good faith, the Debtor presented Mr. Pomije with a proposal in April 2020 to transfer said control. The Debtor's proposal included Mr. Ciacco and Mr. Wilson resigning, Mr. Pomije being appointed to the Board, Mr. Pomije injecting approximately $70,000 into the Company to demonstrate his ability to financially support the transaction, converting the balance of accrued and unpaid compensation to stock, and Mr. Ciacco and Mr. Wilson committing to support Mr. Pomije for up to three months to ensure a smooth transition. This detailed proposal was, by default, rejected by Mr. Pomije, as evidenced by the fact that one week afterwards, he filed his second suit against the Company.

3. In the absence of alternatives, and in recognition of the difficulties surrounding raising working capital in COVID-impacted times, the Debtor sought to raise sufficient funds from existing and new shareholders to fund the costs associated with a Chapter 11, Subchapter V filing. The Debtor was confident that, if we could raise sufficient funds for the petition, the Debtor would be positioned to focus on rebuilding the vision and strategy to maximize return for creditors and shareholders, instead of focusing on the past and the various suits filed and contemplated by Mr. Pomije.

The Debtor believes it has pursued every possible alternative to the proposed Plan. Consequently, the Debtor believes that the only realistic alternative to confirmation of the Plan is liquidation under Chapter 7. The Debtor firmly believes that reorganization under Chapter 11, Subchapter V is preferable to liquidation under Chapter 7 and in the better interests of creditors and shareholders alike.

The stark implication of Chapter 7 is to terminate the Debtor's operations altogether by liquidation - which will produce zero value for unsecured creditors.

The reorganization alternative preserves the prospects for a viable business and will enable management to bring in the financial resources to move the company forward.

The Debtor's Liquidation Analysis follows:

The Debtor essentially has only one asset - its proprietary software. The software is outdated and needs to be updated. Ultimately, the Debtor believes that the software has no liquidation value. The costs of updating the software is likely more than the costs of developing a similar software "from scratch" for a third party and would therefore not likely attract any interest in the marketplace.

| | |
|---|---|
| Asset: | Software |
| Listed Value: | $2,500 |
| Liquidation Value: | $0 |
| Liens/ Encumbrances: | None |
| Net Liquidation Value: | $0 |
| Available for Distribution to Creditors | $0 |

NOTE: The Debtor has substantial net operating losses that it intends will be preserved through the reorganization process and be of some tax benefit to the company going forward. Those "NOL's" are not transferable and would have no value in the event of a liquidation.

**Narrative description of proposed new business**

DigitalTown's vision is ambitious and very relevant to the marketplace, more so now as the world faces a restart in a post COVID-19 economy. The company has renewed and updated the DigitalTown vision and strategy to focus on building sustainable revenue channels in addition to a team with bench strength and a commitment to the company's success.

DigitalTown has adopted a bootstrap mindset to demonstrate to investors and shareholders that we can walk before we run. We will build and acquire diverse channels of incremental revenue streams, each contributing to the growth and success of the next. This is in contrast to the prior philosophy where capital raised was diverted to acquisitions and development that were unable to produce near-term revenues and profitability. This strategically positions DigitalTown to coalesce those strands around a much larger 'roadmap', while remaining nimble in our approach as market needs evolve. Instead of jumping to the ultimate vision, we will build towards it with measurable successes at each step in the process.

While we continue to pursue the overall vision, we believe that our new approach leverages the learnings and missteps of the past. We are focused on progressive and steady growth, with quantifiable performance indicators and accountability models that shareholders, investors and clients can rely on. This will imply a significant investment and rebuilding phase for the company over coming periods, to ensure it can be re-built for market relevance and resilience. Although there will be no immediate emphasis placed on emerging technologies such as cryptocurrency and blockchain, the very nature of our digital influence will result in their integration at some point in the future as we establish solid footings.

**Business Plan**

The DigitalTown platform is a cost-effective eco-system for creating and supporting smart communities, which we define as being connected to shared content and local commerce.

DigitalTown provides an alternative to multi-national search engines and marketplaces, saving merchants money and ensuring more revenue stays within the local economy and community. The DigitalTown platform supports powerful online and mobile communities. We enable commerce and fulfillment in local communities thereby helping residents to buy locally while equipping merchants to sell locally. This local-first approach also protects against data abuse, and meddling that has become a feature of our globally-connected digital age.

Supporting local businesses has a multiplier effect on the amount of money that stays in the community. Locally owned businesses recycle much of their revenues back into the local economy; approximately three times more than national and international chains. They create more local jobs and provide better wages and benefits. They create distinctive and unique businesses that offer a wide range of products and services. And, they help to sustain walkable town centers which reduce sprawl, car use, habitat loss and pollution.

DigitalTown had previously developed a disjointed cluster of proprietary software tools to provide a turn-key solution for online interaction and transacting between merchants and their customer base. These incorporate advanced features for economic development, community engagement, and digital inclusion, for both web and mobile devices.

We will repurpose our portfolio of existing intellectual property. By utilizing existing software code, we can quickly and efficiently go to market with a modest outlay of cash and time. We will not require large development teams or expensive management. Our development teams are standing by and are ready to resume operations as soon as we receive our first injection of capital. We will supplement our existing code with acquisitions of companies that have developed supporting technology to easily, and more importantly, relevantly integrate into this initial stage. These acquirees will have access to pools of potential clients to more quickly generate revenues, saving on marketing costs and time, and allowing us to efficiently expand the offering.

DigitalTown will then redeploy the underlying architecture and marketing approach of this model into other verticals. The focus will be on supporting sole practitioners and proprietors who regularly book services with their client base. We will continue to seek out strategic targets to acquire (wholly or partly) that will allow for integration of additional supporting software and/or access to new pools of clients. We will enhance our service offering by integrating merchant processing and website plugins, improving the SEO experience, customer retention rates, and most importantly, increase independent revenue streams. The initial target threshold will be to acquire supporting and strategic companies that can be profitable in the near term and which cumulatively increase annual revenues by $2 million or more.

At this stage we will have built a large enough base of clients that allows us to consolidate into a unified marketplace environment. This marketplace becomes the home of all transactions and merchants in their respective geographical areas. We begin integrating alternate services and options into the existing platform such as accounting, banking, event management, and other services that will further expand our a-la-carte menu, and increase retention rates and revenue earning potential.

And finally, DigitalTown would expand the marketplace to include social media aspects such as messaging, posting, searching, etc, to encourage increased adoption and usage of the service. This promotes local first connected online communities that enable members of a community to find information and acquire the goods and services they need locally as much as possible.

There has been tranquility amongst the creditors since Mr. Ciacco and Mr. Wilson took charge last year, both of whom remain committed to re-thinking, re-inventing and re-imagining possibilities and opportunities to propel the company forward. There is excitement and overwhelming support from those same creditors and shareholders that believe in the DigitalTown vision, and in the company's ability to make a meaningful impact in communities around the world.

**Management Following Confirmation**

The Debtor will maintain full control of its finances and their business operations following confirmation. The current management team members will remain in place. All currently serving Directors shall continue as Directors for the current term.

**Description of new investments**

The Plan contemplates that new capital will be raised that will provide for the funding of the Reorganized Debtor's continued operations including the steps necessary to continue the development of the Debtor's technology and intellectual property. There are three investment mechanisms the Debtors proposes to incorporate after Plan confirmation:

Convertible Notes

The Debtor has received a verbal commitment from PowerUp Lending Group Ltd. ("PowerUp") to fund the short term working capital requirements immediately after Plan confirmation. It is not standard for convertible lenders to memorialize their terms and conditions in writing prior to entering into a deal for a new convertible note.

These funds will be utilized to: restart the operations, including development and promotion; fund costs related to bringing SEC filings current; upgrade our OTC listing to QB tier; and legal/filing fees associated with the S-1 registration statement for the Equity Line of Credit (explained below).

From October 2017 to May 2019, PowerUp funded the Company's basic working capital requirements by providing seven convertible notes, ranging in value from $12,500 to $85,000 each, for a total of $381,500. The first six were successfully repaid and/or converted to stock. The last note remains outstanding and is included in the debt listing of this petition. Despite our inability to repay or convert this outstanding note per agreed terms with PowerUp, this financing partner remains supportive of the company as noted by their commitment to continue delivering on our short term capital requirements immediately after Plan confirmation. Should PowerUp fail to deliver on these working capital requirements, we have forged relationships with other convertible lenders who will willingly step up to assist as required.

Previously, we explained the damage and dilution that is possible when issuing multiple notes to multiple noteholders within a relatively short period of time. The dilution effect is difficult to manage and mitigate. By committing to just one convertible note lender partner, we are able to better control conversions and mitigate the impacts at time of dilution. This is in the best interest of all shareholders.

Equity Line of Credit

The Debtor has received a written term sheet from Premier Venture Partners ("Premier") for a $5 million Equity Line of Credit (ELOC) facility (see Exhibit B). This investment mechanism requires the Debtor to file an S-1 registration statement, which it intends to do immediately after Plan confirmation. The process is expected to take 2-3 months prior to DigitalTown being able to begin utilizing the funds derived from this facility.

The ELOC facility allows for the Debtor to sell its common shares on the open market, via Premier, to raise working capital, on an as-needed basis.

These funds will be utilized to: continue re-building the development and operational teams with a priority on effective marketability of software components; seek and acquire targets that closely align to the company's overall vision; build the necessary materials to seek institutional investments; and fund other costs associated with operating and maintaining compliance.

Institutional Investment

The two investment mechanisms discussed above are intended to serve as short-term financing resources. DigitalTown will actively seek institutional investments, both short and long term, to ensure the various milestones in our trajectory can be met, with the ultimate goal of becoming cash flow positive and sustainable.

Early stage discussions with such investors have been promising, as they relate to near term investments in the company, and are entirely predicated on the Debtor having a Plan of reorganization confirmed by the Court.

These funds will be utilized to meet the working capital requirements of the company, and to invest in the expansion and growth to scale the organization, including furthering development and promotion efforts.

**Description of projections**

The initial 3 years post-Confirmation will require significant investment towards achieving a break-even position. The working capital requirements will be satisfied with the investment mechanisms described above.

The DigitalTown platform will continue to be developed and marketed, and should begin producing profitability in Years 4 and 5. The Debtor anticipates acquiring targets that will lend themselves to the overall vision and mission of the Company, and not only be revenue-producing, but also profitable, by their business model and structure, in the near term. The Debtor anticipates acquiring between 1 and 4 targets per fiscal year, for a consolidated top line revenue growth (from acquisitions) of $2 million per year.

By its very nature, the software platform's growth is slower in comparison to the acquisition path. Years 4 and 5 are when the platform and acquisition paths begin to meaningfully converge and exponentiate the growth trajectories via economies of scale.

The projections show a significant investment required in the first three years post Plan confirmation, to be funded by the investment mechanisms described above. Years 4 and 5 project profitability, a material portion of which will be reinvested into the company (to satisfy anticipated cash requirements for continued growth and future cash-dependant acquisitions), the balance of which is the disposable income that the Debtor commits to distributing to holders of the preferred dividend share class.

**5 year projections**

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTAL |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Platform | 18,873 | 93,829 | 428,832 | 1,959,916 | 4,219,653 | 6,721,102 |
| Subsidiaries | 625,000 | 2,658,333 | 4,837,083 | 7,124,771 | 9,526,843 | 24,772,030 |
| Total Revenues | 643,873 | 2,752,162 | 5,265,915 | 9,084,687 | 13,746,496 | 31,493,133 |
| **Cost of Revenues** | | | | | | |
| Cost of Revenues | 557,500 | 2,160,833 | 3,925,958 | 5,767,340 | 7,688,790 | 20,100,421 |
| **Gross Profit/(Loss)** | 86,373 | 591,329 | 1,339,957 | 3,317,347 | 6,057,706 | 11,392,711 |
| **Operating Expenses** | | | | | | |
| Selling, general and administrative expenses | 770,152 | 1,823,268 | 2,547,258 | 2,817,122 | 3,569,772 | 11,527,572 |
| **Net Profit (Loss)** | **-683,780** | **-1,231,939** | **-1,207,301** | **500,225** | **2,487,934** | **-134,860** |
| Reinvest in Company | | | | -300,000 | -1,700,000 | -2,000,000 |
| Projected Disposable Income | | | | **200,225** | **787,934** | **988,159** |

**Feasibility of the Plan**

The Debtor believes that the Plan is feasible and a more appealing alternative for stakeholders to a Chapter 7 bankruptcy. The Debtor has prepared projections of income and expenses of the business for 5 years following Plan confirmation, including investment commitments that satisfy the working capital requirements during this time. With the proposed bootstrap approach, supported by a solid management team, the above can be achieved within a relatively short period of time [a few years]. Each step in the

process results in incremental increases to the stock price, which will benefit all shareholders, including the creditors who would have converted their debts to stock.

The very nature of an approach to building and acquiring profitable targets ensures a safer and more viable outcome, in contrast to the philosophy of funding, building and only then marketing at completion.

**Description of the Proposed Equity Structure post Plan Confirmation**

DigitalTown, Inc. will continue to be listed on the OTC Market (Ticker: DGTW) until such time it can contemplate uplisting to a major exchange such as NASDAQ.

Proposed Distributions to Creditors

The total unsecured, undisputed and unsettled debt of the Debtor amounts to $2,785,834. The unsecured and disputed debt is $731,442 (representing the amounts claimed due in the second suit filed by Mr. Pomije). The combined disputed and undisputed debt of the Debtor amounts to $3,517,276. The unsecured and previous voluntarily settled debt amounts to $1,576,382.

As discussed in the Pre-Filing Efforts to Restructure section, Digitaltown had begun the process of converting creditors' debts to stock at a pre-established rate. This rate was decided on as fair and equitable given the balance of authorized shares available at the time, the anticipated dilution related to the convertible notes (based on registered conversion mechanisms in place), and minimum required authorized shares available in treasury to adequately move the company forward after the conversion of debt into equity under the Plan.

To maintain a fair and equitable approach to settling the balance of debt to stock, our Plan proposes to convert the balance of debtors at the same prescribed rate of 20 shares of restricted common stock for every $1 of debt.

In addition to the common stock each debtor will receive, DigitalTown proposes to designate a special class of preferred shares ("Class C") that will be proportionately issued to all unsecured creditors; those who voluntarily converted from May 1, 2019 to August 31, 2020; and those that convert as part of the Plan confirmation. This class of Preferred shares entitles each holder to any dividends distributable from the company's disposable income in the five years following Plan confirmation, and expire on the five-year anniversary date of the Plan confirmation.

At the filing date of this petition, the outstanding unsecured debt of $2,785,834 would convert to 55,716,689 shares of the Company's common stock, proportionate to each creditor's outstanding debt.

In addition to the prior voluntarily converted unsecured debt of $1,576,382, the total debt load is $4,362,216. The Debtor proposes to issue 1 preferred dividend share for every dollar of unsecured and undisputed debt, which fairly and equitably prorates and benefits each creditor.

Although not immediately quantifiable, the return to creditors is measured on two factors:

- forward-looking stock prices (which are expected to increase substantially during the five-year period post-Confirmation); and,
- dividends enabled by disposable income during this same five-year period (estimated to be $988,159 in Years 4 and 5). Dividends during this time, if any, will only be issued to holders of this Preferred Share Class (Class C); not to any common shareholders.

It is important to note that the projected disposable income, and concomitantly, the amount of distributions to Class C Shareholders are projections only. And while the projections have been made in good faith and based on reasonable assumptions, the projections (a) have not been audited; and (b) may not be achieved for any variety of reasons. This case was commenced in the midst of perhaps the worst global health crisis in a century and a significant global recession. The likely forecasts for both the health and economic recoveries are uncertain and will affect the implementation of the business plan. The projections assume the availability of suitable investment; acquisition and merger opportunities that might not arise, and/or might not arise within anticipated timeframes and costs. All of these would affect the timing and amount of disposable income and the amount of distributions to Class C Shareholders.

The board of directors, as fiduciaries, have the affirmative obligation to exercise their best business judgment, and to take appropriate actions, in the best interests of the company and all stakeholders. Nothing contained in the Plan obviates that duty and obligation.

The fundamental point here is that the company's creditors will receive stock in the company in addition to the right to receive a *pro rata* share of the Debtor's disposable income for the first 5-years after confirmation of the Plan; are projected to receive approximately 22.7% recovery through those preferred distributions; will (ideally) see their shares increase in value over time; and following the conversion of the Class C shares into Common shares, enjoy dividends, as declared, on the same footing as all other common shareholders.

The Debtor shall not pay dividends on its Common stock until; the Class C shareholders have received preferred distributions equal to the amount of their converted debt (without interest); or until Class C Shares have been converted into Common Shares; whichever comes first.

DigitalTown, Inc. is subject to Rule 144 of the US Securities and Exchange Commission which enforces a six-month holding period for trading shares that have been issued by the company. The Debtor proposes that restricted shares be issued as part of the Plan.

The table below outlines the proposed equity structure of the Debtor immediately succeeding the Plan confirmation:

| ***Share Type*** | **Common Shares** | **Non-Convertible Preferred Dividend Shares** | **Non-Convertible Preferred Voting Shares** |
|---|---|---|---|
| *Authorized* | 5,000,000,000 | 6,000,000 | 14,000,000 |
| *Outstanding* | 3,019,093,865 | 4,362,216 | 51 |
| *Restricted* | 616,605,501 | - | - |
| *Unrestricted* | 2,402,488,364 | - | 51 |
| *Outstanding Warrants (fully vested)* | 6,080,000 | - | - |
| *Outstanding Options (fully vested)* | 26,668,750 | - | - |
| *Par Value* | $0.01 | $0.01 | $0.01 |
| *Registered Shareholders* | +/- 360 | +/- 100 | 1 |
| *Characteristics* | Common, publicly-traded shares OTC Pink: DGTW | 5-year expiring preferred share class prioritizing any dividends resulting from company's disposable income to holders of this share class only | Super-voting preferred shares equal to at least 51% of the total voting power of all issued and outstanding voting capital |

<u>Reverse Stock Split after Plan Confirmation</u>

The Debtor had initiated the process of effectuating a reverse stock split at a ratio of 1 for 2,000 of its common shares prior to filing this Plan, but was unsuccessful in completing the process due to lack of financial resources. Although there are no immediate plans to re-initiate the reverse stock split process, the Debtor will not rule out its benefits in the future if it will create opportunities for exponential growth and increase shareholder value.

The proposed new class of non-convertible preferred dividend shares would not be subject to any such proposed reverse stock split, as they signify a prorated entitlement to future dividend claims in favor of creditors defined under this Plan.

# EXHIBIT A

mmx

July 23, 2020

To DigitalTown

Digitaltown Inc. defaulted on approximately $500,000 in payments to Minds + Machines Group Limited ("MMX") and we subsequently converted this amount to stock upon hearing of Sam Ciacco's plan to reorganize the company and move it forward with a renewed vision. We are hopeful in Digitaltown's, and specifically Sam Ciacco's ability to successfully deliver on this vision, and very much look forward to supporting them going forward.

Sam has lead the company through a difficult transition and has consistently pursued creative and focused efforts to return value to the shareholders, we look forward to continuing to work with him.

Sincerely,

Sheri Falcon

Sheri Falcon
General Counsel

# EXHIBIT A

INTAGLEO Systems
We have a solution!

**To whom it may concern**

For many years, Intagleo has been a vendor and supporter of DigitalTown. In the recent years, DigitalTown faced financial challenges, and we were quick to continue offering our support in any way possible to help them move forward. The support and patience continued when the company's operations were suspended in late 2018. By this point, we were owed a significant amount of money. In 2019, when we heard Mr. Sam Ciacco was taking control of the company with the plan of re-building and moving it forward, we had renewed enthusiasm and immediately offered additional support.

We voluntarily converted our outstanding balance of $234,916 to stock, understanding of the company's inability to continue operating with such a heavy debt load on the books. We are confident if Mr. Ciacco continues to receive the support he requires, and the company is successful with its re-organization efforts, the company's future will be bright and fruitful and we can all reap the rewards. We very much still believe in the Digitaltown vision and Mr. Ciacco's ability to deliver on it.

If we can offer any additional information or support, please do not hesitate to contact me at amarali@intagleo.co.uk

Regards,

Amar Ali

CEO Intagleo Systems US INC

Intagleo Systems US INC, 2670 S White Rd # 150, San Jose, CA 95148, United States.
Email: info@intagleo.com

# EXHIBIT A

**George Nagy**
13977 Gary Fisher Trail
Gainesville, VA 20155
Tel: 703-835-3122

August 12, 2020

To whom it may concern,

It is my pleasure to write a letter in support of the DigitalTown reorganization process.

I served on the Board of Directors in 2018, and for a short period of time served as the Chief Operating Officer & Chief Executive Officer. During my tenure, it became abundantly clear the company's future would be significantly hindered if the overwhelming debt and lawsuits were not resolved. I was one of the creditors, and voluntarily converted my debt to stock when Sam Ciacco proposed his intentions of rebuilding and relaunching the company with the support of all creditors.

The DigitalTown vision is both relevant and timely. I fully support the efforts of Sam Ciacco as he continues to work with all stakeholders to rebuild DigitalTown. Any efforts that have the potential to positively impact not only the company's shareholders, but the communities we live in, are worthwhile and encouraged.

If you have any questions, or if I can be of any assistance throughout the process, please reach out to me.

Sincerely,

*George J Nagy*

George Nagy

# EXHIBIT B


**Term Sheet for Purchase of**
**$5,000,000 in Common Stock of**
**DigitalTown, Inc. (DGTW)**

| | |
|---|---|
| **Dated:** | August 11, 2020 |
| **Company:** | DigitalTown, Inc. (the "**Company**") |
| **Purchaser:** | Premier Venture Partners, LLC ("**Purchaser**") |
| **Purchase Amount:** | Purchaser agrees to purchase up to $5,000,000 (the "**Purchase Amount**") worth of the Company's Common Shares (the "**Shares**") during the Term (as defined below) according to the terms herein. |
| **Term:** | Thirty Six (36) months from the effective date of the Registration Statement (as defined below). |
| **Terms of Purchase:** | The Company shall issue a purchase request (the "**Purchase Request**") detailing the number of Shares (the "**Purchased Shares**") that the Company requests Purchaser to purchase along with the Purchased Shares (with such date of receipt of the Purchased Shares and Purchase Request referred to as the "**Purchase Request Date**"). On the sixth trading day after the Purchase Request Date, Purchaser shall deliver the Purchase Price (as defined below) for the Purchased Shares. |
| **Request Date:** | The date that Purchaser receives a Purchase Request. |
| **Purchased Shares**: | The Purchased Shares for any individual Purchase Request cannot exceed 200% of the average daily volume of the Shares on the five trading days prior to the date the Purchase Request is received by Purchaser. |
| **Purchase Price:** | The Purchase Price shall be **80%** of lowest individual daily VWAP during the Pricing Period (as defined below). |
| **Pricing Period**: | The Pricing Period shall be the period beginning on the first trading day after the Purchase Request Date and ending on the fifth trading day after the Purchase Request Date. |
| **Other Requirements:** | 1. The minimum amount for each Purchase Request shall be the number of shares that when multiplied by the most recent VWAP of the Shares is at least $10,000.<br>2. For any Purchase Request in excess of $100,000, the amount above $100,000 may be payable on the 16th trading day after the Purchase Request instead of the 6th day.<br>3. The Company must file an S-1 registration statement within 180 days of the date of this Term Sheet (the "**Registration Statement**") and the Registration Statement must be effective at the time of any Purchase |

4221 Wilshire Blvd., Suite 355, Los Angeles, California, 90010

# EXHIBIT B

Request.

4. The Purchased Shares together with all other Shares beneficially owned by Purchaser cannot exceed 4.99% of the issued and outstanding Shares of the Company.
5. The Purchased Shares must be DWAC / FAST eligible.
6. Purchaser is under no obligation to purchase any Shares to the extent that the highest bid price for the Shares is less than $.01.

**Commitment Fee:** Upon execution of the Final Documents, the Company shall deliver to Purchaser a promissory note in the amount of 2.5% of the Purchase Amount (**$125,000**) that shall bear interest at 5% per annum. The note shall be due on August 1, 2021. The promissory note may be prepaid at anytime without penalty. The Company may not used proceeds from Purchase Requests to repay the promissory note. The promissory note shall only be convertible into Shares if the Company is in default under the Note. On such occurrence, the conversion price shall be at a 25% discount to the lowest individual daily VWAP for the five (5) trading days prior to the date of conversion.

**Exclusivity / Termination:** For 180 days from the date of this Term Sheet, the Company shall not enter into any "equity line" financing with any other party. If the Company enters into an "equity line" financing with another party within such 180 day term, the Company shall pay to Purchaser liquidated damages equal to $10,000 which the parties agree are a reasonable estimation of the damages to Purchaser and for which such damages will be difficult to ascertain.

**Final Documents:** As soon as practically possible after the execution of this Term Sheet, Purchaser and the Company shall execute final documents covering the terms herein including an equity purchase agreement and registration rights agreement. The parties herein agree to work in good faith to fulfill all of their obligations herein.

This Term Sheet is not binding except for the Exclusivity / Termination provisions which the Company has agreed to obligate itself and for which Purchaser is relying on in executing this term sheet, conducting due diligence, and preparing the Final Documents.

| **Premier Venture Partners, LLC** | **DigitalTown, Inc.** |
|---|---|
| **By:** _____ | **By:** _____ |
| **Name:** _____ | **Name:** _____ |
| **Title:** _____ | **Title:** _____ |
| **Date:** _____ | **Date:** _____ |