

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 30, 2005

Digicorp
(Exact name of registrant as specified in its charter)

Utah	000-33067	87-0398271
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

100 Wilshire Blvd., Ste. 1500, Santa Monica, CA 90401
(Address of principal executive offices) (zip code)

(310) 752-1477
(Registrant's telephone number, including area code)

Copies to:
Marc J. Ross, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Phone: (212) 930-9700
Fax: (212) 930-9725

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 3.02 Unregistered Sales of Equity Securities

On July 20, 2005, Digicorp (the "Company") granted Milton "Todd" Ault, III, as the Company's Chairman and Chief Executive Officer, options to purchase 2,000,000 shares of the Company's common stock with an exercise price of \$0.25 per share. As initially granted, these stock options would vest quarterly over two years, with the first 250,000 options to vest September 30, 2005. On September 30, 2005, the Company accelerated the vesting of such options such that options to purchase 475,000 shares of the Company's common stock vested immediately. Further, such 475,000 options will be exercisable by Mr. Ault for a period of 18 months from the date of closing of the proposed acquisition of all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc., a California corporation, as described under Item 8.01 below. The remaining options to purchase 1,525,000 shares of the Company's common stock, to the extent not vested in accordance with the initial grant, will be cancelled upon completing the acquisition of Rebel Crew Films, Inc.

On September 30, 2005, the Company granted Jay Rifkin, as interim President of the Company (See Item 5.02 below), options to purchase 4,400,000

shares of the Company's common stock with an exercise price of \$0.85 per share, which stock options will vest annually over a period of three years from the date of closing of the proposed acquisition of all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc. If the acquisition of Rebel Crew Films, Inc. is not completed, such options will be cancelled.

On September 30, 2005, the Company granted Cesar Chatel, as President of Rebel Crew Films, Inc., options to purchase 800,000 shares of the Company's common stock with an exercise price of \$0.85 per share, which stock options will vest annually over a period of three years from the date of closing of the proposed acquisition of all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc. If the acquisition of Rebel Crew Films, Inc. is not completed, such options will be cancelled.

On September 30, 2005, the Company granted Oscar Carreno, as Director of Sales of Rebel Crew Films, Inc., options to purchase 150,000 shares of the Company's common stock with an exercise price of \$0.85 per share, which stock options will vest annually over a period of four years from the date of closing of the acquisition of all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc. If the acquisition of Rebel Crew Films, Inc. is not completed, such options will be cancelled.

On September 30, 2005, the Company granted Ian Monsod, as Manager of Operations of Rebel Crew Films, Inc., options to purchase 125,000 shares of the Company's common stock with an exercise price of \$0.85 per share, which stock options will vest annually over a period of four years from the date of closing of the acquisition of all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc. If the acquisition of Rebel Crew Films, Inc. is not completed, such options will be cancelled.

All of the above option grants were made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

Appointment of Interim President

Effective September 30, 2005, the Board of Directors of the Company appointed Jay Rifkin interim President of the Company. From 2004 to Present, Mr. Rifkin has been the sole Managing Member of Rebel Holdings, LLC, through which he is also the majority shareholder of Rebel Crew Films, Inc. In 1995, Mr. Rifkin founded Mojo Music, Inc., a music publishing company, and he has been President of Mojo Music, Inc. since it was founded. Mr. Rifkin is Chairman and a founder of Media Revolution, a marketing agency founded in 1977 that has executed marketing campaigns for major Hollywood studios. Mr. Rifkin has served as Producer and Executive Producer on various motion pictures with his most recent production "Waiting" (Lion's Gate) to be released on October 7, 2005. Mr. Rifkin is also a music producer, engineer and songwriter. Mr. Rifkin received a Grammy Award for Best Children's Album and an American Music Award for Favorite Pop/Rock Album for his work on Disney's "The Lion King," and received a Tony nomination for "The Lion King" on Broadway. From 1988 to 2004, Mr. Rifkin, through Mojo Music, Inc., served as a Managing Member of Media Ventures, LLC, an

1

entertainment cooperative founded by Mr. Rifkin and composer Hans Zimmer. In 1995, Mr. Rifkin founded Mojo Records, LLC, which in 1996 became a joint venture with Universal Records, and was subsequently sold to Zomba/BMG Records in 2001.

Except as described under Item 8.01 below, there has been no transaction during the last two years, or any proposed transaction, to which the Company was or is to be a party, and in which Mr. Rifkin had or is to have a direct or indirect material interest. There are no family relationships between Mr. Rifkin and the Company's directors, executive officers or persons nominated or charged by the Company to become directors or executive officers. The Company does not currently have an employment agreement in effect for the employment of Mr. Rifkin.

Resignation of Chairman and Chief Executive Officer

Effective September 30, 2005, Milton "Todd" Ault, III, resigned from the

positions of Chief Executive Officer and Chairman of the Board of Directors of the Company. Mr. Ault no longer holds any executive officer or director position with the Company.

Also effective September 30, 2005, William B. Horne was appointed to replace Mr. Ault as Chief Executive Officer and Chairman of the Board of Directors of the Company.

Mr. Horne has been the Company's Chief Financial Officer and a director of the Company since July 20, 2005. Since July 5, 2005, Mr. Horne has been Chief Financial Officer of Patient Safety Technologies, Inc., a Delaware corporation whose common stock is traded on the American Stock Exchange, and its subsidiaries. From May 2002 to April 2005, Mr. Horne held the position of Chief Financial Officer of Alaska Wireless Communications, a privately held advanced cellular communications company. Since January 2002, Mr. Horne has also provided strategic financial consulting services to both private and public companies. From November 1996 to December 2001, Mr. Horne held the position of Chief Financial Officer of The Phoenix Partners, a venture capital limited partnership located in Seattle, Washington.

There has been no transaction during the last two years, or any proposed transaction, to which the Company was or is to be a party, and in which Mr. Horne had or is to have a direct or indirect material interest. There are no family relationships between Mr. Horne and the Company's directors, executive officers or persons nominated or charged by the Company to become directors or executive officers. The Company does not currently have an employment agreement in effect for the employment of Mr. Horne.

Item 8.01 Other Events.

Letter of Intent to Acquire Rebel Crew Films, Inc.

On September 30, 2005, the Company entered into a non-binding Letter of Intent (the "LOI") to purchase (the "Acquisition") all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc., a California corporation ("Rebel Crew"). As proposed in the LOI, upon closing the Acquisition, the Company would issue 20 million shares of the Company's common stock (the "Purchase Price") to the shareholders of Rebel Crew as compensation for the issued and outstanding capital stock of Rebel Crew.

Rebel Crew was founded in 2001 and is currently a distributor of Latino home entertainment products. Rebel Crew has developed its business model to deliver new Latino video content and classic nostalgic Spanish language movies to Spanish speaking consumers.

From the Purchase Price, 4 million shares would be held in escrow pending satisfaction of certain performance milestones. In addition, from the Purchase Price, 16,666,667 shares will be subject to lock up agreements as follows: (a) 3,333,333 shares will be subject to lockup agreements for one year; (b) 6,666,667 shares will be subject to lockup agreements for two years; and (c) 6,666,667 shares, of which the 4 million escrowed shares are a component, will be subject to lockup agreements for three years. The Company would also undertake to file a registration statement with the Securities and Exchange Commission registering the resale of the shares comprising the Purchase Price within 90 days from the closing date of the Acquisition.

In connection with the proposed Acquisition, Jay Rifkin and certain other shareholders of the Company would enter into a voting agreement authorizing Mr. Rifkin to vote the shares of the Company's common stock owned by such parties on certain matters including, but not limited to, amendments to the Company's articles of incorporation, the sale of substantially all the Company's assets, any other material transactions and other matters which may be specified by the parties prior to closing the Acquisition.

In addition, in connection with the proposed Acquisition, the Company would enter into a three-year employment agreement with Jay Rifkin, whereby Mr. Rifkin would serve as the Company's chief executive officer with an initial salary of \$150,000 per year and options entitling Mr. Rifkin to purchase 4.4 million shares of the Company's common stock, granted at the FMV of the Company's common stock on September 30, 2005 and vesting annually over a period

of three years from the closing date of the proposed Acquisition.

Upon closing the proposed Acquisition, the Company's board of directors would consist of five persons. Milton "Todd" Ault, III, former Chairman and Chief Executive Officer of the Company, would designate or elect two of the five board members, which would initially be William B. Horne and Alice M. Campbell, both current Board members. Jay Rifkin would designate or elect three of the five board members, one of which would be Mr. Rifkin. If after the closing the number directors on the Company's Board increases to seven, then Mr. Ault would have the right to designate or elect three of the seven board members and Mr. Rifkin would have the right to designate or elect four of the seven board members

Pursuant to the terms of the LOI, upon signing the LOI, Jay Rifkin was appointed interim President of the Company. While interim President, Mr. Rifkin is entitled to attend any and all meetings of the Company's Board of Directors. If the LOI is terminated for any reason, if a definitive purchase agreement is not signed by all parties or if the proposed Acquisition is not consummated for any reason, then Mr. Rifkin will immediately resign as interim President of the Company.

Term Sheet to Purchase Loan Receivable of Rebel Holdings, LLC

Also on September 30, 2005, the Company entered into a Term Sheet (the "Term Sheet") to purchase a \$345,435 loan receivable (the "Loan Receivable") of Rebel Holdings, LLC, a California limited liability company ("Rebel Holdings"), in exchange for the issuance to Rebel Holdings of a \$345,435 principal amount convertible note (the "Note"). The Loan Receivable constitutes monies loaned by Rebel Holdings to Rebel Crew to pay for operating expenses of Rebel Crew. The proposed Note would have a term of five years from closing, would bear 4.5% simple interest and would be convertible into shares of the Company's common stock at a conversion price of \$0.69087 per share. The Company would undertake to file a registration statement with the Securities and Exchange Commission registering the resale of the shares issuable upon conversion of the Note within 90 days from the closing date of the transaction. In addition, the Company would grant Rebel Holdings a first priority lien and grant Rebel Holdings a security interest on all assets of Rebel Crew owned as of the closing date and all assets of Rebel Crew acquired during the term of the Note to secure the obligations of the Company to Rebel Holdings under the Note.

Consummation of the above transactions is subject to further negotiation of definitive agreements. Accordingly, the Company cannot assure its shareholders that the proposed transactions will be completed.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit
Number

Description

99.1	Letter of Intent to purchase the outstanding capital stock of Rebel Crew Films, Inc. dated September 30, 2005 among Digicorp, Rebel Crew Films, Inc. and the stockholders of Rebel Crew Films, Inc.
99.2	Term Sheet dated September 30, 2005 among Digicorp and Rebel Holdings, LLC

3

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Digicorp

Dated: October 5, 2005

By: /s/ William B. Horne

Name: William B. Horne

Title: Chief Executive Officer

DIGICORP

September 30, 2005

Attn: Jay Rifkin
 Rebel Crew Films, Inc.
 4143 Glencoe Ave.
 Marina Del Ray, CA 90292

RE: Letter of Intent for Digicorp, a Utah corporation (OTCBB: DGCO) ("DIGICORP"), to purchase (the "Share Purchase") all the issued and outstanding shares of capital stock of Rebel Crew Films, Inc., a California corporation ("RCFINC") owned by the stockholders of RCFINC ("RCFINC Stockholders").

Dear Mr. Rifkin:

This Letter of Intent ("LOI") will confirm the following general terms upon which DIGICORP will purchase all of the issued and outstanding shares of RCFINC capital stock (the "Shares") pursuant to the terms of a definitive Stock Purchase Agreement (the "Agreement") for consideration consisting of shares of DIGICORP common stock, \$0.001 par value ("DIGICORP Common Stock"), as set forth below, which the Parties intend to be a tax-free transaction.

This LOI sets forth the basic terms of the Share Purchase and reflects the current, good faith intentions of DIGICORP, RCFINC and the RCFINC Stockholders (each a "Party" and collectively the "Parties") with respect thereto. Concurrently herewith, DIGICORP is entering into a term sheet to purchase a \$331,023.89 loan receivable of Rebel Holdings, LLC, a California limited liability company ("RHLLC"), in exchange for the issuance to RHLLC of a \$331,023.89 principal amount convertible note.

1. The Share Purchase.

- (a) At the closing (the "Closing"), DIGICORP will purchase from the RCFINC Stockholders and the RCFINC Stockholders will sell to DIGICORP all of the issued and outstanding Shares of RCFINC. The time of Closing shall be no later than ninety (90) calendar days after the Agreement is executed by all Parties hereto (the "Closing Date"), unless extended by mutual consent of such Parties.
- (b) DIGICORP shall issue 20,000,000 shares of DIGICORP Common Stock to the RCFINC Stockholders as compensation for their Shares (the "Purchase Price"). All of the DIGICORP Common Stock to be issued to the RCFINC Stockholders shall be "unregistered" and "restricted" shares

Rebel Crew Films, Inc.
 September 30, 2005
 Page 2 of 13

CONFIDENTIAL

and shall be issued in accordance with and subject to applicable laws, rules and regulations, and when issued for the consideration indicated, shall be deemed fully paid and non-assessable. The Purchase Price shall be allocated to the RCFINC Stockholders in accordance with Annex A. Annex B hereto sets forth the proposed capital structure of DIGICORP at Closing.

- (c) From the Purchase Price, 4,000,000 shares of DIGICORP Common Stock (the "Escrowed Performance Shares") shall be held in escrow pursuant to the terms of an escrow agreement pending satisfaction of the following performance milestone: if RCFINC generates revenue (determined in accordance with United States generally accepted accounting principles ("GAAP")) of at least \$1,200,000 during any twelve (12) month period beginning on the execution date of this LOI and through March 31, 2007 (the "Revenue Milestone"), then the Escrowed Performance Shares shall be released from escrow and issued to the RCFINC Stockholders. For each \$12,000 (1%) that the revenue of RCFINC is below \$1,200,000, 200,000 (5%) of the Escrowed Performance Shares shall be cancelled and returned to treasury of DIGICORP. For purposes of clarification, if, for example, RCFINC generates a maximum of \$960,000 of revenue during any twelve (12) month period beginning on the Closing Date and through March 31, 2007, then all of the Escrowed Performance Shares would be cancelled and returned to treasury of DIGICORP. Notwithstanding the foregoing, the Revenue Milestone shall not be applicable in the event: (i) DIGICORP sells RCFINC (or sells, conveys or otherwise disposes of all of the assets of RCFINC) on or before March 31, 2007 for consideration equal or greater to \$1,200,000; and (ii) such sale of RCFINC (or sale, conveyance or disposition of all of the assets of RCFINC) is approved by an affirmative vote of all directors designated or elected by Milton "Todd" Ault, III pursuant to Section 2(c) (iv) of this LOI.
- (e) From the Purchase Price, 16,666,667 shares of DIGICORP Common Stock shall be subject to lockup agreements (the "Lockup") as follows: (i)

3,333,333 shares of DIGICORP Common Stock shall be subject to a lockup agreement for a period of one year; (ii) 6,666,667 shares of DIGICORP Common Stock shall be subject to a lockup agreement for a period of two years; and (iii) 6,666,667 shares of DIGICORP Common Stock, of which the 4,000,000 Escrowed Performance Shares are a component of, shall be subject to a lockup agreement for a period of three years.

- (f) DIGICORP will undertake to prepare and file with the Securities and Exchange Commission (the "SEC") no later than 90 days from the Closing Date, a registration statement (the "Registration Statement") on Form SB-2

Rebel Crew Films, Inc.
September 30, 2005
Page 3 of 13

CONFIDENTIAL

(or other applicable form) pursuant to the Securities Act of 1933, as amended (the "Securities Act"), registering the resale of the DIGICORP Common Stock comprising the Purchase Price (the "Registrable Securities"). The RCFINC Stockholders will also have "piggyback" registration rights with respect to the Registrable Securities. DIGICORP shall prepare and file with the SEC such amendments and supplements to the Registration Statement as may be necessary and use commercially reasonable efforts to cause such Registration Statement to become effective and remain effective for the period of time required for the RCFINC Stockholders to effect the sale of the Registrable Securities in accordance with the Securities Act.

2. Definitive Agreement. The Agreement shall include, contain or provide:

- (a) Representations and warranties. Customary and usual representations and warranties and covenants by DIGICORP and RCFINC, and a principal executive officer or managing member of DIGICORP and RCFINC, as the case may be, shall certify that these representations and warranties are true as of the Closing Date. Such representations and warranties shall include, but not be limited to the following:

- (i) Each of DIGICORP and RCFINC shall have good title to all of its tangible and intangible assets including, but not limited to, intellectual properties necessary to develop and commercially exploit its business enterprise as more fully described in its current business plan. Such assets shall include the assets of RHLLC which shall be transferred into RCFINC prior to Closing;
- (ii) The RCFINC Stockholders own 100% of the issued and outstanding stock of RCFINC;
- (iii) All RCFINC Stockholders shall be accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act or be eligible for a suitable exemption therefrom and shall complete and sign accredited investor questionnaires attesting to such fact;
- (iv) Except for Elizabeth Gaynes and Aegis Equity, LLC, no agent, broker, investment banker, person or firm is acting on behalf of the Parties or under their authority is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with any of the transactions contemplated herein;

Rebel Crew Films, Inc.
September 30, 2005
Page 4 of 13

CONFIDENTIAL

- (v) The Agreement will include representations and warranties with respect to the absence of undisclosed liabilities, liens and encumbrances of the assets of each of DIGICORP and RCFINC and the financial condition and results of operations of DIGICORP and RCFINC and with respect to the absence of any material adverse changes in DIGICORP's and RCFINC's financial condition, earnings, and business operations since the date of the most recent audited financial statements supplied by each of DIGICORP and RCFINC to the other;
- (vi) The Agreement will include representations and warranties by DIGICORP and RCFINC with respect to (a) the absence of any pending litigation, investigation, proceeding or controversy before or with any court, administrative agency, governmental authority or regulatory agency; (b) compliance with instruments and laws; (c) disclosure of all proprietary information and similar agreements with employees and consultants, shareholder agreements and employee compensation and pension plans; (d) the disclosure of all other contracts, commitments and liabilities, direct or contingent; (e) the filing of all tax returns and the payment of all taxes in respect thereof; and (f) the due incorporation, organization,

valid existence, good standing and capitalization of each;

- (vii) The Agreement will include representations and warranties by DIGICORP that it has made all of the filings required by the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, required to be made and no such filings contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made, not misleading;
- (viii) The Agreement will include representations and warranties by DIGICORP that its stock is currently listed in and is quoted on the OTC Bulletin Board and is in compliance with the listing requirements thereunder; and
- (ix) None of the representations and warranties of the Parties shall survive Closing.

- (b) Audited Financial Statements. Prior to Closing, RCFINC shall deliver to DIGICORP audited financial statements for the last two completed fiscal years as well as unaudited financial statements for the interim period(s) ended at the Closing Date in accordance with GAAP (the "Financial Statements"). Such Financial Statements: (i) shall be complete and correct in all material respects; (ii) shall be prepared in accordance with GAAP

Rebel Crew Films, Inc.
September 30, 2005
Page 5 of 13

CONFIDENTIAL

(subject to normal year-end adjustments in the case of the unaudited statements): (iii) shall be in conformity with the practices consistently applied by the Company without modification of the accounting principles used in the preparation thereof; and (iv) shall present fairly the financial position, results of operations and cash flows of RCFINC and its subsidiaries, if any, as at the dates and for the periods indicated therein.

- (c) Conditions Precedent. In addition, the Agreement shall contain customary and usual conditions precedent, including, but not limited to, the following:
 - (i) For a period of at least seventy-five (75) days prior to the Closing Date, as between DIGICORP, on one hand, and RCFINC, on the other, each will afford to the officers and authorized representatives of the other full access to the properties, books and records of each in order that each may have a full opportunity to make such reasonable investigation as it shall desire to make of the affairs of the other, and each will furnish the other with such additional financial and operating data and other information as to the business and properties of each (the confidentiality of which each agrees to retain) as each shall from time to time reasonably request. Any such investigation and examination shall be conducted at reasonable times and under reasonable circumstances, and each Party hereto shall cooperate fully therein. In order that each may investigate as it may wish the business affairs of the other, each shall furnish the other during such period with all such information and copies of such documents concerning the affairs of each as the other may reasonably request, and cause its officer, employees, consultants, agents, accountants, and attorneys to cooperate fully in connection with such review and examination, and to make full disclosure to the other all material facts affecting the financial condition, business operations, and the conduct of operations of each;
 - (ii) DIGICORP, Jay Rifkin and certain other shareholders of DIGICORP including but not limited to the shareholders listed on Annex C (to be specified by the Parties prior to Closing) shall enter into a voting agreement authorizing Mr. Rifkin to vote the shares of DIGICORP Common Stock owned by parties to such voting agreement on certain matters including, but not limited to, amendments to DIGICORP's articles of incorporation, the sale of substantially all of DIGICORP's assets, any other material transactions and other matters which may be specified by the Parties in the Agreement and prior to Closing;

Rebel Crew Films, Inc.
September 30, 2005
Page 6 of 13

CONFIDENTIAL

- (iii) DIGICORP shall enter into a three-year employment agreement with Jay Rifkin, whereby Mr. Rifkin will serve as chief executive officer of DIGICORP with an initial salary of \$150,000 per year and options entitling Mr. Rifkin to purchase 4,400,000 shares of DIGICORP Common Stock which shall be granted at the FMV of DIGICORP common stock on the date of execution of this LOI, will vest annually over a period of three years from the Closing Date and, shall be exercisable either for cash, or, unless prohibited by applicable law or

the stock option and restricted stock plan to be adopted by DIGICORP, through the delivery of shares of DIGICORP already owned by Mr. Rifkin or shares subject to the option being exercised, valued at the fair market value on the date of delivery. At the sole discretion of Mr. Rifkin, such options shall be either non-qualified stock options or incentive stock options and issued from DIGICORP's stock option and restricted stock plan to be adopted by DIGICORP. Mr. Rifkin's employment agreement shall also include other terms to be negotiated in good faith between DIGICORP and Mr. Rifkin;

- (iv) At Closing, DIGICORP's board of directors shall consist of five persons. Milton "Todd" Ault, III shall designate or elect two of the five board members, which shall initially be William B. Horne and Alice M. Campbell. Jay Rifkin shall designate or elect three of the five board members, one of which shall be Mr. Rifkin. If after the Closing the number directors on DIGICORP's board increases to seven, then Mr. Ault shall have the right to designate or elect three of the seven board members and Mr. Rifkin shall have the right to designate or elect four of the seven board members;
- (v) Before Closing, the board of directors of DIGICORP, the board of directors of RCFINC and the RCFINC Stockholders shall have approved the Share Purchase and the Agreement;
- (vi) DIGICORP and RCFINC shall have obtained and delivered to the other all consents, waivers and approvals necessary to effect the Share Purchase from the board of directors of each and its Stockholders;
- (vii) On or before the Closing Date, DIGICORP, RCFINC and all of the RCFINC Stockholders will have received all permits, authorizations, regulatory approvals and third party consents necessary for the consummation of the Share Purchase, and all applicable legal requirements shall have been satisfied;

- (viii) All RCFINC Stockholders shall be accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act or be eligible for a suitable exemption therefrom and shall complete and sign accredited investor questionnaires attesting to such fact;
- (ix) RCFINC shall deliver to DIGICORP the Financial Statements and the Financial Statements shall be in compliance with the requirements of Section 2(b) hereof;
- (x) There shall not be any material adverse change in the business, assets or financial condition of RCFINC and any subsidiaries taken as a whole nor shall there have occurred any event which is reasonably likely to result in a material adverse change in the business, assets or financial condition of RCFINC and any subsidiaries taken as a whole since the date of the most recent audited Financial Statements;
- (xi) There shall not be any material adverse change in the business, assets or financial condition of DIGICORP and any subsidiaries taken as a whole nor shall there have occurred any event which is reasonably likely to result in a material adverse change in the business, assets or financial condition of DIGICORP and any subsidiaries taken as a whole since the date of the most recent audited financial statements filed by DIGICORP with the SEC;
- (xii) There shall not be any pending or threatened litigation regarding the Share Purchase and the Agreement or any related transactions contemplated thereby or therein;
- (xiii) Customary legal opinions, closing certificates and other documentation in a form satisfactory to each of the Parties shall be delivered by DIGICORP, RCFINC, the RCFINC Stockholders and/or counsel to such Parties;
- (xiv) There shall not be any material breach by the Parties of any representation or warranty contained in the Agreement, and the Parties shall be in compliance with each covenant contained in the Agreement;
- (xv) Each of DIGICORP and RCFINC shall have completed usual, customary and reasonable due diligence of the other to its reasonable satisfaction; and

- (xvi) The Agreement shall contain additional mutually acceptable

closing conditions to be determined by the Parties.

3. Expenses. Except for audit fees, or reimbursements specified herein and in the definitive agreements, which shall be shared equally between DIGICORP and RCFINC, associated with RCFINC's audited financial statements as required under Section 2(b), each Party shall pay its own legal and accounting expenses in connection with the Share Purchase.

4. Conduct of Business of DIGICORP and RCFINC Pending Closing.

- (a) Until consummation or termination of the contemplated Share Purchase, as between DIGICORP, on the one hand, and RCFINC, on the other, each will conduct business only in the ordinary course and no material assets shall be sold, encumbered, hypothecated or disposed of except in the ordinary course of business and only with the written consent of the other which consent will not be unreasonably withheld.
- (b) The Parties agree that until consummation or termination of the Share Purchase, each of DIGICORP and RCFINC, the board of directors of each and/or the RCFINC Stockholders shall not directly or indirectly: (i) offer for sale, sell, assign, pledge, distribute or enter into any contract for the sale of or otherwise dispose of any shares without the express written consent of the current board of directors of RCFINC and DIGICORP; (ii) issue or cause to be issued additional shares, options, warrants or any other right to purchase shares to any person, entity or party; (iii) offer for sale, sell, assign, pledge, distribute or enter into any contract for the sale of or otherwise dispose of all or substantially all of a material portion of the assets of either DIGICORP or RCFINC; or (iv) assume or incur a significant amount of liabilities or take any other actions outside the ordinary course of its business. Notwithstanding the foregoing, DIGICORP may issue up to one million (1,075,000) stock options to employees which shall have exercise prices equal to the fair market value of DIGICORP's common stock on the date of grant of such options and, in Mr. Rifkin's discretion, contain the exercise features set forth in Section 2(c) (iii) hereof.
- (c) Notwithstanding anything to the contrary, it is understood that since September 1, 2005, Jay Rifkin or his affiliated companies have been making, and will continue to make, at their sole discretion, until the Closing, loans to RCFINC for working capital purposes. Such loans will be repaid from accounts receivable of RCFINC.

Rebel Crew Films, Inc.
September 30, 2005
Page 9 of 13

CONFIDENTIAL

5. Miscellaneous Provisions:

- (a) Prior to execution of this LOI, DIGICORP shall ensure to the satisfaction of Jay Rifkin that sufficient D&O insurance is in place. Upon execution of this LOI, Mr. Rifkin shall be appointed interim President of DIGICORP. While interim President, Mr. Rifkin shall be entitled to attend any and all meetings of the Board of Directors of DIGICORP. If this LOI is terminated for any reason, if the definitive Agreement is not signed by all Parties or if the Share Purchase is not consummated for any reason, then Mr. Rifkin shall immediately resign as interim President of DIGICORP.
- (b) The Share Purchase shall be consummated and the Agreement shall be executed as soon as practicable, and DIGICORP shall instruct its legal counsel to immediately prepare all necessary documentation upon execution of this LOI.
- (c) All notices or other information deemed required or necessary to be given to any of the Parties shall be given at the following addresses:

DIGICORP:

DIGICORP

Attn: Milton "Todd" Ault, III
100 Wilshire Boulevard
Suite 1500
Santa Monica, CA 90401
Facsimile: (310) 752-1486

With Copy to (which shall not constitute notice):

Sichenzia Ross Friedman Ference LLP
Attn: Marc J. Ross, Esq.
1065 Avenue of the Americas
21st Floor
New York, NY 10018
Facsimile: (212) 930-9725

Rebel Crew Films, Inc.:

Rebel Crew Films, Inc.
Attn: Jay Rifkin
4143 Glencoe Ave.

With Copy to: Danzig Kaye Cooper Fiore & Kay, LLP
Attn: David M. Kaye, Esq.
30A Vreeland Road
Suite 230
Florham Park, NJ 07932
Facsimile: (973) 443-0609

- (d) The Agreement shall contain customary and usual investment representation language.
- (e) Except where the laws of another jurisdiction are necessarily applicable, the transactions which are contemplated herein and the legal relationships among the Parties hereto, to the extent permitted, shall be governed by and construed in accordance with the laws (except for conflict of law provisions) of the State of California.
- (f) The substance of any press release or other public announcement with respect to the Share Purchase, the Agreement and the transactions contemplated herein and therein, other than notices required by law, shall be approved in writing in advance by all Parties and their respective legal counsel.

6. Counterparts. This LOI may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument, but all of such counterparts together shall constitute but one agreement.

7. Amendments. Subject to applicable law, this LOI and any attachments hereto may be amended only by an instrument in writing signed by an officer or authorized representative of each of the Parties hereto.

8. Headings. The descriptive headings of the sections and subsections of this LOI are inserted for convenience only and do not constitute a part of this LOI.

9. Waiver. No purported waiver by any Party of any default by any other Party of any term, covenant or condition contained herein shall be deemed to be waiver of such term, covenant or condition unless the waiver is in writing and signed by the waiving Party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term, covenant or condition contained herein.

10. Entire Agreement. This LOI, together with the exhibits or other documents given or delivered pursuant hereto, sets forth the entire understanding among the Parties concerning the subject matter of this LOI and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between them relating to the subject matter of this

LOI other than those set forth herein. No alternation, amendment, change or addition to this LOI shall be binding upon any Party unless in writing and signed by the Party to be charged.

11. No Partnership. Nothing contained in this LOI will be deemed to or construed by the Parties hereto or by any third person to create the relationship of principal and agent or partnership or joint venture.

12. Joint Preparation. This LOI has been negotiated and prepared jointly by the Parties hereto and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any Party, but shall be interpreted according to the applicable rules of interpretation for arm's length agreements.

13. Partial Invalidation. If any term, covenant or condition in this LOI or the application thereof to any Party, person or circumstance shall be invalid or unenforceable, the remainder of this LOI or the application of such term, covenant or condition to persons or circumstances, other than those as to which it is held invalid, shall be unaffected thereby and each term, covenant or condition of this LOI shall be valid and enforced to the fullest extent permitted by law.

14. Non-Binding Effect. Except for Sections 3, 5(a), 14, 15 and 22, all of which are intended to be binding, the Parties agree that this LOI is not intended to be a binding agreement between the Parties but merely an expression of their intent with regard to the transactions described herein, and each Party covenants never to contend to the contrary. Each of the Parties agrees to hold the others harmless for any attorney's fees, accountant's fee, expenses or other damages which may be incurred by each from the other Party's failure to consummate the contemplated Share Purchase. In the event a definitive Agreement is not executed for any reason or in the event a Party is in breach of any of

its obligations hereunder which are intended to be binding as set forth above, each of the Parties acknowledges that it shall have no cause of action for monetary damages against any of the other Parties for any reason, and that the only remedy will be for injunctive relief or specific performance.

15. *No-Shop.* During a period of sixty (60) days following the date this LOI is signed by all Parties, none of the Parties nor any agent thereof, may solicit any offer, engage in any discussion, or enter into any agreement or commitment with respect to any equity investment in DIGICORP or RCFINC or sale of DIGICORP or RCFINC.

16. *Time is of the Essence.* Provided D&O insurance has been obtained by DIGICORP, RCFINC shall sign this LOI no later than 6:00 P.M., Eastern Standard Time, September 30, 2005, as time is of the essence.

17. *Currency.* All references to currencies within this LOI are in US dollars except where otherwise specified.

Rebel Crew Films, Inc.
September 30, 2005
Page 12 of 13

CONFIDENTIAL

18. *Access.* From the date of this LOI until such time as this LOI is terminated, as between DIGICORP, on the one hand, and RCFINC, on the other, each Party shall have access to all information in the possession or control of the other relating to the other's business, all of its assets and its financial condition. Each of DIGICORP and RCFINC and its respective representatives shall also assist the other in conducting its due diligence review.

19. *Public Announcement.* DIGICORP and RCFINC mutually agree that neither Party shall issue any press release or make any public announcement of the Share Purchase or any other matter which is the subject of this LOI or any subsequent definitive Agreement without the prior consent of the other Party, except where a public announcement is required by law as reasonably determined by such Party or is in connection with such Party's enforcement of its rights or remedies hereunder or thereunder for any breach by the other Party. Notwithstanding the foregoing, RCFINC acknowledges that upon signing this LOI, DIGICORP is required to and will file a Form 8-K with the SEC describing the material terms of the LOI and RCFINC hereby consents to such filing.

20. *Consents.* DIGICORP and RCFINC will cooperate with one another and proceed, as promptly as is reasonably practicable, to seek to obtain all necessary consents and approvals from lenders, shareholders, landlords and other third parties and to endeavor to comply with all other legal or contractual requirements for or preconditions to the execution and consummation of the Share Purchase and the Agreement.

21. *Best Efforts.* DIGICORP and RCFINC will negotiate in good faith and use their best efforts to arrive at a mutually acceptable definitive agreements for approval, execution and delivery on the earliest reasonably practicable date. DIGICORP and RCFINC will thereupon use their best efforts to effect the Closing and to proceed with the transactions contemplated by this LOI as promptly as is reasonably practicable.

22. *Confidentiality.* DIGICORP and RCFINC agree that (except as may be required by law) it will not disclose or use any Confidential Information (as hereinafter defined) with respect to the other, furnished, or to be furnished in connection herewith at any time or in any manner and will not use such information other than in connection with its evaluation of the Share Purchase. For the purposes of this paragraph "Confidential Information" means any information identified as such in writing or, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be considered as confidential or proprietary. If the Share Purchase is not consummated, the receiving Party will promptly return all documents to the Party that provided such documents. The provisions of this paragraph shall survive the termination of this LOI.

[Remainder of Page Intentionally left Blank]

Rebel Crew Films, Inc.
September 30, 2005
Page 13 of 13

CONFIDENTIAL

If the foregoing correctly sets forth the substance of the understanding of the Parties, please execute this LOI in duplicate, and return the other original copy to DIGICORP at the address listed above.

Also, please fax a signed copy to Marc J. Ross at (212) 930-9725 and David M. Kaye at (973) 443-0609.

Yours truly,

DIGICORP

/s/ Milton Ault

Milton "Todd" Ault, III
Chief Executive Officer

Accepted this 30th day of September 2005.

REBEL CREW FILMS, INC.

/s/ Cesar Chatel

Cesar Chatel
President

REBEL CREW FILMS, INC. STOCKHOLDERS:

/s/ Jay Rifkin

Name: Rebel Holdings, LLC
Number of Shares: 90,000

/s/ Cesar Chatel

Name: Cesar Chatel
Number of Shares: 10,000

ANNEX A
"Purchase Price Allocation"

Name of RCFINC Stockholder: -----	Number of Shares of DIGICORP Common Stock: -----
Rebel Holdings, LLC	18,000,000
Cesar Chatel	2,000,000

ANNEX B
"DIGICORP Capital Structure"

<TABLE>
<CAPTION>

<S>	<C>		Outstanding %		Fully Diluted %	<C>
			<C>	<C>	<C>	
Reported on 3/31/05 10Q			9,742,857	28.50%	23.35%	
Bodnar Capital			2,941,176	8.60%	7.05%	
Sichenzia Ross Friedman Ference			500,000	1.46%	1.20%	
ICodeMedia			1,000,000	2.93%	2.40%	
Rebel Crew Films			20,000,000	58.51%	47.94%	
Shares Outstanding (excluding options/warrants)			34,184,033	100.00%	81.93%	
	Option Grants	Vested @ 12/31/2005	Revised Vested Schedule @ 12/31/2005			Cash to Company if exercised
Board						
Ault						
Campbell	350,000	87,500	350,000		0.84%	\$ 87,500.00
Glazer	300,000	75,000	75,000		0.18%	\$ 18,750.00
Grimsley	250,000	62,500	62,500		0.15%	\$ 15,625.00
Silverstein	250,000	62,500	75,000		0.18%	\$ 18,750.00
Horne	250,000	62,500	200,000		0.48%	\$ 50,000.00
Officers/Consultants						
Ault	2,000,000	500,000	475,000		1.14%	\$ 118,750.00
Queen	750,000	187,500	237,500		0.57%	\$ 59,375.00
Gatch	250,000	62,500	250,000		0.60%	\$ 62,500.00
Horne	250,000	62,500	200,000		0.48%	\$ 50,000.00
Silverstein	150,000	37,500	37,500		0.09%	\$ 9,375.00
Olsky	100,000	25,000	50,000		0.12%	\$ 12,500.00
Soichet	100,000	25,000	50,000		0.12%	\$ 12,500.00
Thillairajah (warrants)	100,000	25,000	50,000		0.12%	\$ 12,500.00
Jafarzadeh	100,000	25,000	25,000		0.06%	\$ 6,250.00
Rebel Holdings, LLC (Convertible Note)			500,000		1.20%	
Bodnar Capital (warrants)	500,000		500,000		1.20%	\$ 5,000.00

Jay Rifkin Option Grant		4,400,000	10.55%
Total Options/Warrants		7,537,500	18.07%
Fully Diluted Outstanding	5,700,000	1,300,000	41,721,533
</TABLE>			100.00%

ANNEX C
 "Voting Agreement Parties"
 (obtained on a best efforts basis)

Milton "Todd" Ault, III
 Patient Safety Technologies, Inc.
 Bodnar Capital Management, LLC
 Phil Gatch
 Sichenzia Ross Friedman Ference
 Alice Campbell
 Darrell Grimsley, Jr.
 Melanie Glazer
 Lynne Silverstein
 William B. Horne
 Kathryn Queen
 Jeanne Olsky
 Nicholas Soichet
 Steve Jafarzadeh
 Sothi Thillairajah

DIGICORP

TERM SHEET

DATED: September 30, 2005

Attn: Jay Rifkin
Rebel Holdings, LLC
6601 Center Drive West
Suite 200
Los Angeles, CA 90045
Facsimile: (310) 499-4334

The following term sheet outlines the terms of a transaction for Digicorp, a Utah corporation (OTCBB: DGCO) ("DIGICORP"), to purchase a \$331,023.89 loan receivable (the "Loan Receivable") of Rebel Holdings, LLC, a California limited liability company ("RHLLC"), in exchange for the issuance to RHLLC of a \$331,023.89 principal amount convertible note. The Loan Receivable constitutes monies loaned by RHLLC to Rebel Crew Films, Inc., a California corporation ("RCFINC"), to pay for operating expenses of RCFINC. Concurrently herewith, the DIGICORP is entering into a letter of intent to purchase all the issued and outstanding shares of capital stock of RCFINC from the stockholders of RCFINC.

Closing: At the closing (the "Closing"), DIGICORP will purchase from RHLLC and RHLLC will sell to DIGICORP the Loan Receivable in consideration for the DIGICORP Note (described below). The time of Closing shall be no later than sixty (60) calendar days after the date the definitive agreement is executed by all parties hereto (the "Closing Date"), unless extended by mutual consent of such parties.

Principal Amount: \$345,435.00.

Type: Fixed Price Convertible Note (the "DIGICORP Note").

Coupon: 4.5% simple interest.

Term: Five (5) Years from Closing (the "Term").

Conversion Price: The Fixed Conversion Price to convert the DIGICORP Note into shares of DIGICORP common stock, \$0.001 par value ("DIGICORP Common Stock"), shall be \$0.69087 per share.

Registration: DIGICORP will undertake to prepare and file with the Securities and Exchange Commission (the "SEC") no later than 90 days from the Closing Date, a registration statement (the "Registration Statement") on Form SB-2 (or other applicable form) pursuant to the Securities Act of 1933, as amended (the "Securities Act"), registering the resale

CONFIDENTIAL

of the DIGICORP Common Stock issuable upon conversion of the DIGICORP Note (the "Registrable Securities"). RHLLC, or its successor(s) or assigns, will also have "piggyback" registration rights with respect to the Registrable Securities. DIGICORP shall prepare and file with the SEC such amendments and supplements to the Registration Statement as may be necessary and use commercially reasonable efforts to cause such Registration Statement to become effective and remain effective for the period of time required for RHLLC, or its successor(s) or assigns, to effect the sale of the Registrable Securities in accordance with the Securities Act.

Collateral: DIGICORP shall provide RHLLC a first priority lien on all assets of RCFINC owned as of the Closing Date and all assets of RCFINC acquired during the Term (the "Collateral"). The Company shall grant to RHLLC a security interest in the Collateral and authorize RHLLC to file a UCC-1 financing statement covering the Collateral and naming RHLLC as secured party and DIGICORP as the debtor, in all appropriate jurisdictions, together with any amendments, modifications and substitutions thereto to secure the obligations of DIGICORP to RHLLC described herein and the cost, if any, incurred in collecting such obligations.

Events of Default: Events causing a default of the DIGICORP Note shall include, but not necessarily limited to: (1) commencement by DIGICORP of a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction; (2) commencement of a proceeding or case in respect of DIGICORP, in any court of competent jurisdiction, seeking: (a) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets in connection with the liquidation or dissolution of DIGICORP, or (c) similar relief in respect of DIGICORP under any law providing for the relief of debtors, and such proceeding or case described in clause (a), (b) or (c) shall continue undismissed, or unstayed and in effect, for a period of thirty (30) days; and (3) the occurrence of an event of default of DIGICORP under any material agreement to which DIGICORP is a party and such event of default is not cured within thirty (30) days after receipt by DIGICORP of written notice that such an event of default has occurred.

Conditions to Closing: The transaction documents shall contain customary and usual conditions precedent, including, but not limited to, the following: (1) closing of the purchase by DIGICORP of all the issued and outstanding shares of capital stock of RCFINC from the stockholders of RCFINC; (2) DIGICORP and RHLLC each shall have obtained

Page 2 of 4

CONFIDENTIAL

and delivered to the other party all consents, waivers and approvals necessary to effect the transactions contemplated by this term sheet from each of their respective board of directors, managing member(s) and other member(s), as applicable; and (3) RHLLC and all equity owners of RHLLC shall be accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act and shall complete and sign accredited investor questionnaires attesting to such fact except as otherwise provided in the Letter of Intent.

Counterparts: This term sheet may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument, but all of such counterparts together shall constitute but one term sheet.

Amendments: Subject to applicable law, this term sheet and any attachments hereto may be amended only by an instrument in writing signed by an officer or authorized representative of each of the parties hereto.

Time is of the Essence: Provided D&O insurance has been obtained by DIGICORP, RHLLC shall sign this term sheet no later than 6:00 P.M., Eastern Standard Time, September 30, 2005, as time is of the essence.

Confidentiality: DIGICORP and RHLLC agree that (except as may be required by law) it will not disclose or use any Confidential Information (as hereinafter defined) with respect to the other, furnished, or to be furnished in connection herewith at any time or in any manner and will not use such information other than in connection with its evaluation of the transactions contemplated hereby. For the purposes of this paragraph "Confidential Information" means any information identified as such in writing or, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be considered as confidential or proprietary. If the transactions contemplated by this term sheet are not consummated, the receiving party will promptly return all documents to the party that provided such documents. The provisions of this paragraph shall survive the termination of this term sheet.

Best Efforts: DIGICORP and RHLLC will negotiate in good faith and use their best efforts to arrive at mutually acceptable transaction documents for approval, execution and delivery on the earliest reasonably practicable date. DIGICORP and RHLLC will thereupon use their best efforts to effect the Closing and to proceed with the transactions contemplated by this term sheet as promptly as is reasonably practicable.

This term sheet does not set forth all the terms and conditions of the proposed transaction contemplated herein. Rather, it is only an outline, in summary format, of the major points of

Page 3 of 4

CONFIDENTIAL

understanding which will form the basis of the final documentation, which will be prepared by DIGICORP's legal counsel.

This term sheet is not and shall not be deemed to be a binding agreement among the parties hereto to complete the transactions contemplated herein. Such agreement will arise only upon the execution and delivery by all parties hereto of definitive agreements and the fulfillment, to the satisfaction of each of the parties thereto, of the conditions precedent set forth therein. In the event any of the parties hereto elects not to consummate the transactions contemplated hereby or any party is unable for any reason to close the transaction in accordance with the terms and conditions of this term sheet on or before the Closing Date, the terms of this term sheet shall automatically terminate (unless extended by mutual consent of DIGICORP and RHLLC).

If the foregoing correctly sets forth the substance of the understanding of the parties, please execute this term sheet in duplicate, retain one original copy for your records, and return the other original copy to the other party hereto at the address listed in Section 5(c) of the letter of intent dated the date hereof among DIGICORP, RCFINC and the stockholders of RCFINC

Also, please fax a signed copy to Marc J. Ross at (212) 930-9725 and David M. Kaye at (973) 443-0609.

DIGICORP

REBEL HOLDINGS, LLC

/s/ Milton Ault

/s/ Jay Rifkin

Milton "Todd" Ault, III
Chief Executive Officer

Jay Rifkin
Managing Member

