



Welcome to the United States Trustee Operating Report Workshop for the Northern and Eastern Districts of Texas. This presentation has been prepared to assist you with the operating reports required in Chapter 11 bankruptcy cases. ...



...and will be conducted by myself, Susan Young, and Kendra Rust, Bankruptcy Analysts with the Office of the U.S. Trustee.

Operating reports vary between Districts and Regions so if you are not in the Northern or Eastern Districts of Texas, you will want to refer to the United States Trustee Office for your District and Region.

The play time of this presentation is about 1 hour.

You Will Need:

- Operating Report Slide Show Notes
- Blank Operating Report Form

www.justice.gov/ust/ro6/reg_info.htm



Before continuing with this presentation, you'll want to print out a copy of the "Operating Report Slide Show Notes (Recorded Version)" and a blank copy of the operating report form that you will be using so that you can refer to them and take notes.

The slide show notes can be found on our regional website at the address shown here under the heading "Initial Debtor Interview (IDI) Information". The operating report forms are found under the heading "Operating Reports (MORs and QORs)".

Limitations

- We cannot provide legal advice
- We cannot strategize or replace your professional counsel
- We cannot violate the McDade Authorization (determines whether your attorney has given us permission to speak to you directly)



Before we begin, it's important that we first review the limitations applicable to our office as a part of this process.

We are not able to provide you with legal advice, offer legal strategies, or replace professional counsel that represent you.

In each Chapter 11 case, your attorney completes a "McDade Authorization" that either allows or prohibits our office to have direct contact with you. We cannot answer your questions directly if it violates the McDade form completed by your attorney.

To the extent allowed by McDade, we will speak with you and provide guidance regarding UST requirements and general accounting principles applicable to the completion of the operating reports. We cannot provide legal or accounting advice regarding specific issues applicable to your case and you should seek advice from the professionals employed on behalf of the estate.

Every case and situation is unique and there is a surprising amount of strategy involved in the completion and presentation of the operating reports, so regardless of whether or not we can speak to you directly, your attorney should always be the first and final point of contact.

Limitations

- We cannot waive the reporting requirements
- We cannot extend the filing deadlines for the operating reports
- We cannot waive UST quarterly fees that have been calculated correctly



The UST's Office also cannot waive the operating report administrative requirement, extend the deadline for filing the operating reports, or waive UST quarterly fees that are calculated correctly.

Workshop Focus

- Purpose of operating reports & requirements
- Review red flags
- Review a couple of important accounting & bankruptcy concepts



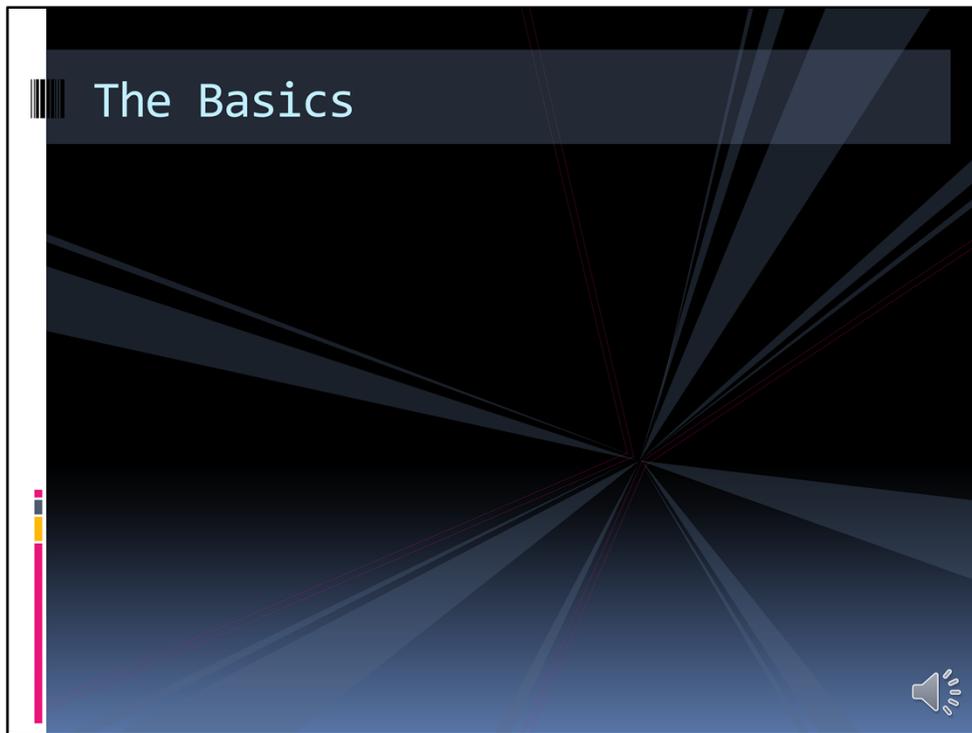
The focus of this presentation will be on the purpose of the operating reports and the requirements; we'll identify the "red flags" that our office watches for as we review the reports; we'll briefly review a couple of fundamental accounting and bankruptcy concepts that will be important to understanding how to prepare the reports...

Workshop Focus

- Review each of the 4 UST report formats
- Explain how to complete each page (in logical instead of chronological order)
- Review UST Quarterly Fee requirements
- Provide some helpful & practical tips



...we'll go over each of the four operating report formats that you are required to use and explain how to complete each page (but note that we'll be going in logical order instead of chronological or page-by-page order); we'll review the UST quarterly fee requirements; and we'll provide you with some practical and helpful tips.



So let's turn the presentation over to Kendra and start with the basics...

Purpose of Operating Reports

- Provides all interested parties & Court with relevant financial information
- Allows UST to perform statutory oversight and monitoring function



In general, your goal while in Chapter 11 is to have your plan of reorganization approved by the Court. If the bankruptcy schedules are the backbone of the bankruptcy, then the operating reports are its substance. We cannot stress the importance of the reports enough and it is not a task you should take lightly.

Operating reports provide all interested parties and the Court with the relevant financial information that they will need to make important decisions. They allow our office to perform statutory oversight and monitoring functions and we review them carefully.

Purpose of Operating Reports

- Provides basis for determining whether the plan you've proposed is viable
- Assists you with cash flow management
- Basis for UST quarterly fee calculation



They provide the basis for determining whether the plan that you propose is viable, for example, whether you have shown that historically you will have the cash flow needed to make the payments proposed in your plan.

When used properly, the reports can assist you with cash flow management and can be a great springboard for developing your own internal processes that ensure you have the financial information needed to make important business decisions.

And, finally, our office uses the information you report to calculate your quarterly UST fees.

Requirements

- Pre-Confirmation = Monthly Reports
- Post-Confirmation = Quarterly Reports
- Must use UST forms



You are required to complete and file *monthly* operating reports before the Court has approved your plan.

After your plan has been confirmed by the Court, you will still continue to file reports, but you'll file them on a *quarterly* basis using a different form.

You must use our forms in the format provided by our office. There are a couple of exceptions that we'll review in this presentation, but in general, you cannot substitute our forms with your own forms or reports.

Requirements

- Must complete all pages & provide required attachments
- Due on the 20th of the month for the period prior (monthly or quarterly)
- Your attorney must file an electronic copy with the Court



You must complete all pages of the report and provide required attachments. Required attachments are part of the actual operating report.

All reports are due on the 20th of the month for the period prior and the calendar period must be used, for example the monthly operating report for the calendar month of March 1st through March 31st would be due on April 20th and the quarterly operating report for the 3rd calendar quarter of July 1st through September 30th would be due on October 20th. Our office cannot extend the filing deadline.

Your attorney must file an electronic copy of the operating report with the Bankruptcy Court...

Requirements

- Your attorney **MUST** keep hard copy with original signatures (he/she may be required to produce upon request by Court or UST)
- Continue filing until case is closed or until converted or dismissed
- A confirmed case is **NOT** a closed case!



...and they must retain a copy of the report with original signatures in their files. As of May 1, 2012, you no longer need to mail a hard copy of the report to our office.

You must continue to file operating reports until your case is closed or until your case is converted or dismissed. Remember that just because your plan has been *confirmed* by the Court does not mean that your case has been *closed*. Your attorney is responsible for asking the Court to close your case, so talk with him or her shortly after your plan has been confirmed to get an idea as to when they intend to ask to close your case. You do not need to wait until all payments have been made as proposed in your plan to have your case closed.

Red Flags

- Reports are not filed or filed late
- Incomplete, missing pages, or poorly prepared
- Balancing issues – not all cash accounted for
- Insufficient cash flow and/or profit



As mentioned earlier, our office will review each operating report that you file in order to meet statutory oversight and monitoring requirements. Some of the red flags that we watch for include: Reports that are not filed or that are filed late. Reports that are incomplete, are missing pages, or are poorly prepared. Reports that have balancing issues or cash that hasn't all been accounted for. Reports that show insufficient cash flow or profit...

Red Flags

- Negative beginning or ending cash figures
- Increasing post-petition debt
- Inconsistencies between operating reports, bankruptcy schedules, Statement of Financial Affairs (SOFA), and tax returns
- Inconsistencies in figures from month to month



...we also look for: Reports that show negative beginning or ending cash figures. Increasing post-petition, or new, debts. Inconsistencies between the operating reports, bankruptcy schedules, statement of financial affairs, and/or tax returns. Inconsistencies in reported figures from month to month...

Red Flags

- Transactions “outside the ordinary course”, i.e. beyond the ordinary scope of your business, without court approval: sale of assets, loans, etc.
- Other questionable transactions: payments to professionals without approval, payments on prepetition liabilities, insufficient fund fees, excessive personal expenses , etc.



...Transactions that are outside the ordinary course of business, for example the sale of an asset or obtaining or providing a new loan, that were not first approved by the Court. And other transactions that might be questionable such as payments to professionals without Court approval, insufficient fund or NSF fees, payments on prepetition debts, or expenses that seem excessive or are personal in nature if it's a business case.

Again, in general your goal in Chapter 11 is to have the Court approve your proposed plan of reorganization and we cannot stress the importance of the operating reports in this role enough. Reports that are consistently filed late or that are sloppily prepared may indicate that you do not have the resources needed to successfully implement a plan. Reports that show low profits, negative cash flow, or increasing post-petition debts may indicate you do not have the cash needed to maintain a plan of reorganization. Reports that show negative cash balances, payments made without court approval, or where not all cash is accounted for may indicate more serious issues such as preferential transfers or even fraud.



Before we get into the actual report, there are a couple of fundamental accounting and bankruptcy concepts that we think it's important to review.

Cash vs. Accrual

- Timing differences in the recognition of income & expenses
- Cash = Received & Paid
- Accrual = Earned & Incurred



There are two principal methods of accounting that a business may use to maintain its financial records: the cash basis or the accrual basis. Without going into depth about each method because that's beyond the scope of this presentation, the main difference between the two is that of timing and the recognition of revenues and expenses.

With cash basis reporting, revenue is recognized as it is *received* and expenses when they are *paid*.

With accrual basis reporting, revenue is recognized when it is *earned* and expenses when they are *incurred*.

Cash vs. Accrual

- Accrual includes non-cash transactions (depreciation, accounts receivable & payables, prepaids, etc.)
- Accrual = GAAP = more sophisticated = follows matching principle = better indicator of profitability
- BOTH are important



The accrual method also includes non-cash transactions such as depreciation, accounts receivable, accounts payable, or prepaid expenses.

The accrual method is generally more sophisticated and is the only method that follows generally accepted accounting principles, or GAAP. The accrual method follows the “matching principle”, which means the expenses that are associated with certain revenues are reported in the same period so it’s a better indicator of profitability.

Both the cash and accrual methods are important, however, when it comes to managing the finances of a business.

Example

You build custom tables. Your booth at a home show in March resulted in 10 orders for tables. It costs \$500 in materials and takes a month to make each table. Tables are sold for \$800 each and you collect a \$100 initial deposit.

Cash

March:

Cash Receipts =	\$1,000
Disbursements =	<u>\$5,000</u>
Net Cash Flow =	(\$4,000)

April:

Cash Receipts =	\$7,000
Disbursements =	<u>\$0</u>
Net Cash Flow =	\$7,000

Accrual

March:

Income =	\$0
Expenses =	<u>\$0</u>
Profit =	\$0

April:

Income =	\$8,000
Expenses =	<u>\$5,000</u>
Profit =	\$3,000



Let's look at a real simple example to illustrate the differences between the two methods. Let's say you are a Debtor who builds custom tables. In March, you set up a booth at a home show and receive 10 new orders for tables. It costs you \$500 in materials and it takes 1 month to make each table. You sell each table for \$800 and require a \$100 initial deposit before building each table.

If you report your financial activity on the cash basis, you must report revenues as they are received and expenses as they are paid. So, when you receive the \$100 initial deposit from your 10 new customers in March, you will report \$1,000 of revenue for that month. When you purchase the \$500 of materials you need to build each table in March, you must report the \$5,000 you spent on those materials in that month. So, for the month of March you received \$1,000 and spent \$5,000, so your net cash flow for the month of March is a negative \$4,000. In April, when the tables are built and delivered, you will receive the remaining \$700 for each table and can report that revenue. Since all the materials were purchased the month before, there are no expenses to report in April. So, for the month of April, you received \$7,000 in revenue and spent nothing, so your net cash flow for April is positive \$7,000.

If you report your financial activity on the accrual basis, though, you must report revenues as they are earned and expenses as they are incurred. Even though you receive an initial deposit for each table, you have not earned the money for those tables until they are built, so you wouldn't report the revenues until April when you'd report the full \$8,000. Similarly, even though the materials for the tables would have been purchased in March, you wouldn't have incurred those expenses until the materials were used and the tables were built. You'd follow the matching principle and report the full \$5,000 also in April. So, for the month of March, no revenues or expenses would have been reported and the net profit would be zero. In the month of April, \$8,000 in revenues would have been reported and \$5,000 in expenses, for a net profit of \$3,000.

In the accrual method, the \$5,000 in expenses for the 10 tables is matched with the \$8,000 in revenues received for the same tables, so you can easily see that you made a \$3,000 profit on the 10 tables. The profit on those tables isn't as easily seen with the cash basis because they're reporting the revenues and expenses in different periods. If you use the cash method, though, you can see that you needed an initial cash outlay of \$5,000 in March to build these tables and that you didn't have cash in the bank until April. You'd never be able to earn any profits if you didn't have the initial cash to purchase the materials you needed and if you've got bills that need to be paid it's important to know that you won't have cash to pay them until April. So, again, there is value in both the cash and accrual methods of accounting. Lack of profits and lack of cash flow are both serious financial concerns that need to be monitored carefully. Note, however, that in time both methods will eventually be equal. Again, the only difference between the two methods is that of timing and the recognition of revenues and expenses. If you take the negative \$4,000 reported in March and add the \$7,000 reported in April – it still adds up to the same \$3,000.

Creation of Bankruptcy Estate

- New taxable entity created upon filing bankruptcy
- Assets belong to the bankruptcy estate and are managed by you as “Debtor-in-Possession” (or trustee)
- Books should be closed the day before
- Transactions segregated into pre and post petition



The other fundamental concept that is important to understand is that when you filed your bankruptcy petition, a brand new entity called the “bankruptcy estate” was created. All the assets the business owned on the date the bankruptcy was filed are now owned by this bankruptcy estate. These assets are managed by you as a “Debtor-in-Possession” or by a Trustee that has been appointed by the Court.

The filing of the bankruptcy petition breaks your financial activity into two distinct periods, pre-petition and post-petition. It is extremely important that the financial records for these two periods are kept and tracked separately.

Financial records should be cut off and closed upon the filing of the bankruptcy so that you have an accurate accounting at that point in time. Many people will either start fresh with a whole new set of books, or create separate general ledger account numbers for all post-petition activity.



Now let's introduce you to the different report formats that are provided by our office.

Four Available Formats

- Small Business (pink)
- Post-Confirmation (green)
- Accrual Basis (orange)
- Cash Basis (blue)

“MOR” = Monthly Operating Report
“QOR” = Quarterly Operating Report



There are four different operating reports formats that are available: There is a small business report, a post-confirmation report, an accrual basis report, and a cash basis report.

We'll go over each of these reports in more detail shortly. To help you follow along in this presentation, we've colored all small business forms in pink, post-confirmation reports in green, accrual basis reports in orange, and cash basis reports in blue. So – if you already know which form you will be using – just watch for your color. The page number of the report is also listed on the top of each form that is shown. Some of the pages are used in more than one form, so two colors may be shown in one example.

Also – when you hear the term “MOR” or “QOR” – note that these are abbreviations for either monthly or quarterly operating reports.

Small Business Form

11 U.S.C. § 101 (51D)

- NOT an elective form - must qualify
- Filed monthly
- Summarized figures so simpler
- Total income & expenses – CASH BASIS
- Attachments required



The small business operating report must be used if you meet the definition and qualify as a small business under section 101 (51D) of the Bankruptcy Code. Your attorney will help you determine whether you qualify but in general it is for non-real estate businesses that are within certain debt limits.

This is not an election that is made – you will either qualify as a small business under the Bankruptcy Code or you will not. If you do qualify – you must use the small business operating report format.

The small business report is filed monthly and you report summarized income and expense figures so it's usually much simpler to complete.

The income and expense figures must be reported on the cash basis, regardless of what your normal method of accounting is, and figures reported must be supported by attaching detailed reports and bank statements. Make sure that you don't forget those detailed attachments!

Post-confirmation Forms

- Only used once plan has been confirmed
(Note: A confirmed case is NOT a closed case!)
- Filed quarterly
- Summarized figures so simpler
- Total income & expenses – CASH BASIS
- No attachments required



The post-confirmation operating report is only used once a plan has been confirmed. Regardless of what operating report you were using prior to confirmation, everyone must use this report after confirmation. (If you are watching this video pre-confirmation and focusing on the monthly operating reports, you may want to consider watching it again later to assist you with the completion of this post-confirmation report).

The post-confirmation report is filed quarterly and you report summarized income and expense figures so it's usually much simpler to complete.

Income and expenses are always reported on the cash basis, regardless of what your normal method of accounting is, and no supporting documentation is required to be attached.

Having your plan confirmed is not the same as having your case closed! You must continue to file post-confirmation reports until you receive the order stating your case is closed or until your case is dismissed or converted. Again, your attorney must ask the Court for permission to close your case.

Special Formats

Small Business MOR

1. Cover Page / Questionnaire
2. Summary Income & Expenses
3. Summary Payables & Receivables
4. Projections
5. Detailed Attachments

Post-confirmation OOR

1. Cover Page
2. Summary Cash Receipts & Disbursements
3. Bank Reconciliations



Here's an overview of the pages required in the small business and post-confirmation operating reports. Again, note that both of these reports require summarized income and expense information that must be reported on the cash basis, or when the cash is received and paid.

Standard Accrual/Cash Forms

- Filed monthly
- Use the form that corresponds to how you typically maintain your books
- BOTH are cash/accrual hybrid reports designed to provide specific information



If you do not qualify as a small business and if your plan has not yet been confirmed, then you will use either the accrual or cash basis standard operating reports.

These reports are filed monthly and you must use the form that corresponds to how you typically maintain your books. It's important to note, however, that despite the titles of the reports, both are actually cash and accrual hybrid reports that ask you to provide information that is specific to the administration of a Chapter 11 bankruptcy case.

Standard Accrual/Cash Forms

- Very detailed
- All pages must be completed even if they are not applicable
- Attachments may be required



Both the accrual basis and cash basis reports are very detailed and all pages of the report must be completed, even if they are not applicable. Depending on your situation, attachments may also be required.

Standard MOR Formats

Accrual Basis

1. Cover Page
2. Balance Sheet
3. Income Statement
4. Cash Receipts & Disbursements
5. Receivable/Payable Aging
6. Bank Reconciliation
7. Payments to Insiders, etc.
8. Questionnaire

Cash Basis

1. Cover Page
2. Cash Receipts & Disbursements
3. Disbursement Detail
4. Bank Reconciliation
5. Assets of the Estate
6. Liabilities of the Estate
7. Receivable/Payable Aging
8. Payments to Insiders, etc.
9. Questionnaire



Here's an overview of the pages required in the standard accrual and cash basis monthly operating reports. What I'd like you to note is that most of pages in the two reports are exactly the same, and so even if you are completing the accrual basis operating report, you must still complete a "cash receipts and disbursements" page that is completed on the cash basis.

There is no Balance Sheet on the cash basis report, but we do ask for both an Assets of the Estate and Liabilities of the Estate page which provides similar information.

In fact, the only real differences between the two formats is that you also include an Income Statement in the accrual basis report, which more accurately shows profitability, and in the cash basis report you must also include disbursement detail or a check register.

Work closely with your attorney about which report you need to use and which report more accurately reflects your financial activity, especially since you may be starting out with a fresh set of books. Neither report is really easier to complete than the other, so there are unfortunately no short cuts.



Let's move on to how to complete the actual pages of the reports. Again, we're reviewing the pages in logical instead of chronological order, so we'll begin with "beginning cash" on the cash receipts and disbursements page.

Pull out the printed copy of the blank operating report that you will be using so that you can follow along with this presentation.

Beginning Cash

Small Business – Pg 2

8320 (Official Form 750) (03/98) Page 2

14. HAVE YOU SOLD ANY ASSET OTHER THAN INVENTORY THIS MONTH?

15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?

16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?

17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?

18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-RETIREMENT TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Attach to Form 990)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. (SEE U.S. INCOME TAX MANUAL FOR REQUIREMENTS.)

TOTAL INCOME	\$	_____
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SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month	\$	_____
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PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU: **TOTAL** \$ _____

(Attach to Form 990)

EXPENSES

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE, AND THE AMOUNT. (SEE U.S. INCOME TAX MANUAL FOR REQUIREMENTS.)

TOTAL EXPENSES	\$	_____
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(Attach to Form 990)

CASH PROFIT

INCOME FOR THE MONTH (TOTAL FROM COLLECTED)	\$	_____
EXPENSES FOR THE MONTH (TOTAL FROM COLLECTED)	\$	_____
CASH PROFIT FOR THE MONTH	\$	_____

(Attach to Form 990)

Cash on Hand at Start of Month



If you're using the small business report the beginning cash field is located in sort of an illogical spot underneath the first income field on page 2.

Beginning Cash

Post Confirmation – Pg 2

POST CONFIRMATION
QUARTERLY OPERATING REPORT

CASE NAME: _____

CASE NUMBER: _____

QUARTER ENDING: _____

1 BEGINNING OF QUARTER CASH BALANCE: _____

CASH RECEIPTS:
CASH RECEIPTS DURING CURRENT QUARTER:
(A) Cash receipts from business operations _____
(B) Cash receipts from loan proceeds _____
+ _____
= \$0.00

CASH DISBURSEMENTS:
(A) PAYMENTS MADE UNDER THE PLAN:
(1) Administrative _____
(2) Secured Creditors _____
(3) Priority Creditors _____
(4) Unsecured Creditors _____
(5) Additional Plan Payments _____
(B) OTHER PAYMENTS MADE THIS QUARTER:
(1) General Disbursements _____
(2) Other Disbursements _____
+ _____
= \$0.00

3 TOTAL DISBURSEMENTS THIS QUARTER _____

4 CASH BALANCE END OF QUARTER _____

BEGINNING OF QUARTER CASH BALANCE:



On the post-confirmation operating report the beginning cash field is located toward the top of page 2.

Beginning Cash

Cash Basis - Pg 1 / Accrual Basis - MOR 3

MONTHLY CASH BASIS FORM 2
Monthly Operating Report

CASE NAME: _____ CASH BASIS-1
CASE NUMBER: _____

CASH RECEIPTS AND DISBURSEMENTS	MONTH	MONTH	MONTH	MONTH
1. CASH - BEGINNING OF MONTH	\$ -	\$ -	\$ -	\$ -
RECEIPTS				
2. CASH SALES	\$ -	\$ -	\$ -	\$ -
3. ACCOUNTS RECEIVABLE COLLECTIONS	\$ -	\$ -	\$ -	\$ -
4. LOANS AND ADVANCES	\$ -	\$ -	\$ -	\$ -
5. SALE OF ASSETS	\$ -	\$ -	\$ -	\$ -
6. LEASE & RENTAL INCOME	\$ -	\$ -	\$ -	\$ -
7. WAGES	\$ -	\$ -	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
9. TOTAL RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
10. NET PAY	\$ -	\$ -	\$ -	\$ -
11. PAYROLL	\$ -	\$ -	\$ -	\$ -
12. SALES	\$ -	\$ -	\$ -	\$ -
13. INVENT	\$ -	\$ -	\$ -	\$ -
14. MORTG	\$ -	\$ -	\$ -	\$ -
15. OTHER	\$ -	\$ -	\$ -	\$ -
16. RENTAL & LEASE PAYMENTS	\$ -	\$ -	\$ -	\$ -
17. UTILITIES	\$ -	\$ -	\$ -	\$ -
18. INSURANCE	\$ -	\$ -	\$ -	\$ -
19. VEHICLE EXPENSES	\$ -	\$ -	\$ -	\$ -
20. TRAVEL	\$ -	\$ -	\$ -	\$ -
21. ENTERTAINMENT	\$ -	\$ -	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ -	\$ -	\$ -	\$ -
23. SUPPLIES	\$ -	\$ -	\$ -	\$ -
24. ADVERTISING	\$ -	\$ -	\$ -	\$ -
25. HOUSEHOLD EXPENSES	\$ -	\$ -	\$ -	\$ -
26. CHARITABLE CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -
27. GIFTS	\$ -	\$ -	\$ -	\$ -
28. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
29. TOTAL ORDINARY DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
REORGANIZATION EXPENSES				
30. PROFESSIONAL FEES	\$ -	\$ -	\$ -	\$ -
31. U.S. TRUSTEE FEES	\$ -	\$ -	\$ -	\$ -
32. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
33. TOTAL REORGANIZATION EXPENSES	\$ -	\$ -	\$ -	\$ -
34. TOTAL DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
35. NET CASH FLOW	\$ -	\$ -	\$ -	\$ -
36. CASH - END OF MONTH	\$ -	\$ -	\$ -	\$ -

1. CASH - BEGINNING OF MONTH



You'll find beginning cash on page 1 of the cash report and page MOR 3 of the accrual report. Again, the cash receipts and disbursement page is exactly the same in both the cash and accrual basis operating reports.

Beginning Cash - 1st MOR

- Creation of bankruptcy estate
- All cash on petition date = Sch B

Type of Property	None	Description and Location of Property	Current Value of Debtor's Interest in Property, Without Deducting any Secured Claim or Exemption
1. Cash on hand.		Petty cash: Keller - \$900.00 Mansfield - \$900.00 Waxahachie - \$900.00	\$2,700.00
2. Checking, savings or other financial accounts, certificates of deposit or shares in banks, savings and loan, thrift, building and loan, and home-stead associations, or credit unions, brokerage houses, or cooperatives.		Wells Fargo Bank Checking account	\$7,312.69
		Citizens Bank Checking account - \$0.00 Checking account - \$6,807.71 Checking account - \$521.60	\$7,329.31
		Paypal account	\$181.95
			\$17,523.95

To ensure that you start out on the right foot and all your subsequent reports are correct, you must begin with the correct beginning cash figure. Remember to keep the concept of the creation of the bankruptcy estate in mind. On the date of filing, all cash assets become property of the bankruptcy estate and ideally you should be moving all cash in your bank accounts to a DIP or Debtor-in-Possession account on the date of filing.

On the very first monthly operating report, the beginning cash should be whatever cash is sitting in your bank accounts or cash registers (as if you were to call the bank on the date of filing and ask what your balance is) and it should match the cash figure that you presented on Schedule B of the bankruptcy schedules, which reflected your personal property assets.

In the example here – the Debtor had 3 petty cash accounts, 1 checking account at Wells Fargo, 3 checking accounts at Citizens Bank, and a PayPal account. If you add up the cash in all of these accounts, they would have had \$17,523.95 in cash as of the date of filing and they should have moved this full amount into the DIP account on the filing date.

So – on their very first operating report, this Debtor would report beginning cash of \$17,523.95.

Beginning Cash - 1st MOR

- Cannot be negative! If overdrawn, start with zero on MOR and talk with your attorney.
- Do NOT deduct prepetition outstanding checks! Talk with your attorney if you have them.



Your beginning cash figure cannot be negative on the very first operating report because if on the date of filing you were overdrawn in your bank accounts, there would be no funds to move over into a Debtor-in-Possession (DIP) account on the date of filing. If you were overdrawn on your bank accounts, start with a beginning balance of zero. The overdrawn amount in the bank account is a claim that the bank has on the bankruptcy estate, so you'll want to work with your attorney to be sure those are reported properly on your bankruptcy schedules.

Do not first deduct any outstanding checks as of the date of filing from your beginning cash figure either. Remember, whatever cash was sitting in your bank account as of the date of filing is now property of the bankruptcy estate. Any outstanding checks that haven't cleared yet are now pre-petition claims that need to be reported on your bankruptcy schedules. Outstanding checks as of the date of filing should be returned by the bank or allowed to bounce when presented to your pre-petition bank account and any checks that are allowed to clear may be preferential payments on pre-petition balances - but you'll work with your attorney on all these issues.

For purposes of the operating report and making sure you start with the correct beginning cash figure, if you didn't move over all the cash in your bank accounts into the new Debtor-in-Possession (DIP) accounts on the date of filing as you were required, assume that you did to help you back into the appropriate beginning cash figure and, again, be sure to involve your attorney.

Beginning Cash – Subsequent MORs

- Ending cash from prior month (ALL cash)
- DO include post-petition outstanding checks
- Can be negative (but red flag!)



Beginning cash on the very first operating report is unique because you've filed the bankruptcy and now have to deal with the concept of the new Chapter 11 bankruptcy estate entity and starting fresh. But you only need to worry about that on the first operating report.

Going forward on all your subsequent reports, beginning cash should simply be the ending cash reported in the month prior. It may include outstanding checks issued after the filing of the bankruptcy and could theoretically be negative (although that would spark a red flag and may result in further inquiry). We'll discuss the ending cash balance figure in more detail later.

The small business and post-confirmation reports only include information for a single period, so you need to make sure you pull the previous report and use that ending cash figure.

The layout of the cash basis and accrual basis reports has columns for 3 or 4 months, so you want to be the sure the ending cash balances for the previous month are carried forward to the beginning cash balances for the next month.

The beginning cash on the current month's report must match the ending cash balance on the prior month's report!

Example

CHECKBOOK REGISTER				
Date	Payee	Amount	Balance	Cleared?
			23,405.19	
02/03/11	Office Supply Warehouse	457.23	22,947.96	Yes
02/03/11	Furniture Sales R Us	1,503.24	21,444.72	No
02/06/11	Telephone Company	66.37	21,378.35	Yes
02/08/11	Airline Flight	1,315.12	20,063.23	Yes
02/17/11	Insurance Premium	3,457.98	16,605.25	Yes
02/19/11	Employee Salary	972.56	15,632.69	Yes
02/23/11	Turnip Advertising	1,012.11	14,620.58	No
02/27/11	Partner Distribution	7,500.00	7,120.58	No
02/28/11	Internet 4 Cheap	98.64	7,021.94	No
02/28/11	Auto Repairs Done Right	564.14	6,457.80	No
		16,947.39		

	14,620.58
Petition Date = 02/25/11	+ 1,503.24
	+ 1,012.11
Schedule B & Beg Cash on 1 st MOR =	\$17,135.93



Just to further demonstrate how you arrive at the beginning cash balance on the very first operating report, let's take a look at a sample checkbook register. If this person filed bankruptcy on 02/25/11, the cash in this bank account would become property of the newly created bankruptcy estate, and he/she would transfer whatever cash was sitting in this bank account as of the date of filing into a Debtor-in-Possession bank account.

According to the checkbook register, the balance in that account on the date of filing is \$14,620.58, but note that there are two outstanding checks, or checks that have not cleared the bank yet. On the date of filing, the funds for the check to Furniture Sales R Us in the amount of \$1,503.24 and Turnip Advertising for \$1,012.11 were still in the bank account. So, after you add those amounts back into the checkbook balance, we can see that on the date of filing there was \$17,135.93 sitting in the bank account. This is the amount that you would report on Schedule B of your bankruptcy schedules and the beginning balance on your very first operating report.

The checks issued to Furniture Sales R Us and Turnip Advertising are treated as pre-petition claims in the bankruptcy and would be returned by the bank because, remember, you have moved all the money from this account into the new Debtor-in-Possession account on the date of filing.

Example

DIP CHECKBOOK REGISTER				
Date	Payee	Amount	Balance	Cleared?
			23,405.19	
02/03/11	Office Supply Warehouse	457.23	22,947.96	Yes
02/03/11	Furniture Sales R Us	1,503.24	21,444.72	No
02/06/11	Telephone Company	66.37	21,378.35	Yes
02/08/11	Airline Flight	1,315.12	20,063.23	Yes
02/17/11	Insurance Premium	3,457.98	16,605.25	Yes
02/19/11	Employee Salary	972.56	15,632.69	Yes
02/23/11	Turnip Advertising	1,012.11	14,620.58	No
02/27/11	Partner Distribution	7,500.00	7,120.58	No
02/28/11	Internet 4 Cheap	98.64	7,021.94	No
02/28/11	Auto Repairs Done Right	564.14	6,457.80	No
		16,947.39		

Petition Date = 12/25/10

Beginning Cash = \$23,405.19

Total Expenses = \$16,947.39

Ending Cash = \$6,457.80



Now let's look at the same checkbook register, but assume that this person filed bankruptcy the month before and that they moved all of their funds as appropriate on the date of filing into this Debtor-in-Possession (or DIP) bank account.

After you have moved the funds in your bank account over into the Debtor-in-Possession – you are starting a fresh checkbook register with this cash asset. In the example above, they are starting with \$23,405.19.

For the month of February, they issued checks totaling \$16,947.39 and so this is amount they need to reflect on their operating reports as expenses. The ending cash balance would be \$6,457.80.

It does not matter in this situation whether there are checks that have not cleared the bank – because the filing of the bankruptcy happened a month earlier and we are working with the checkbook register in the new bankruptcy estate entity.

Cash Receipts

Small Business – Pg 2

Page 2

14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?

15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?

16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?

17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?

18. HAVE YOU PAID ANY BILLS YOU OWNED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Exhibit G)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS, PER U.S. RESIDENT, MAY VARY THIS REQUIREMENT.

TOTAL INCOME	\$
--------------	----

SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month	\$
Cash on Hand at End of Month	\$

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU: **TOTAL** \$

(Exhibit H)

EXHIBIT B

INCOME FOR THE MONTH (TOTAL FROM EXHIBIT B)	\$
--	----

CASH PROFIT

INCOME FOR THE MONTH (TOTAL FROM EXHIBIT B)	\$
EXPENSES FOR THE MONTH (TOTAL FROM EXHIBIT C)	\$
CASH PROFIT FOR THE MONTH	\$

(Exhibit I and J)

The next field we'll review is income or, more accurately, cash receipts.

On the small business report it's referred to as "income", which might be a little confusing, but what we're really looking for is cash receipts.

The same figure is reported in two different areas on page 2 on the small business report. Many people make the mistake of reporting two different income figures, so make sure both figures are exactly the same, just carry the income figure down to the cash profit calculation in the area below.

Cash Receipts

Cash Basis – Pg 1 / Accrual Basis – MOR 3

INQUIRY CASH BASIS, FORM 2
Monthly Operating Report

CASH BASIS-1

CASE NAME: _____
CASE NUMBER: _____

CASH RECEIPTS AND DISBURSEMENTS	MONTH	MONTH	MONTH	MONTH
1. CASH SALES				
2. ACCOUNTS RECEIVABLE COLLECT				
3. LOANS AND ADVANCES				
4. SALE OF ASSETS				
5. LEASE & RENTAL INCOME				
6. WAGES				
7. OTHER (ATTACH LIST)				
8. TOTAL RECEIPTS				
9. NET PAYROLL				
10. PAYROLL TAXES PAID				
11. SALES USE & OTHER TAXES PAID				
12. INVENTORY PURCHASES				
13. MORTGAGE PAYMENTS				
14. OTHER SECURED NOTE PAYMEN				
15. RENTAL & LEASE PAYMENTS				
16. UTILITIES				
17. INSURANCE				
18. VEHICLE EXPENSES				
19. TRAVEL				
20. ENTERTAINMENT				
21. REPAIRS & MAINTENANCE				
22. SUPPLIES				
23. ADVERTISING				
24. HOUSEHOLD EXPENSES				
25. CHARITABLE CONTRIBUTIONS				
26. GIFTS				
27. OTHER (ATTACH LIST)				
28. TOTAL ORDINARY DISBURSEMEN				
29. REORGANIZATION EXPENSES				
30. PROFESSIONAL FEES				
31. U.S. TRUSTEE FEES				
32. OTHER (ATTACH LIST)				
33. TOTAL REORGANIZATION EXPEN				
34. TOTAL DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
35. NET CASH FLOW	\$ -	\$ -	\$ -	\$ -
36. BAL. END OF MONTH				

RECEIPTS

2. CASH SALES

3. ACCOUNTS RECEIVABLE COLLECTIONS

4. LOANS AND ADVANCES

5. SALE OF ASSETS

6. LEASE & RENTAL INCOME

7. WAGES

8. OTHER (ATTACH LIST)

9. TOTAL RECEIPTS



On the accrual basis report the cash receipts section is on page MOR 3 and on the cash basis report it is on page 1 – remember that this page is exactly the same on both reports.

Cash Receipts

- Cash actually received
- Cash constructively received
- Accounts receivable collections
- You should be making frequent deposits



Include cash receipts that you've actually received. Do not include receivables or invoices that you may have mailed out but for which you have not yet received payment.

Also include amounts constructively received, for example, if you received a check from a customer but haven't yet had time to take it to the bank, or if a third party is paying your bills on your behalf. Talk with your attorney if you have such a situation, but on the operating reports you would categorize the amounts paid on your behalf appropriately, for example, as a loan or a gift and include those amounts in cash receipts.

One of the cash receipt categories is "accounts receivable", which is normally an accrual term. Only report accounts receivable collected during the month here - don't confuse this field with accounts receivable that has been billed but has not yet been paid. Ignore this field if you don't have accounts receivable.

Note that if you are a cash business, you should be making frequent deposits to the bank.

Cash Receipts

- Loans & advances (loans need court approval so be sure to consult with your attorney)
- Do NOT include transfers between bank accounts of the same debtor (talk with your attorney if you have transfers between related entities)
- Do NOT include beginning cash in total receipts



Loans, advances, and gifts are also reported as income here. In bankruptcy terms, there is a vast difference between how a loan and a gift are treated, so make sure you are working closely with your attorney on how such funds should be classified.

If you have more than one bank account in your name, for example an operating bank account and a payroll bank account, make sure that you do not report transfers between those bank accounts as either a cash receipt or disbursement.

However, if you are receiving transfers of cash from another related entity that may or may not also be in bankruptcy, you include those transfers as cash receipts and categorize them appropriately, as loans or gifts for example. Make sure you discuss this type of activity with your attorney.

Many people make the mistake of including the beginning cash figure on the total receipts line – so make sure you do not include the beginning cash figure when you total the receipts.

Disbursements

Small Business – Pg 2

The image shows a page from a small business report. The page is titled "Small Business – Pg 2". It contains several sections with checkboxes and input fields. A red box highlights the "TOTAL EXPENSES" field, which is located under the "EXPENSES" section. Another red box highlights the "EXPENSES FOR THE MONTH (TOTAL FROM EXHIBIT C)" field, which is located under the "CASH PROFIT" section. A third red box highlights the "TOTAL EXPENSES" field again, which is located under the "SUMMARY OF CASH ON HAND" section. The form also includes sections for "TAXES", "INCOME", and "CASH ON HAND".

The next field we'll review is expenses or, more accurately, cash disbursements.

On the small business report they are referred to as "expenses", which might be a little confusing, but what we're really looking for is cash disbursements.

The same figure is reported in two different areas on page 2 on the small business report. Many people make the mistake of reporting two different expense figures, so make sure both figures are exactly the same, just carry the expense figure down to the cash profit calculation in the area below.

Disbursements

Cash Basis – Pg 1 / Accrual Basis – MOR 3

Monthly Operating Report

CASH BASIS-1

CASE NAME: _____

CASE NUMBER: _____

CASH RECEIPTS AND DISBURSEMENTS	MONTH	MONTH	MONTH	MONTH
1. CASH - BEGINNING OF MONTH	\$ -	\$ -	\$ -	\$ -
RECEIPTS				
2. CASH SALES	\$ -	\$ -	\$ -	\$ -
3. ACCOUNTS RECEIVABLE COLLECTIONS	\$ -	\$ -	\$ -	\$ -
4. LOANS AND ADVANCES	\$ -	\$ -	\$ -	\$ -
5. SALE OF ASSETS	\$ -	\$ -	\$ -	\$ -
6. LEASE & RENTAL INCOME	\$ -	\$ -	\$ -	\$ -
7. WAIVES	\$ -	\$ -	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
9. TOTAL RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
10. NET PAYROLL	\$ -	\$ -	\$ -	\$ -
11. PAYROLL TAXES PAID	\$ -	\$ -	\$ -	\$ -
12. SALES, USE & OTHER TAXES PAID	\$ -	\$ -	\$ -	\$ -
13. INVENTORY PURCHASES	\$ -	\$ -	\$ -	\$ -
14. MORTGAGE PAYMENTS	\$ -	\$ -	\$ -	\$ -
15. OTHER SECURED NOTE PAYMENTS	\$ -	\$ -	\$ -	\$ -
16. RENTAL & LEASE PAYMENTS	\$ -	\$ -	\$ -	\$ -
17. UTILITIES	\$ -	\$ -	\$ -	\$ -
18. INSURANCE	\$ -	\$ -	\$ -	\$ -
19. VEHICLE EXPENSES	\$ -	\$ -	\$ -	\$ -
20. TRAVEL	\$ -	\$ -	\$ -	\$ -
21. ENTERTAINMENT	\$ -	\$ -	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ -	\$ -	\$ -	\$ -
23. SUPPLIES	\$ -	\$ -	\$ -	\$ -
24. ADVERTISING	\$ -	\$ -	\$ -	\$ -
25. HOUSEHOLD EXPENSES	\$ -	\$ -	\$ -	\$ -
26. CHARITABLE CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -
27. GIFTS	\$ -	\$ -	\$ -	\$ -
28. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
29. TOTAL ORDINARY DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
REORGANIZATION EXPENSES				
30. PROFESSIONAL FEES	\$ -	\$ -	\$ -	\$ -
31. U.S. TRUSTEE FEES	\$ -	\$ -	\$ -	\$ -
32. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
33. TOTAL REORGANIZATION EXPENSES	\$ -	\$ -	\$ -	\$ -
34. TOTAL DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
16. CASH - END OF MONTH	\$ -	\$ -	\$ -	\$ -

DISBURSEMENTS
10. NET PAYROLL
11. PAYROLL TAXES PAID
12. SALES, USE & OTHER TAXES PAID
13. INVENTORY PURCHASES
14. MORTGAGE PAYMENTS
15. OTHER SECURED NOTE PAYMENTS
16. RENTAL & LEASE PAYMENTS
17. UTILITIES
18. INSURANCE
19. VEHICLE EXPENSES
20. TRAVEL
21. ENTERTAINMENT
22. REPAIRS & MAINTENANCE
23. SUPPLIES
24. ADVERTISING
25. HOUSEHOLD EXPENSES
26. CHARITABLE CONTRIBUTIONS
27. GIFTS
28. OTHER (ATTACH LIST)
29. TOTAL ORDINARY DISBURSEMENTS
REORGANIZATION EXPENSES
30. PROFESSIONAL FEES
31. U.S. TRUSTEE FEES
32. OTHER (ATTACH LIST)
33. TOTAL REORGANIZATION EXPENSES
34. TOTAL DISBURSEMENTS

On the accrual basis report the cash disbursement section is on page MOR 3 and on the cash basis report it is on page 1 – remember that this page is exactly the same on both reports.

Disbursements

- Cash actually paid
- Cash constructively paid
- All checks issued during the month regardless of whether they have cleared the bank
- Include cash "Balance Sheet" transactions such as capitalized assets or shareholder loans



Include payments that you've actually paid. Do not include accounts payable or invoices that you may have received but have not yet paid. Do not include non-cash expenses such as depreciation.

Also include amounts constructively paid, for example, if a third party is paying your bills on your behalf. Talk with your attorney if you have such a situation, but on the operating reports you would categorize the amounts paid on your behalf appropriately.

Record all check payments made in the current month, even if those checks are still outstanding and have not cleared the bank account.

You'll also want to be sure you include transactions that typically only affect the balance sheet, for example, be sure to include payments made to purchase equipment, owner draws, or shareholder loans.

Disbursements

- Try to use categories provided
- Reorganization expenses include quarterly UST fee payments and payments to professionals (which need approval from the Court – so be sure to discuss these with your attorney)
- Do NOT include transfers between bank accounts of the same debtor (talk with your attorney if you have transfers between different entities)



Try to report the expenses in one of the categories provided on the form, but we realize that it's impossible to create one standard form that will fit the needs of everyone, so feel free to change the expense category or use the "other" category and attach a breakdown of those expenses in categories that make the most sense for your financial activity.

If you have more than one bank account in your name, for example an operating bank account and a payroll bank account, make sure that you do not report transfers between those bank accounts as either a cash receipt or disbursement.

However, if you are transferring cash to another related entity that may or may not also be in bankruptcy, include those transfers as cash disbursements and categorize them appropriately. Make sure you discuss this type of activity with your attorney.

Disbursement Detail

Small Business:

- Attach detailed check register
- Total on attachment must match total expenses on page 2
- Remember to redact all but last 4 digits of bank account number on all attachments!



If you are using the small business report, you will always attach a separate report like a check register that provides this detailed disbursement information and supports the total disbursement figure that is reported on page 2 of the report.

Always remember to redact all but the last four digits of your bank account number on all your attachments!

Net Cash Flow

Small Business – Pg 2

4-750 (04/04) (Form 990) 12/31/2004 Page 2

14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?

15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?

16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?

17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?

18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION (INCLUDING WHEN SUCH RETURNS WILL BE FILED OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT).

(Attach G)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. (SEE U.S. BUREAU OF FINANCIAL SERVICES WEBSITE FOR MORE INFORMATION.)

SUMMARY OF CASH ON HAND

Cash on Hand at Start of Month \$ _____

Cash on Hand at End of Month \$ _____

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU: **TOTAL** \$ _____

(Attach H)

EXPENSES

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE BANK NAME, WHO WAS PAID THE MONEY, THE PURPOSE AND THE AMOUNT. (SEE U.S. BUREAU OF FINANCIAL SERVICES WEBSITE FOR MORE INFORMATION.)

TOTAL EXPENSES \$ _____

(Attach I)

CASH PROFIT

INCOME FOR THE MONTH (SEE LINE 12) \$ _____

EXPENSES FOR THE MONTH (SEE LINE 13) \$ _____

CASH PROFIT FOR THE MONTH \$ _____

CASH PROFIT FOR THE MONTH



Next, let's review the net cash flow. On the small business form, the net cash flow calculation is toward the bottom of page 2.

Net Cash Flow

Cash Basis – Pg 1 / Accrual Basis – MOR 3

MOR for Cash Basis, Form 1
Monthly Operating Report

CASH BASIS-1

	MONTH	MONTH	MONTH	MONTH
CASH RECEIPTS				
1. CASH REC.	\$			
RECEIPTS				
2. CASH SALES	\$			
3. ACCOUNT RECEIVABLE COLLECTIONS	\$			
4. LOANS AND ADVANCES	\$			
5. SALE OF ASSETS	\$			
6. LEASE & RENTAL INCOME	\$	\$	\$	\$
7. WAGES	\$	\$	\$	\$
8. DEPRECIATION EXPENSES	\$	\$	\$	\$
TOTAL RECEIPTS	A	A	A	A
DISBURSEMENTS				
9. NET PAYROLL	\$	\$	\$	\$
10. PAYROLL TAXES PAID	\$	\$	\$	\$
11. SALES USE & OTHER TAXES PAID	\$	\$	\$	\$
12. INVENTORY PURCHASES	\$	\$	\$	\$
13. MORT.	\$	\$	\$	\$
14. OTHER	\$	\$	\$	\$
15. RENT	\$	\$	\$	\$
16. UTILTY	\$	\$	\$	\$
17. INSUR.	\$	\$	\$	\$
18. VEHICLE EXPENSES	\$	\$	\$	\$
19. TRAVEL	\$	\$	\$	\$
20. ENTERTAINMENT	\$	\$	\$	\$
21. REPAIRS & MAINTENANCE	\$	\$	\$	\$
22. SUPPLIES	\$	\$	\$	\$
23. ADVERTISING	\$	\$	\$	\$
24. HOUSEHOLD EXPENSES	\$	\$	\$	\$
25. CHARITABLE CONTRIBUTIONS	\$	\$	\$	\$
26. GIFTS	\$	\$	\$	\$
27. OTHER (ATTACH LIST)	\$	\$	\$	\$
28. TOTAL ORDINARY DISBURSEMENTS	B	B	B	B
REORGANIZATION EXPENSES				
29. PROFESSIONAL FEES	\$	\$	\$	\$
30. U.S. TRUSTEE FEES	\$	\$	\$	\$
31. OTHER (ATTACH LIST)	\$	\$	\$	\$
32. TOTAL DISBURSEMENTS	C	C	C	C
NET CASH FLOW	C	C	C	C
33. NET CASH FLOW	\$	\$	\$	\$
34. NET CASH FLOW MONTH	\$	\$	\$	\$

May not be indicative of profitability

On the accrual basis report the net cash flow calculation is on page MOR 3 and on the cash basis report it is on page 1 – remember that this page is exactly the same on both reports.

The net cash flow is simply the total receipts minus the total disbursements reported on this page. Literally, A minus B should equal C.

Make sure that you do not include the cash at the beginning of the month in this calculation – many people erroneously include beginning cash in the total receipts which results in an incorrect net cash calculation.

Remember that this page is reported on a pure cash basis, so the net cash flow just follows the cash and may not be a true indicator of profitability as we discussed in our example of the Debtor that built the 10 tables.

Projections (Don't Skip!)

Small Business – Pg 4

- Planning tool
- Income - Expenses = Profit
- Compare actual to budget
- Projections for next month

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PROJECTIONS

COMPARE YOUR ACTUAL INCOME AND EXPENSES TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

	Projected	Actual	Difference
INCOME	\$ _____	\$ _____	\$ _____
EXPENSES	\$ _____	\$ _____	\$ _____
CASH PROFIT	\$ _____	\$ _____	\$ _____

TOTAL PROJECTED INCOME FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH: \$ _____

ADDITIONAL INFORMATION

PLEASE ATTACH ALL FINANCIAL REPORTS INCLUDING AN INCOME STATEMENT AND BALANCE SHEET WHICH YOU PREPARE INTERNALLY.

	Projected	Actual	Difference
INCOME	\$ _____	\$ _____	\$ _____
EXPENSES	\$ _____	\$ _____	\$ _____
CASH PROFIT	\$ _____	\$ _____	\$ _____

TOTAL PROJECTED INCOME FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH: \$ _____

TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH: \$ _____

If you are completing the small business operating report, page 4 also asks you to provide projections.

This page should be used as a planning tool to help you anticipate and budget your income and expenses and compare them to the actual activity.

Budgets are very important in a bankruptcy case so your projections should be the budgeted income and expense figures that you provided at the initial debtor interview, in a motion for cash collateral, and/or budgets that you are drafting in preparation of your plan. This page asks you to provide the projections for the next month, which you would use to compare to actual income and expenses in the subsequent months.

Don't make the mistake of skipping this page or not taking it seriously. Again, your primary goal in a Chapter 11 bankruptcy case is to have your plan approved by the Court. Establishing good accounting practices like budgeting skills can help ensure that you emerge successfully from bankruptcy.

Ending Cash

Small Business – Pg 2

Page 2

14. HAVE YOU SOLD ANY ASSET OTHER THAN INVENTORY THIS MONTH?

15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?

16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?

17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?

18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-RETURN TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

(Indicate \$)

INCOME

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. (SEE U.S. DEPT. OF THE TREASURY'S REQUIREMENTS.)

SUMMARY OF CASH ON HAND	
Cash on Hand at Start of Month	\$ _____
Cash on Hand at End of Month	\$ _____
PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU: TOTAL	\$ _____

(Indicate \$)

EXPENSES

EXPENSES FOR THE MONTH (Gross Profit Excludes C)	\$ _____	
(Indicate Line C from Line B)	CASH PROFIT FOR THE MONTH	\$ _____

Cash on Hand at End of Month

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU

Next, let's discuss the ending cash balance.

On the small business form, the ending cash field is located in sort of an illogical spot on page 2 underneath the first income figure.

Ending Cash

Cash Basis - Pg 1 / Accrual Basis – MOR 3

MONTH END CASH BASIS, PART 4
Monthly Operating Report

CASH BASIS-1

CASE NAME: _____
CASE NUMBER: _____

	MONTH	MONTH	MONTH	MONTH
CASH RECEIPTS AND DISBURSEMENTS				
1. CASH - BEGINNING OF MONTH	\$ -	\$ -	\$ -	\$ -
RECEIPTS				
2. CASH SALES	\$ -	\$ -	\$ -	\$ -
3. ACCOUNTS RECEIVABLE COLLECTIONS	\$ -	\$ -	\$ -	\$ -
4. LOANS AND ADVANCES	\$ -	\$ -	\$ -	\$ -
5. SALE OF ASSETS	\$ -	\$ -	\$ -	\$ -
6. LEASE & RENTAL INCOME	\$ -	\$ -	\$ -	\$ -
7. WAGES	\$ -	\$ -	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
9. TOTAL RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
10. NET PAYROLL	\$ -	\$ -	\$ -	\$ -
11. PAYROLL TAXES PAID	\$ -	\$ -	\$ -	\$ -
12. SALES USE & OTHER TAXES PAID	\$ -	\$ -	\$ -	\$ -
13. DIVIDENDS & REBATES PAID	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
15. TOTAL DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
16. CASH - END OF MONTH	\$ -	\$ -	\$ -	\$ -

CASH - END OF MONTH

On the accrual basis report the ending cash field is at the bottom of page MOR 3 and on the cash basis report it is at the bottom of page 1. Again, this page is exactly the same on both reports.

Ending Cash

- Beginning cash + net cash flow
- **MUST BALANCE!**
- May NOT match balance on bank statement
- Rolls to beginning balance of next month

Cash Basis - Pg 1 / Accrual Basis – MOR 3

MONTHLY CASH BASIS, PART 1
Monthly Operating Report

CASH BASIS-1

CASE NAME: _____
CASE NUMBER: _____

	MONTH	MONTH	MONTH	MONTH
CASH RECEIPTS AND DISBURSEMENTS				
1. CASH - BEGINNING OF MONTH	\$ -	\$ -	\$ -	\$ -
RECEIPTS				
2. CASH SALES	\$ -	\$ -	\$ -	\$ -
3. ACCOUNTS RECEIVABLE COLLECTIONS	\$ -	\$ -	\$ -	\$ -
4. LOANS AND ADVANCES	\$ -	\$ -	\$ -	\$ -
5. SALE OF ASSETS	\$ -	\$ -	\$ -	\$ -
6. LEASE & RENTAL INCOME	\$ -	\$ -	\$ -	\$ -
7. WAGES	\$ -	\$ -	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
9. TOTAL RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
10. NET PAYROLL	\$ -	\$ -	\$ -	\$ -
11. PAYROLL TAXES PAID	\$ -	\$ -	\$ -	\$ -
12. SALES USE & OTHER TAXES PAID	\$ -	\$ -	\$ -	\$ -
13. INVENTORY PURCHASES	\$ -	\$ -	\$ -	\$ -
14. MORTGAGE PAYMENTS	\$ -	\$ -	\$ -	\$ -
15. OTHER SECURED NOTE PAYMENTS	\$ -	\$ -	\$ -	\$ -
16. RENTAL & LEASE PAYMENTS	\$ -	\$ -	\$ -	\$ -
17. UTILITIES	\$ -	\$ -	\$ -	\$ -
18. INSURANCE	\$ -	\$ -	\$ -	\$ -
19. VEHICLE EXPENSES	\$ -	\$ -	\$ -	\$ -
20. TRAVEL	\$ -	\$ -	\$ -	\$ -
21. ENTERTAINMENT	\$ -	\$ -	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ -	\$ -	\$ -	\$ -
23. SUPPLIES	\$ -	\$ -	\$ -	\$ -
24. ADVERTISING	\$ -	\$ -	\$ -	\$ -
25. HOUSEHOLD EXPENSES	\$ -	\$ -	\$ -	\$ -
26. CHARITABLE CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -
27. GIFTS	\$ -	\$ -	\$ -	\$ -
28. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
29. TOTAL ORDINARY DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
REORGANIZATION EXPENSES				
30. PROFESSIONAL FEES	\$ -	\$ -	\$ -	\$ -
31. U.S. TRUSTEE FEES	\$ -	\$ -	\$ -	\$ -
32. OTHER (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
33. TOTAL REORGANIZATION EXPENSES	\$ -	\$ -	\$ -	\$ -
34. TOTAL DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
35. NET CASH FLOW	\$ -	\$ -	\$ -	\$ -
36. CASH - END OF MONTH	\$ -	\$ -	\$ -	\$ -

The ending cash balance is simply the beginning cash reported plus the net cash flow for the month – and it must balance to ensure that all cash has been accounted for.

We'll review some common balance issues in the next slide. Because you include all disbursements that were issued that month regardless of whether they cleared the bank, note that the ending cash balance may include outstanding checks and will not necessarily match the ending cash balance on your bank statements. Differences between the ending cash balance on this page and the ending cash balance on the bank statements are reconciled on the bank reconciliation page.

The ending balance for the current month will roll forward and become the beginning cash balance on the following month.

The small business and post-confirmation reports include information for just a single period, so you need to make sure you pull the previous report and use that ending cash figure. The layout of the cash basis and accrual basis reports has columns for 3 or 4 months, so you want to be the sure the ending cash balances for the previous month are carried forward to the beginning cash balances for the next month.

The beginning cash on the current month's report must match the ending cash balance on the prior month's report!

Balancing Issues

- Incorrect beginning cash balance
- Footing, i.e. is the math right?
- Prepetition activity
- Including accrual or noncash transactions



Although the information reported on the cash receipts and disbursement pages may seem simple, “balancing” errors are some of the most common that we will see on an operating report. When confronted with a balancing issue – it’s important to take a step back and try not to overthink it. You are simply tracking the cash you had on hand at the time of the bankruptcy, the cash you’ve received since then, the cash you’ve spent, and how much cash you have at the end of the month. When in doubt – just follow the cash. Balancing issues can be indicative of serious problems because it means that not all cash is accounted for, and cash that turns up missing in your operating report is a huge red flag.

When troubleshooting a balancing issue, make sure you’ve started with the correct beginning cash balance. Remember that on the very first operating report, the beginning cash is whatever cash was sitting in the bank account at the time of filing and that you don’t deduct pre-petition outstanding checks. In all subsequent operating reports, the beginning cash balance is simply the ending cash balance from the previous report that has been carried forward. The ending cash balance reported on the previous month’s report must match the beginning cash balance reported on the current month’s report to ensure that all cash has been accounted for.

Double check to make sure the report foots, in other words, break out the calculator and make sure your math is right.

If you have any pre-petition activity, for example, you allowed outstanding pre-petition checks to clear your bank account post-petition, you need to make sure that you include those payments in the current month’s cash disbursements even if they were issued months before.

This report just follows cash – so double check to make sure that you have not included any accrual or non-cash transactions such as accounts payable or depreciation.

Balancing Issues

- Not including cash balance sheet transactions
- Prior period adjustments (may require an amendment – talk with your attorney)
- Using bank instead of book balances

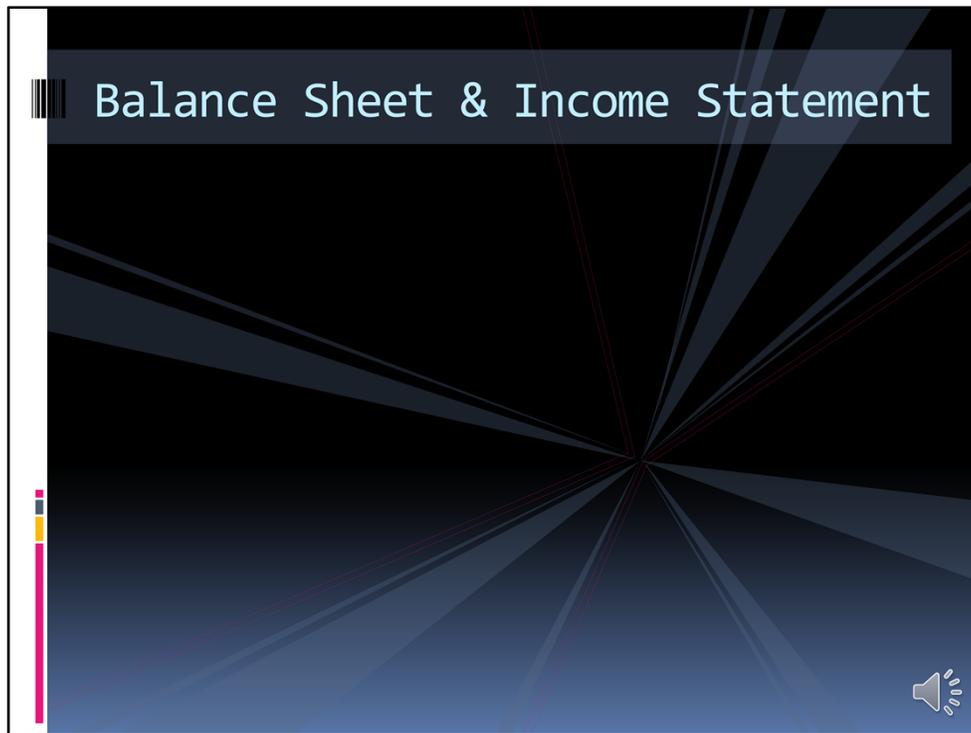
Don't overthink it – follow the cash!!



Make sure that you do include any transactions that are traditionally balance sheet transactions and don't show up on the income statement, such as owner draws or capitalized assets.

Prior period adjustments, such as voiding checks in a prior period, will also cause balancing issues. To make prior period adjustments you must file an amended operating report. You cannot make adjustments for previous months by simply changing the historical months reflected on the current month's report. Be sure to discuss any amendments with your attorney.

Another common problem is the Debtor reporting the ending cash balance reflected on the bank statements instead of the ending cash balance reflected on their checkbook. Again, if you wrote the check this month you need to include it as a disbursement in this month, regardless of whether it has cleared the bank account. Differences between your book balance and the bank balance are reconciled on the bank reconciliation form.



That concludes the cash receipts and disbursement reports, let's move on now to the balance sheet and income statement reports.

Comparative Balance Sheet

Accrual Basis – MOR 1

**SCHEDULE
AMOUNT**

- Refers to bankruptcy schedules
- Fair Market Value (FMV)
- Reference point:
Figures will not change from month to month

Monthly Operating Report
ACCURAL BASIS 1

COMPARATIVE BALANCE SHEET		MONTH	MONTH	MONTH
ASSETS	SCHEDULE AMOUNT			
1. RECEIVABLES				
2. INVENTORY				
3. PREPAID EXPENSES				
4. OTHER ASSETS				
5. TOTAL ASSETS				
LIABILITIES				
6. ACCOUNTS PAYABLE				
7. ACCRUALS				
8. OTHER LIABILITIES				
9. TOTAL LIABILITIES				
EQUITY				
10. EQUITY				
11. TOTAL EQUITY				

The accrual basis report has a “Comparative Balance Sheet” on page MOR 1. If you are using the accrual basis report, it is assumed that you are familiar with the accrual method of accounting so we won’t spend much time on this page, but note that the column with the title “Schedule Amount” is referring to the amounts that you reported on your bankruptcy schedules which would have been the fair market value of the assets as of the date of filing. The figures in the “Schedule Amount” column are a reference point and will not change from month to month.

Comparative Balance Sheet

Accrual Basis – MOR 1

	MONTH	MONTH	MONTH
ASSETS			
POSTPETITION LIABILITIES			
PREPETITION LIABILITIES			
EQUITY			

	MONTH	MONTH	MONTH
ASSETS			
POSTPETITION LIABILITIES			
PREPETITION LIABILITIES			
EQUITY			

- Cost or Book Value
- Include non-cash items (depreciation, AR, AP, etc.)

In the current month’s column, report the book values at the end of each month for your assets, liabilities, and equity. Remember that you used the fair market value for the assets on your bankruptcy schedules but the values used in your books will typically be historical costs, so we expect there to be differences between the amounts you report in the “month” columns and the amount reported in the “Schedules” column.

Also note that you must break out your liabilities into the categories of pre-petition and post-petition. On this page you do want to include non-cash and accrual items such as accumulated depreciation or accounts payable and receivable.

Comparative Balance Sheet

Accrual Basis – MOR 1

- Cash is Cash!
Total cash must = ending cash on page 3

TOTAL CASH

- Balance Sheet must actually balance!

TOTAL ASSETS

=

TOTAL LIABILITIES & OWNERS' EQUITY

Monthly Operating Report
ACCRUAL BASIS 1

CASE NAME: _____
CASE NUMBER: _____

COMPARATIVE BALANCE SHEET

ASSETS	12/31/19	12/31/20	12/31/21	12/31/22
CASH				
RECEIVABLES				
INVENTORY				
PROPERTY, PLANT & EQUIPMENT				
ACCUMULATED DEPRECIATION				
DEFERRED INCOME TAXES				
PREPAID EXPENSES				
OTHER ASSETS				
TOTAL ASSETS				
LIABILITIES				
ACCOUNTS PAYABLE				
DEFERRED INCOME TAXES				
DEFERRED CONTRIBUTIONS				
DEFERRED REVENUE				
DEFERRED EXPENSES				
OTHER LIABILITIES				
TOTAL LIABILITIES				
EQUITY				
CONTRIBUTED CAPITAL				
RETAINED EARNINGS				
ACCUMULATED OTHER COMPREHENSIVE INCOME				
TOTAL EQUITY				
TOTAL LIABILITIES & EQUITY				



Remember that cash is always going to be cash no matter what accounting method is used, so make sure that the cash asset reported on this page matches the ending cash balance on MOR 3.

Make sure that your balance sheet balances, too. Your total assets must equal the total liabilities plus total equity.

Assets of the Estate

Cash Basis – Pg 3

**SCHEDULE
AMOUNT**

- Refers to bankruptcy schedules
- Fair Market Value (FMV)
- Figures will not change
- Follows order & numbers in schedules

The screenshot shows a table with columns for 'SCHEDULE "A" REAL PROPERTY' and 'SCHEDULE "B" PERSONAL PROPERTY'. The table lists various asset categories and their values. A callout box labeled 'SCHEDULE "A" REAL PROPERTY' points to the first column, and another callout box labeled 'SCHEDULE "B" PERSONAL PROPERTY' points to the second column. Below the table, there is a list of asset categories:

1. CASH ON HAND
2. CHECKING, SAVINGS, ETC.
3. SECURITY DEPOSITS
4. HOUSEHOLD GOODS
5. BOOKS, PICTURES, ART

The cash basis report doesn't have a balance sheet page, but it does have a page for the assets of the estate and another one for the liabilities of the estate.

"Assets of the Estate" are reported on page 3 of the cash basis report. The column with the title "Schedule Amount" is referring to the asset amounts that you reported on your bankruptcy schedules and the asset categories are further broken down into Schedule A (for real property assets) and Schedule B (for personal property assets), which mirror the actual format and numbering scheme used in your bankruptcy schedules. The figures in the "Schedule Amount" column are a reference point and will not change from month to month.

Assets of the Estate

Cash Basis – Pg 3

- Cash is Cash! Total cash for current month must = ending cash on page 1

**CASH ON HAND
CHECKING, SAVINGS, ETC.**

- Use Fair Market Value (FMV)

NOTE: For Cash Basis, Form 3
Monthly Operating Report

CASH BASIS 3

DEBT NAME: _____
DEBT NUMBER: _____

ASSETS OF THE ESTATE

SCHEDULE "A" REAL PROPERTY	PREVIOUS MONTH	CURRENT MONTH	PREVIOUS MONTH	CURRENT MONTH
1. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
2. CASH ON HAND	\$	\$	\$	\$
3. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
4. INVESTMENT ACCOUNTS	\$	\$	\$	\$
5. IRAS	\$	\$	\$	\$
6. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
7. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
8. CASH ON HAND	\$	\$	\$	\$
9. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
10. INVESTMENT ACCOUNTS	\$	\$	\$	\$
11. IRAS	\$	\$	\$	\$
12. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
13. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
14. CASH ON HAND	\$	\$	\$	\$
15. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
16. INVESTMENT ACCOUNTS	\$	\$	\$	\$
17. IRAS	\$	\$	\$	\$
18. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
19. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
20. CASH ON HAND	\$	\$	\$	\$
21. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
22. INVESTMENT ACCOUNTS	\$	\$	\$	\$
23. IRAS	\$	\$	\$	\$
24. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
25. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
26. CASH ON HAND	\$	\$	\$	\$
27. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
28. INVESTMENT ACCOUNTS	\$	\$	\$	\$
29. IRAS	\$	\$	\$	\$
30. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
31. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
32. CASH ON HAND	\$	\$	\$	\$
33. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
34. INVESTMENT ACCOUNTS	\$	\$	\$	\$
35. IRAS	\$	\$	\$	\$
36. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
37. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
38. CASH ON HAND	\$	\$	\$	\$
39. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
40. INVESTMENT ACCOUNTS	\$	\$	\$	\$
41. IRAS	\$	\$	\$	\$
42. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
43. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
44. CASH ON HAND	\$	\$	\$	\$
45. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
46. INVESTMENT ACCOUNTS	\$	\$	\$	\$
47. IRAS	\$	\$	\$	\$
48. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
49. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
50. CASH ON HAND	\$	\$	\$	\$
51. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
52. INVESTMENT ACCOUNTS	\$	\$	\$	\$
53. IRAS	\$	\$	\$	\$
54. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
55. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
56. CASH ON HAND	\$	\$	\$	\$
57. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
58. INVESTMENT ACCOUNTS	\$	\$	\$	\$
59. IRAS	\$	\$	\$	\$
60. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
61. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
62. CASH ON HAND	\$	\$	\$	\$
63. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
64. INVESTMENT ACCOUNTS	\$	\$	\$	\$
65. IRAS	\$	\$	\$	\$
66. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
67. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
68. CASH ON HAND	\$	\$	\$	\$
69. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
70. INVESTMENT ACCOUNTS	\$	\$	\$	\$
71. IRAS	\$	\$	\$	\$
72. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
73. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
74. CASH ON HAND	\$	\$	\$	\$
75. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
76. INVESTMENT ACCOUNTS	\$	\$	\$	\$
77. IRAS	\$	\$	\$	\$
78. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
79. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
80. CASH ON HAND	\$	\$	\$	\$
81. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
82. INVESTMENT ACCOUNTS	\$	\$	\$	\$
83. IRAS	\$	\$	\$	\$
84. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
85. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
86. CASH ON HAND	\$	\$	\$	\$
87. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
88. INVESTMENT ACCOUNTS	\$	\$	\$	\$
89. IRAS	\$	\$	\$	\$
90. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
91. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
92. CASH ON HAND	\$	\$	\$	\$
93. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
94. INVESTMENT ACCOUNTS	\$	\$	\$	\$
95. IRAS	\$	\$	\$	\$
96. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
97. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
98. CASH ON HAND	\$	\$	\$	\$
99. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
100. INVESTMENT ACCOUNTS	\$	\$	\$	\$
101. IRAS	\$	\$	\$	\$
102. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
103. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
104. CASH ON HAND	\$	\$	\$	\$
105. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
106. INVESTMENT ACCOUNTS	\$	\$	\$	\$
107. IRAS	\$	\$	\$	\$
108. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
109. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
110. CASH ON HAND	\$	\$	\$	\$
111. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
112. INVESTMENT ACCOUNTS	\$	\$	\$	\$
113. IRAS	\$	\$	\$	\$
114. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
115. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
116. CASH ON HAND	\$	\$	\$	\$
117. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
118. INVESTMENT ACCOUNTS	\$	\$	\$	\$
119. IRAS	\$	\$	\$	\$
120. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
121. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
122. CASH ON HAND	\$	\$	\$	\$
123. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
124. INVESTMENT ACCOUNTS	\$	\$	\$	\$
125. IRAS	\$	\$	\$	\$
126. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
127. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
128. CASH ON HAND	\$	\$	\$	\$
129. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
130. INVESTMENT ACCOUNTS	\$	\$	\$	\$
131. IRAS	\$	\$	\$	\$
132. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
133. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
134. CASH ON HAND	\$	\$	\$	\$
135. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
136. INVESTMENT ACCOUNTS	\$	\$	\$	\$
137. IRAS	\$	\$	\$	\$
138. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
139. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
140. CASH ON HAND	\$	\$	\$	\$
141. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
142. INVESTMENT ACCOUNTS	\$	\$	\$	\$
143. IRAS	\$	\$	\$	\$
144. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
145. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
146. CASH ON HAND	\$	\$	\$	\$
147. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
148. INVESTMENT ACCOUNTS	\$	\$	\$	\$
149. IRAS	\$	\$	\$	\$
150. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
151. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
152. CASH ON HAND	\$	\$	\$	\$
153. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
154. INVESTMENT ACCOUNTS	\$	\$	\$	\$
155. IRAS	\$	\$	\$	\$
156. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
157. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
158. CASH ON HAND	\$	\$	\$	\$
159. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
160. INVESTMENT ACCOUNTS	\$	\$	\$	\$
161. IRAS	\$	\$	\$	\$
162. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
163. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
164. CASH ON HAND	\$	\$	\$	\$
165. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
166. INVESTMENT ACCOUNTS	\$	\$	\$	\$
167. IRAS	\$	\$	\$	\$
168. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
169. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
170. CASH ON HAND	\$	\$	\$	\$
171. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
172. INVESTMENT ACCOUNTS	\$	\$	\$	\$
173. IRAS	\$	\$	\$	\$
174. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
175. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
176. CASH ON HAND	\$	\$	\$	\$
177. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
178. INVESTMENT ACCOUNTS	\$	\$	\$	\$
179. IRAS	\$	\$	\$	\$
180. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
181. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
182. CASH ON HAND	\$	\$	\$	\$
183. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
184. INVESTMENT ACCOUNTS	\$	\$	\$	\$
185. IRAS	\$	\$	\$	\$
186. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
187. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
188. CASH ON HAND	\$	\$	\$	\$
189. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
190. INVESTMENT ACCOUNTS	\$	\$	\$	\$
191. IRAS	\$	\$	\$	\$
192. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
193. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
194. CASH ON HAND	\$	\$	\$	\$
195. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
196. INVESTMENT ACCOUNTS	\$	\$	\$	\$
197. IRAS	\$	\$	\$	\$
198. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
199. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$
200. CASH ON HAND	\$	\$	\$	\$
201. CHECKING, SAVINGS, ETC.	\$	\$	\$	\$
202. INVESTMENT ACCOUNTS	\$	\$	\$	\$
203. IRAS	\$	\$	\$	\$
204. OTHER FINANCIAL ASSETS	\$	\$	\$	\$
205. TOTAL REAL PROPERTY ASSETS	\$	\$	\$	\$



In the current month's column, report the current fair market value for the assets as you did on your bankruptcy schedules. We review this page to look for shifts in the value of the assets to see if assets are being sold or are being devalued for another reason.

Make sure that the cash asset reported on this page matches the ending cash balance on page 1.

Liabilities of the Estate

Cash Basis – Pg 4

**SCHEDULE
AMOUNT**

- Refers to bankruptcy schedules
- Reference point:
Figures will not change from month to month

MOR for Cash Basis, Form 4
Monthly Operating Report

CASH BASIS 4

LAST NAME: _____
FIC# NUMBER: _____
MONTH: _____

MONTHS OF THE YEAR	PROFESSION LIABILITIES	SCHEDULE AMOUNT	NUMBER
1. SECURED	\$ -	\$ -	-
2. UNSECURED	\$ -	\$ -	-
3. OTHER ATTACH LIST	\$ -	\$ -	-
4. TOTAL PROFESSION LIABILITIES	\$ -	\$ -	-

PROFESSION LIABILITIES	DATE INCURRED	AMOUNT DUE	DATE DUE	AMOUNT PAID/DUE
1. FEDERAL INCOME TAXES	\$ -	\$ -	\$ -	\$ -
2. FEDERAL TAX	\$ -	\$ -	\$ -	\$ -
3. STATE TAXES	\$ -	\$ -	\$ -	\$ -
4. STATE TAXES	\$ -	\$ -	\$ -	\$ -
5. OTHER TAXES (ATTACH LIST)	\$ -	\$ -	\$ -	\$ -
6. TOTAL TAXES	\$ -	\$ -	\$ -	\$ -
TOTAL PROFESSION LIABILITIES INCLUDING TAXES (DEBITORS) (LIST NUMBER OF DEBITORS)	\$ -	\$ -	\$ -	\$ -
1	\$ -	\$ -	\$ -	\$ -
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100	\$ -	\$ -	\$ -	\$ -
TOTAL OF ADDITIONAL ATTACH LIST	\$ -	\$ -	\$ -	\$ -
TOTAL OF PART 2	\$ -	\$ -	\$ -	\$ -
TOTAL PROFESSION LIABILITIES	\$ -	\$ -	\$ -	\$ -

“Liabilities of the Estate” are reported on page 4 of the cash basis report.

Again, the column with the title “Schedule Amount” is referring to the liability amounts that you reported on your bankruptcy schedules. The figures in the “Schedule Amount” column are a reference point and will not change from month to month.

Liabilities of the Estate

Cash Basis – Pg 4

**PREPETITION
LIABILITIES**

**POSTPETITION
LIABILITIES**

- Bills NOT yet been paid
- Liabilities are broken into pre-petition and post-petition

MOR for Cash Basis, Form 4
Monthly Operating Report

CASH BASIS 4

MONTH: _____

LAST NAME: _____
LAST NUMBER: _____

LIABILITIES OF THE ESTATE

PREPETITION LIABILITIES		AMOUNT	NUMBER
1. SECURED	\$	-	-
2. UNSECURED	\$	-	-
3. SECURITIES	\$	-	-
4. UNSECURED	\$	-	-
5. OTHER ATTACH LIST	\$	-	-
6. TOTAL PREPETITION LIABILITIES	\$	-	-

POSTPETITION LIABILITIES	DATE INCURRED	AMOUNT		DUE DATE	AMOUNT PAID/DUE
		DEBIT	CREDIT		
1		\$	-		\$
2		\$	-		\$
3		\$	-		\$
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326		\$	-		\$
32					

Unpaid Bills / Money Owed to You

Small Business – Pg 3

- Bills NOT yet been paid

UNPAID BILLS

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT AND WHEN THE DEBT IS DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

(Exhibit D)

TOTAL PAYABLES \$ _____

- Money that is owed to you that has NOT been paid

MONEY OWED TO YOU

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED AND WHEN IS PAYMENT DUE. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

(Exhibit E)

TOTAL RECEIVABLES \$ _____

- Remember to attach Exhibits D & E with detail!!

BANKING INFORMATION

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT OR HAD DURING THE PERIOD COVERED BY THIS REPORT.

TOTAL PROFESSIONAL FEES NOT RELATIVE TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? _____

There is no balance sheet or asset or liability page that you need to complete on the small business report, but page 3 of the report does ask you to provide a total for any unpaid bills, aka accounts payable, and a total for any money owed to you that has not been paid, aka accounts receivable, as of the end of the month.

You must also attach detailed reports that support these figures and provide additional information such as who you owe or who owes you, the amounts owed, and the date the transaction occurred.

Income Statement

Accrual Basis – MOR2

REVENUES	
1.	GROSS REVENUES
2.	LESS: RETURNS & DISCOUNTS
3.	NET REVENUE

COST OF GOODS SOLD	
4.	MATERIAL
5.	DIRECT LABOR
6.	DIRECT OVERHEAD
7.	TOTAL COST OF GOODS SOLD

8.	GROSS PROFIT
----	--------------

Monthly Operating Report
ACCRUAL BASIS 2

CASE NAME: _____
CAGE NUMBER: _____

INCOME STATEMENT	MONTH	MONTH	MONTH	MONTH
REVENUES				
1. GROSS REVENUES				
2. LESS: RETURNS & DISCOUNTS	\$0	\$0	\$0	\$0
3. NET REVENUE				
COST OF GOODS SOLD				
4. MATERIAL	\$0	\$0	\$0	\$0
5. DIRECT LABOR	\$0	\$0	\$0	\$0
6. DIRECT OVERHEAD	\$0	\$0	\$0	\$0
7. TOTAL COST OF GOODS SOLD	\$0	\$0	\$0	\$0
8. GROSS PROFIT	\$0	\$0	\$0	\$0
9. GROSS PROFIT PER UNIT				
10. GROSS PROFIT PER HOUR				
11. GROSS PROFIT PER SQUARE FOOT				
12. GROSS PROFIT PER CUBIC FOOT				
13. GROSS PROFIT PER TON				
14. GROSS PROFIT PER GALLON				
15. GROSS PROFIT PER POUND				
16. GROSS PROFIT PER KILOGRAM				
17. GROSS PROFIT PER METRIC TON				
18. GROSS PROFIT PER SHORT TON				
19. GROSS PROFIT PER LONG TON				
20. GROSS PROFIT PER HECTARE				
21. GROSS PROFIT PER SQUARE METER				
22. GROSS PROFIT PER CUBIC METER				
23. GROSS PROFIT PER CUBIC CENTIMETER				
24. GROSS PROFIT PER LITER				
25. GROSS PROFIT PER KILOGRAM				
26. GROSS PROFIT PER METRIC TON				
27. GROSS PROFIT PER SHORT TON				
28. GROSS PROFIT PER LONG TON				
29. GROSS PROFIT PER HECTARE				
30. GROSS PROFIT PER SQUARE METER				
31. GROSS PROFIT PER CUBIC METER				
32. GROSS PROFIT PER CUBIC CENTIMETER				
33. GROSS PROFIT PER LITER				
34. GROSS PROFIT PER KILOGRAM				
35. GROSS PROFIT PER METRIC TON				
36. GROSS PROFIT PER SHORT TON				
37. GROSS PROFIT PER LONG TON				

The accrual basis report asks for an income statement on page MOR 2. Again, if you are reporting on the accrual basis report we are assuming you are familiar with the accrual method, so we won't spend much time on this page, but you'll report revenues and subtract the cost of goods sold to arrive at the gross profit.

Income Statement

Accrual Basis – MOR2

8. GROSS PROFIT

=

- OPERATING EXPENSES**
- 9. OFFICER / INSIDER COMPENSATION
 - 10. SELLING & MARKETING
 - 11. GENERAL & ADMINISTRATIVE
 - 12. RENT & LEASE
 - 13. OTHER (ATTACH LIST)
 - 14. TOTAL OPERATING EXPENSES

=

15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE

Monthly Operating Report				
CASE NAME:		ACCRUAL BASIS 2		
CASE NUMBER:				
INCOME STATEMENT				
	MONTH	MONTH	MONTH	MONTH
REVENUE				
1. SALES REVENUE & DISCOUNTS				
2. NET REVENUE	\$0	\$0	\$0	\$0
EXPENSES				
3. COST OF GOODS SOLD				
4. DEPRECIATION	\$0	\$0	\$0	\$0
5. OTHER EXPENSES	\$0	\$0	\$0	\$0
OPERATING EXPENSES				
6. OFFICER / INSIDER COMPENSATION				
7. SELLING & MARKETING				
8. GENERAL & ADMINISTRATIVE				
9. RENT & LEASE				
10. OTHER ATTACH LIST				
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0
INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$0	\$0	\$0	\$0
NON-OPERATING INCOME & EXPENSE				
11. GAIN ON SALE OF ASSETS				
12. LOSS ON SALE OF ASSETS				
13. INTEREST INCOME				
14. OTHER INCOME				
TOTAL NON-OPERATING INCOME & EXPENSE	\$0	\$0	\$0	\$0
NET INCOME	\$0	\$0	\$0	\$0
15. NET INCOME	\$0	\$0	\$0	\$0
16. OTHER INCOME				
17. OTHER EXPENSES				
18. OTHER INCOME	\$0	\$0	\$0	\$0
19. OTHER EXPENSES				
20. OTHER INCOME	\$0	\$0	\$0	\$0
21. OTHER EXPENSES				



From the gross profit, you'll then subtract operating expenses to arrive at the income before non-operating income and expenses.

Income Statement

Accrual Basis – MOR2

15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE

OTHER INCOME & EXPENSES

16. NON-OPERATING INCOME (ATT. LIST)

17. NON-OPERATING EXPENSE (ATT. LIST)

18. INTEREST EXPENSE

19. DEPRECIATION / DEPLETION

20. AMORTIZATION

21. OTHER (ATTACH LIST)

22. NET OTHER INCOME & EXPENSES

REORGANIZATION EXPENSES

23. PROFESSIONAL FEES

24. U.S. TRUSTEE FEES

25. OTHER (ATTACH LIST)

26. TOTAL REORGANIZATION EXPENSES

27. INCOME TAX

28. NET PROFIT (LOSS)

Monthly Operating Report				
ACCRUAL BASIS 2				
CASE NAME:				
CASE NUMBER:				
INCOME STATEMENT				
	MONTH	MONTH	MONTH	MONTH
REVENUE				
1. GROSS REVENUE				
2. NET REVENUE				
EXPENSES				
3. INTEREST EXPENSE				
4. DEPRECIATION / DEPLETION				
5. AMORTIZATION				
6. OTHER (ATTACH LIST)				
7. NET OTHER INCOME & EXPENSES				
REORGANIZATION EXPENSES				
8. PROFESSIONAL FEES				
9. U.S. TRUSTEE FEES				
10. OTHER (ATTACH LIST)				
11. TOTAL REORGANIZATION EXPENSES				
INCOME TAX				
12. INCOME TAX				
NET PROFIT (LOSS)				

From the income before non-operating income and expenses amount, you'll add or deduct other income and expense items, and then deduct what we call "reorganization expenses", which are fees related to the administration of the bankruptcy case such as your attorney fees or the quarterly UST fees, to arrive at the net profit or loss.

Income Statement

- Include non-cash items such as depreciation, etc.
- Remember to separate Reorganization Expenses (professionals, UST fees, etc)
- Remember that professional fees may need Court approval – so talk with your attorney if you have them
- Net Profit/Loss \neq Net Cash Flow

Accrual Basis – MOR2

Monthly Operating Report
ACCRUAL BASIS 2

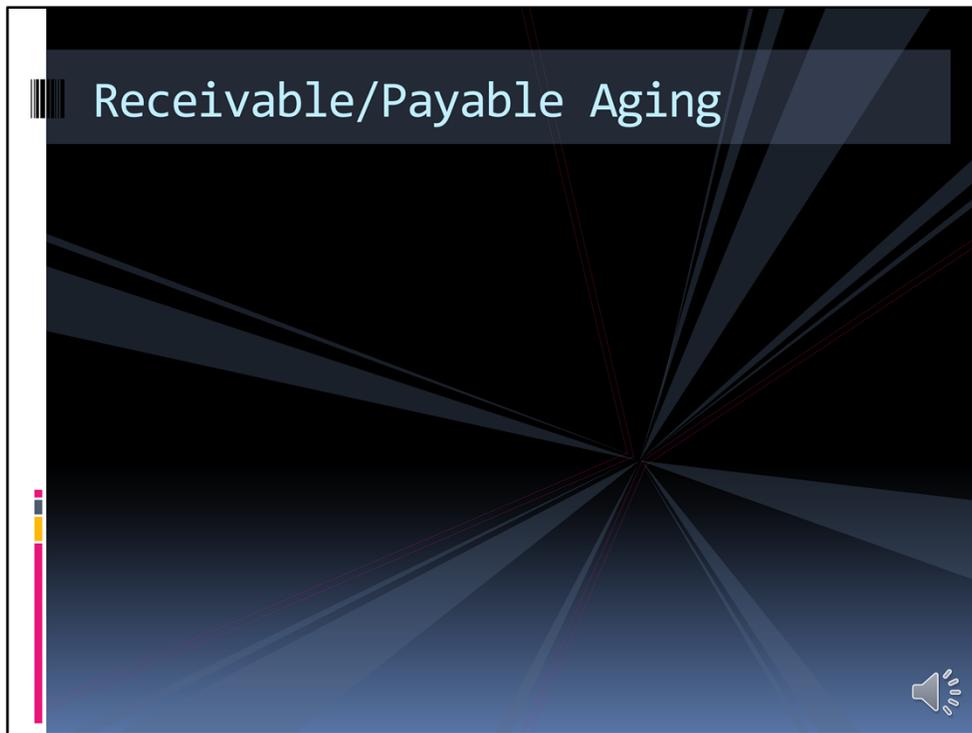
CASE NAME: _____
CASE NUMBER: _____

INCOME STATEMENT	MONTH	MONTH	MONTH	MONTH
REVENUES				
1. REVENUES				
2. NET REVENUES & EXPENSES				
3. NET PROFIT	\$0	\$0	\$0	\$0
EXPENSES				
4. REVENUES				
5. COST OF GOODS SOLD				
6. COST OF SALES				
7. COST OF SALES	\$0	\$0	\$0	\$0
8. COST OF SALES	\$0	\$0	\$0	\$0
REORGANIZATION EXPENSES				
9. REORGANIZATION EXPENSES				
10. REORGANIZATION EXPENSES				
11. REORGANIZATION EXPENSES				
12. REORGANIZATION EXPENSES	\$0	\$0	\$0	\$0
13. REORGANIZATION EXPENSES	\$0	\$0	\$0	\$0
NET PROFIT & EXPENSES				
14. NET PROFIT & EXPENSES				
15. NET PROFIT & EXPENSES				
16. NET PROFIT & EXPENSES				
17. NET PROFIT & EXPENSES	\$0	\$0	\$0	\$0
18. NET PROFIT & EXPENSES	\$0	\$0	\$0	\$0
REORGANIZATION EXPENSES				
19. REORGANIZATION EXPENSES				
20. REORGANIZATION EXPENSES				
21. REORGANIZATION EXPENSES	\$0	\$0	\$0	\$0
22. REORGANIZATION EXPENSES	\$0	\$0	\$0	\$0

Remember that this page is reported on an accrual basis, so non-cash expenses such as depreciation and revenues that are earned, but not necessarily received, and expenses that have been incurred, but not necessarily paid, should be included in this report.

Remember that reorganization expenses are tracked separately on this form and that some payment, such as those to professionals, requires Court approval – so make sure you talk with your attorney before making these payments.

Also, as we discussed in our example of the Debtor that built the 10 tables, keep in mind that the net profit calculated here on the accrual basis is going to be different than the net cash flow calculated on page MOR 3 using the cash basis. The differences are simply the result of timing and when the income and expenses are recognized.



Let's move on now to the receivable and payable aging report.

Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

The image shows a portion of a bankruptcy schedule. A callout box labeled 'SCHEDULE AMOUNT' points to the columns in the 'ACCOUNTS RECEIVABLE AGING' table. The table has columns for 'AMOUNT', 'PERCENTAGE', 'TOTAL', 'NET', 'GROSS', and 'TOTAL'. The rows are categorized by aging periods: 1. 0-30, 2. 31-60, 3. 61-90, 4. 91+, 5. TOTAL ACCOUNTS RECEIVABLE, 6. AMOUNT CONSIDERED UNCOLLECTIBLE, and 7. ACCOUNTS RECEIVABLE (NET).

- Refers to bankruptcy schedules
- Reference point: Figures will not change from month to month
- Breaks out total receivables by how old they are
- If accrual basis - must match figures reported on page MOR 1



Both the cash basis and accrual basis operating reports have a receivable and payable aging report, even though these are accrual basis concepts. The report is exactly the same in both reports and is on page MOR 4 on the accrual report and page 4A on the cash basis report.

The columns with the title “Schedule Amount” are referring to the amounts that you reported on your bankruptcy schedules. The figures in the “Schedule Amount” columns are reference points and will not change from month to month.

The top section of this page asks you to report your aged receivables, in other words, break down the amounts that are owed to you by how old those invoices are. The older an accounts receivable balance is, the less likely it will be collected, so the aging is important. The total accounts receivable in this section must match the total accounts receivable that you reported on the other pages of the report.

Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

Monthly Operating Report					
ACCRUAL BASIS					
FIRM NAME:					
FIRM NUMBER:					
ACCUMULATED RECEIVABLES	AMOUNT	PERCENT	PERCENT	PERCENT	
1. A/R					
2. A/R					
3. A/R					
4. A/R					
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277. A/R					

Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

Monthly Operating Report
ACCRUAL BASIS 4

FORM NAME: _____
FORM NUMBER: _____

ACCOUNTS RECEIVABLE AGING

	OVERDUE	30 DAYS	60 DAYS	90 DAYS	TOTAL
1. PREPARED					
2. OTHER					
3. TOTAL					
4. TOTAL RECEIVABLE AGING					
5. TOTAL RECEIVABLE AGING					
6. TOTAL RECEIVABLE AGING					

STATE OF INDEBTMENT TAXES AND PAYABLES

	NEW	30 DAYS	60 DAYS	90 DAYS	TOTAL
1. PREPARED					
2. OTHER					
3. TOTAL					
4. TOTAL STATE PAYABLES					
5. TOTAL STATE PAYABLES					

STATE OF INDEBTMENT TAXES

	PREPARED	OTHER	TOTAL	PREPARED	OTHER	TOTAL
1. PREPARED						
2. OTHER						
3. TOTAL						
4. TOTAL STATE TAXES						
5. TOTAL STATE TAXES						

6. ACCOUNTS PAYABLE

	NEW	30 DAYS	60 DAYS	90 DAYS	TOTAL
1. PREPARED					
2. OTHER					
3. TOTAL					
4. TOTAL ACCOUNTS PAYABLE					
5. TOTAL ACCOUNTS PAYABLE					

- Breaks out post-petition accounts payable by how old they are

The next section of this page can get kind of lost because it's only one line – but it asks you to report your aged post-petition accounts payable. In other words, break down all the post-petition debts you owe other than taxes by how old those debts are. Make sure that you do not include pre-petition debts in this section.

If you add the total aged accounts payable in this section to the total post-petition taxes in the previous section, it must equal the total post-petition liabilities you reported on the other pages of the report.

Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

The image shows the top portion of a tax form. The top section is titled 'MONTHLY OPERATING REPORT' and includes fields for 'CASE NAME' and 'CASE NUMBER'. Below this is a table with columns for 'PROPERTY', 'MORTG', 'MORTG', and 'MORTG'. The second section is titled 'STATE OF POSTPETITION TAXES' and includes a table with columns for 'FEDERAL', 'STATE AND LOCAL', and 'TOTAL TAXES'.

- Breaks out post-petition taxes payable by type of tax
- Total on line #5 must match ending tax liability total on line #16

STATE OF POSTPETITION TAXES	MONTH:			
	BEGINNING TAX LIABILITY*	AMOUNTS WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL				
1. WITHHOLDING**				
2. FICA-EMPLOYER**				
3. FICA-EMPLOYEE**				
4. UNEMPLOYMENT				
5. INCOME				
6. OTHER (ATTACH LIST)				
7. TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0
STATE AND LOCAL				
8. WITHHOLDING				
9. SALES				
10. EXCISE				
11. UNEMPLOYMENT				
12. REAL PROPERTY				
13. PERSONAL PROPERTY				
14. OTHER (ATTACH LIST)				
15. TOTAL STATE & LOCAL	\$0	\$0	\$0	\$0
16. TOTAL TAXES	\$0	\$0	\$0	\$0

- Running total

The section at the bottom of this page asks you to report the same post-petition taxes that you reported in the previous section by the type of tax.

You also report any current tax payments here and carry the unpaid tax balance from the previous month forward so that we always have a running total of taxes owed and the type of tax owed.

The total post-petition tax taxes reported as owed on line #16 in this section must equal what you reported on line #5 in the previous section on this page.

Receivable/Payable Aging

Accrual Basis – MOR 4 / Cash Basis – Pg 4A

Figures must be consistent!

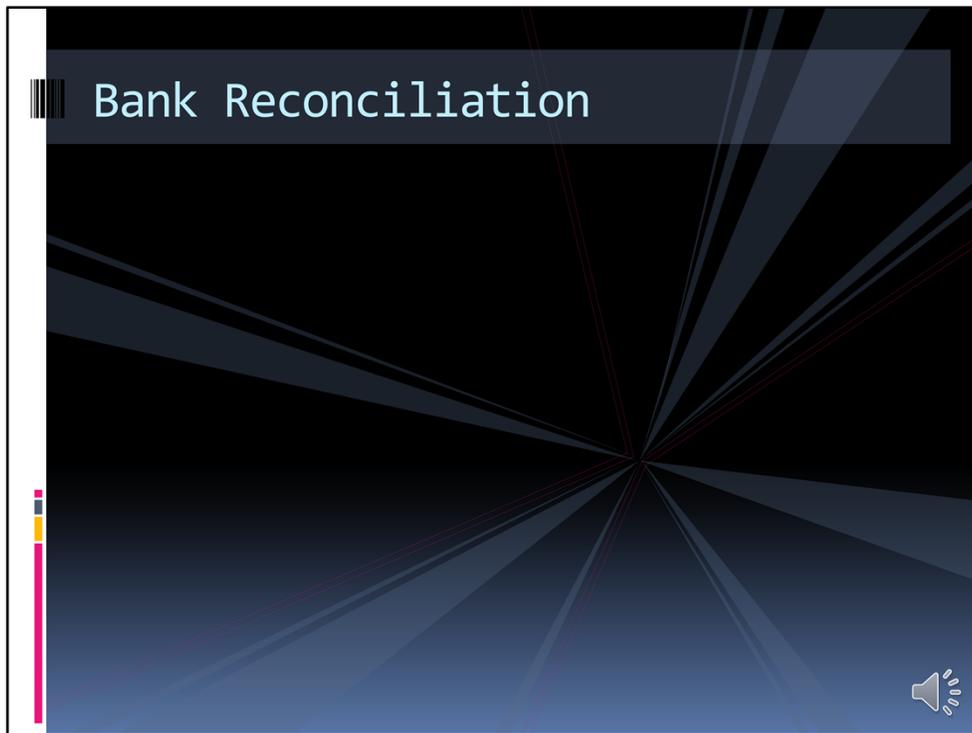
- **Cash MOR:**
Assets of the Estate, Pg 3
Liabilities of the Estate, Pg 4
- **Accrual MOR:**
Comparative Balance , MOR 1



Again, make sure all the figures that you are reporting on this page of the report is consistent with the figures reported on previous pages of the report.

If you're using the cash basis report, the total accounts receivable must match what you reported on the page 3 of the Assets of the Estate form. The total taxes payable and accounts payable must match what you reported on page 4 on the Liabilities of the Estate form.

If you're using the accrual basis report, the total accounts receivable, taxes payable, and accounts payable must match what you reported on page MOR 1 on the Comparative Balance Sheet form.



Now let's move onto the bank reconciliation report.

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

MOR for Cash Basis, Form 2
Monthly Operating Report

CASH BASIS-2

CASE NAME: _____
CASE NUMBER: _____

BANK RECONCILIATION

	Acct #1	Acct #2	Acct #3	TOTAL
A. BANK				
B. ACCOUNT NUMBER				
C. PURPOSE (TYPE):				
D. ADD. TOTAL DEPOSITS NOT CREDITED	\$	\$	\$	\$
E. SUBTRACT: OUTSTANDING CHECKS	\$	\$	\$	\$
F. OTHER RECONCILING ITEMS	\$	\$	\$	\$
G. MONTH END BALANCE FOR BOOKS	\$	\$	\$	\$
H. NUMBER OF BANK CHECKS WRITTEN				

INVESTMENT ACCOUNTS

BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INVESTMENT	PURCHASE PRICE	CURRENT VALUE
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11. TOTAL INVESTMENTS			\$0.00	\$0.00

CASH

12. CURRENCY ON HAND _____ \$0.00

13. TOTAL CASH - END OF MONTH _____ \$ - .

Acct #1 Acct #2 Acct #3

A. BANK
B. ACCOUNT NUMBER
C. PURPOSE (TYPE):

Never report the full bank account number – use only the last 4 digits!



Both the cash basis and accrual basis operating reports have a bank reconciliation report and it is exactly the same in both reports. It's on page 2 of the cash basis report and on page MOR 5 on the accrual report.

As mentioned before, this page reconciles the ending balances shown on your bank statement to the ending balance shown in your books or checkbook.

There is room for up to three bank accounts on this page – but feel free to add additional pages if you need them.

Because these reports are filed with the Court and can be accessed by the public, you should never report the full bank account number on this form. Use only the last 4 digits of your account number.

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

1. BALANCE PER BANK STATEMENT

+

2. ADD: TOTAL DEPOSITS NOT CREDITED

-

3. SUBTRACT: OUTSTANDING CHECKS

=

5. MONTH END BALANCE PER BOOKS

The bank reconciliation form follows a traditional bank reconciliation process where you start with the ending balance shown on each monthly bank statement, add any deposits in transit or deposits that you have not taken to the bank or that have not yet posted to your bank account, and subtract any outstanding checks or checks or transactions that you have issued but that have not yet cleared the bank account, to arrive at the reconciled ending monthly balance as per your books.

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

MOR for Cash Basis, Form 2
Monthly Operating Report

CASH BASIS-2

CASH NAME: _____
CASH NUMBER: _____

BANK RECONCILIATIONS				
A. BANK	Act #1	Act #2	Act #3	TOTAL
B. ACCOUNT NUMBER				
C. PURPOSE (TYPE)	DP	act		
D. BALANCE PER BANK STATEMENT	\$	-	\$	-
E. ADD: TOTAL DEPOSITS NOT CREDITED	\$	-	\$	-
F. SUBTRACT: OUTSTANDING CHECKS	\$	-	\$	-
G. OTHER RECONCILING ITEMS	\$	-	\$	-
H. MONTH END BALANCE PER BOOKS	\$	-	\$	-
I. NUMBER OF LAST CHECK WRITTEN				

INVESTMENT ACCOUNTS				
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INVESTMENT	PURCHASE PRICE	CURRENT VALUE
J.				
K.				
L.				
M.				
N.				
O.				
P.				
Q.				
R.				
S. TOTAL INVESTMENTS			\$0.00	\$0.00

CASH	
T. CURRENCY ON HAND	\$0.00
U. TOTAL CASH - END OF MONTH	\$

BANK RECONCILIATIONS



INVESTMENT ACCOUNTS



CASH



TOTAL CASH - END OF MONTH

This page contains sections for standard bank accounts, investment, and cash accounts.

Add up each section and provide an overall total of end of the month cash at the bottom of the page.

Bank Reconciliation

Cash Basis – Pg 2 / Accrual Basis – MOR 5

MOR for Cash Basis, Form 2
Monthly Operating Report

CASH BASIS-2

CASH NAME: _____
CASE NUMBER: _____

BANK RECONCILIATIONS	Acct #1	Acct #2	Acct #3	TOTAL
A. BANK				
B. ACCOUNT NUMBER				
C. PURPOSE (TYPE)				
D. BALANCE PER BANK STATEMENT	\$	\$	\$	\$
E. ADD: TOTAL DEPOSITS NOT CREDITED	\$	\$	\$	\$
F. SUBTRACT: OUTSTANDING CHECKS	\$	\$	\$	\$
G. OTHER RECONCILING ITEMS	\$	\$	\$	\$
H. MONTH END BALANCE PER BOOKS	\$	\$	\$	\$
I. NUMBER OF CHECKS WRITTEN				

INVESTMENT ACCOUNTS	DATE OF PURCHASE	TYPE OF INVESTMENT	PURCHASE PRICE	CURRENT VALUE
J. BANK, ACCOUNT NAME & NUMBER				
K.				
L.				
M.				
N.				
O.				
P. TOTAL INVESTMENTS			\$0.00	\$0.00

CASH

Q. CURRENCY ON HAND \$0.00

R. TOTAL CASH - END OF MONTH \$.

TOTAL CASH - END OF MONTH

Figures must be consistent!

Cash MOR:

- Cash Receipts & Disbursements, Pg 1
- Assets of the Estate, Pg 3

Accrual MOR:

- Comparative Balance Sheet, MOR 1
- Cash Receipts & Disbursements, MOR 3



Again, make sure all the figures that you are reporting on this page of the report is consistent with the figures reported on previous pages of the report.

If you're using the cash basis report, the reconciled total cash for all cash sources must equal the total ending cash reported on page 1 of the Cash Receipts and Disbursement form and on page 3 of the Assets of the Estate form.

If you're using the accrual basis report, the reconciled total cash for all cash sources must equal the total ending cash reported on page MOR 1 of the Comparative Balance Sheet form and on page MOR 3 of the Cash Receipts and Disbursements form .

If you have a significant amount of banking activity each month and have a software program that produces reconciliation reports, you may want to ask the UST's office for permission to attach this reconciliation report instead of manually reconciling the accounts on this page. This is one of the few pages where it may be possible to write "see attached" and provide a report.

Bank Reconciliation

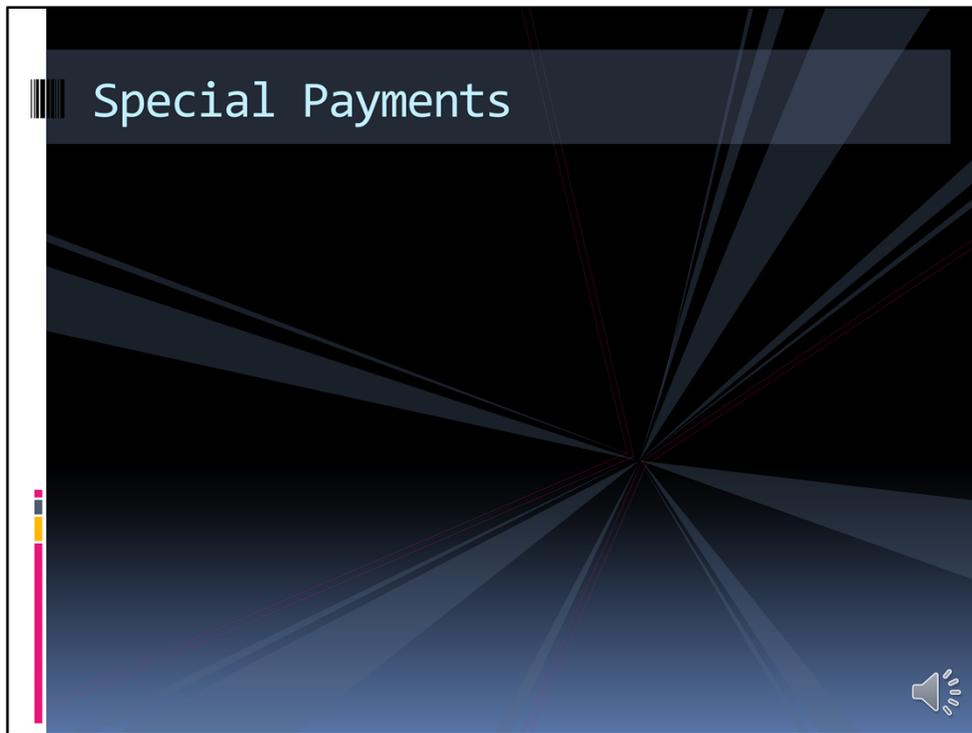
Small Business:

- Attach copies of bank statements
- Attach copies of bank reconciliations
- Remember to redact all but last 4 digits of bank account number on all attachments!



If you are using the small business report, you will always attach copies of your bank statements and a bank reconciliation to the report prior to filing.

Remember to redact all but the last 4 digits of your bank account number on the report and on any attachments prior to filing these reports.



Let's move onto special payments that we ask you to identify and disclose separately on the operating reports.

Payments to Insiders

Cash Basis – Pg 5 / Accrual Basis – MOR 6

MOR for Cash Basis, Form 5
Monthly Operating Report

CASH BASIS

CASE NAME: _____
CASE NUMBER: _____ MONTH: _____

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS			
1	NAME	TYPE OF PAYMENT	TTL PD TO DATE
2			
3			
4			
5			
TOTAL PAYMENTS TO INSIDERS		\$ -	\$ -

- Include actual and constructive payments
- Includes family members or officers – but see your attorney for a full definition

Both the cash basis and accrual basis operating reports have this page and it is exactly the same in both reports. It's on page 5 of the cash basis report and on page MOR 6 on the accrual report. This page provides payment detail on particular transactions that have special meaning in a bankruptcy case. Make sure that you report both actual and constructive payments that fall into one of the following categories.

The first section of this page asks you to list any payments that were made during the month to an insider. In general this includes payments to an actual family relative, officers, or related entities. For a full definition you'll want to talk to your attorney.

Payments to Secured Creditors

Cash Basis – Pg 5 / Accrual Basis – MOR 6

MOR for Cash Basis, Form 5
Monthly Operating Report

CASH BASIS

CASE NAME: _____
CASE NUMBER: _____ MONTH: _____

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS			
NAME	DATE OF PAYMENT	AMOUNT PAID	TYPE OF DEBT
1.			
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98.			
99.			
100.			
TOTAL PAYMENTS TO INSIDERS		\$ -	\$ -

PAYMENTS TO PROFESSIONALS

NAME	DATE OF COURT ORDER	AMOUNT PAID	TYPE OF DEBT	TYPE OF DEBT	TYPE OF DEBT
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
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TOTAL PAYMENTS TO PROFESSIONALS		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POST-PETITION
1.			\$ -
2.			\$ -
3.			\$ -
4.			\$ -
5.			\$ -
6. TOTAL	\$ -	\$ -	\$ -

- Actual and constructive payments
- List post-petition payments on secured notes, leases payable, and adequate protection payments



The bottom section of this page asks you to list any post-petition payments made on secured notes or leases payable, or any adequate protection payments.

This section can be very important when it comes to evaluating your cash flow against your proposed plan, so make sure that you don't skip this section.

Professional Fees

Small Business – Page 3

PROFESSIONAL FEES

BANKRUPTCY RELATED:

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ _____

NON-BANKRUPTCY RELATED:

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ _____

EMPLOYEES

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED? _____

NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT? _____

PROFESSIONAL FEES

BANKRUPTCY RELATED:

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ _____

NON-BANKRUPTCY RELATED:

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ _____

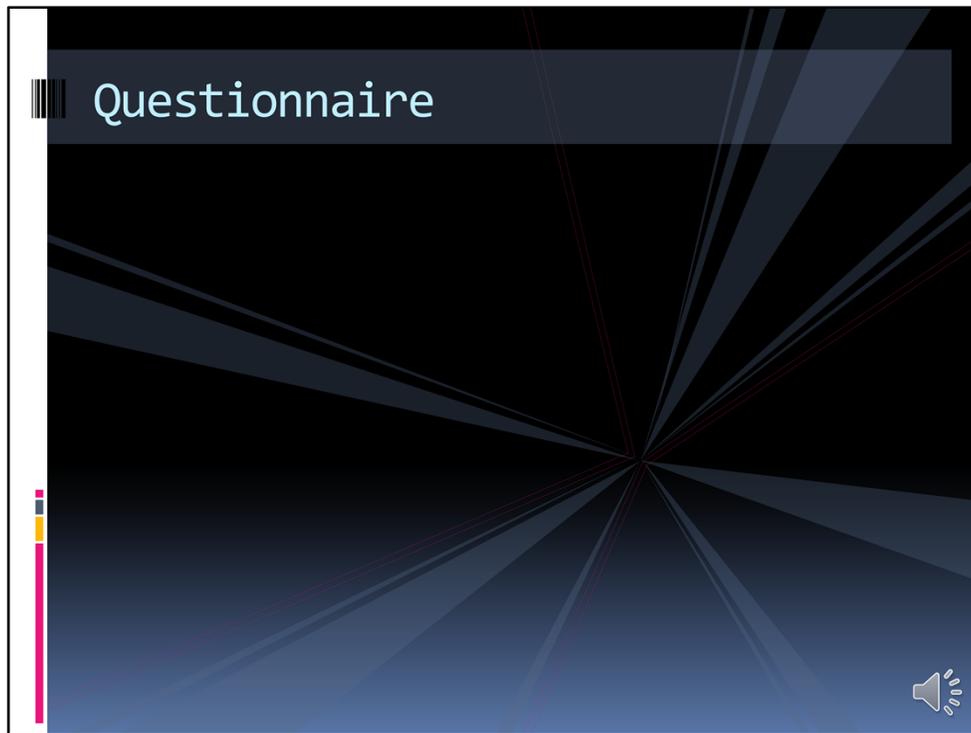
TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ _____

- Actual or constructive payments
- Payments to professionals (attorneys, accountants, real estate brokers, etc) broken down by bankruptcy related and non-bankruptcy related



The small business report doesn't ask for as much detail as the cash or accrual basis reports, but it does have a section for professional fees on page 3.

Report any actual or constructive payments made to professionals here and break down those payments into bankruptcy related and non-bankruptcy related categories.



The last page of the operating reports that we will cover is what is called the "Questionnaire" page.

Questionnaire

Accrual Basis – MOR 7 / Cash Basis – Pg 6

The form contains the following questions:

1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?
12. ARE ANY WAGE PAYMENTS PAST DUE?

The left side of the form includes sections for 'PREPETITION LIABILITIES' and 'PREPETITION PAYMENTS' with columns for 'DATE', 'AMOUNT', and 'REMARKS'.

Provide further explanation for any "Yes" answers!



Again, both the cash basis and accrual basis operating reports have this page and it is exactly the same in both reports. It's on page 6 of the cash basis report and on page MOR 7 on the accrual report.

The first section of the page asks various questions that are pretty self explanatory that you will just review and answer as appropriate. The questions focus on whether you had any transactions with related parties, if you had any post-petition loans, if you made any payments on pre-petition liabilities (be sure to mark yes on this question if you had any outstanding checks that were allowed to clear post-petition), and whether your insurance premiums are current.

Be sure to provide an explanation for any "Yes" responses either in the small space provided on this page or in a separate attachment.

Questionnaire

Small Business – Pg 1 & 2

8-2017 Official Form 2017-12186

Printed Name of Respondent _____

Month _____

Line of Business _____

IN ACCORDANCE WITH FEDERAL RULES THAT HAVE ACCOMPANYING ATTORNEY AND/OR CREDIT RESPONSIBLE PARTY:

Original Signature of Respondent _____

Printed Name of Respondent _____

Questionnaire: (All questions to be answered on behalf of the debtor.)

1. IS THE BUSINESS STILL OPERATING?
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?
3. DID YOU PAY YOUR EMPLOYEES ON TIME?
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?

ASSETS OTHER THAN INVENTORY THIS MONTH?

COMPANY CANCEL YOUR POLICY THIS MONTH?

BORROWED MONEY FROM ANYONE THIS MONTH?

AN INVESTMENT IN YOUR BUSINESS THIS MONTH?

BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

8-2017 Official Form 2017-12186

Printed Name of Respondent _____

Month _____

Line of Business _____

IN ACCORDANCE WITH FEDERAL RULES THAT HAVE ACCOMPANYING ATTORNEY AND/OR CREDIT RESPONSIBLE PARTY:

Original Signature of Respondent _____

Printed Name of Respondent _____

Questionnaire: (All questions to be answered on behalf of the debtor.)

1. IS THE BUSINESS STILL OPERATING?
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?
3. DID YOU PAY YOUR EMPLOYEES ON TIME?
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?
14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?
15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?
16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?
17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?
18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

TAXES

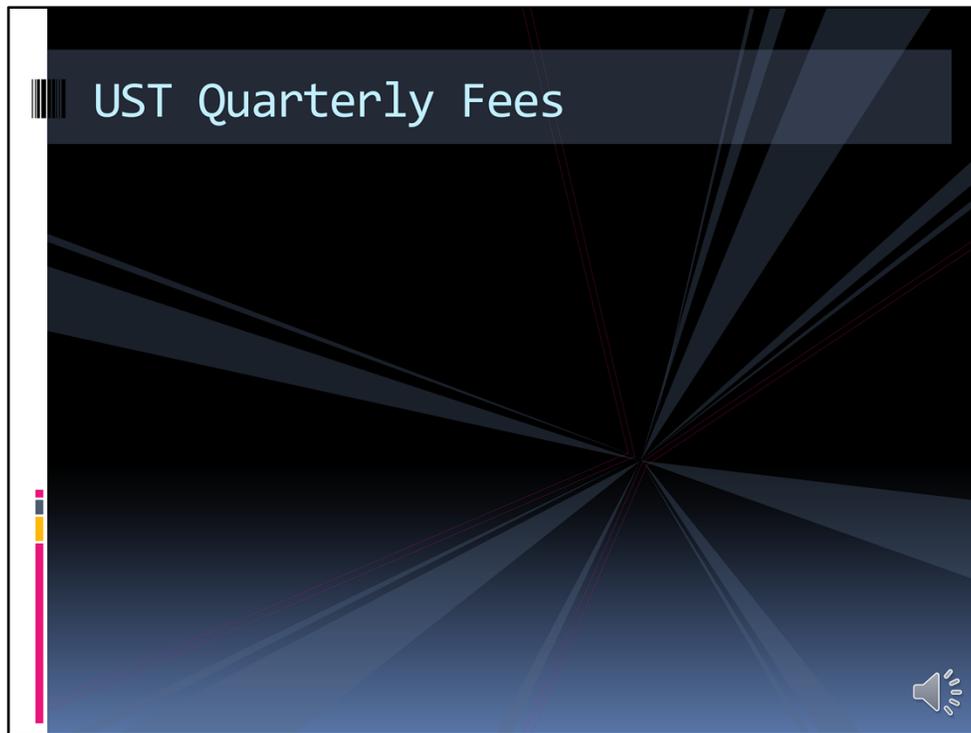
DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

The questionnaire on the small business report is a little bit different and is found on pages 1 and 2 of the report.

The focus of the questions is similar, though. We're looking for transactions with related parties, payments on pre-petition liabilities, and whether your insurance premiums are current.

Just review and answer the questions as appropriate.



Now that we've reviewed each page of the operating reports, we want to spend just a little bit of time reviewing the UST quarterly fee requirements.

UST Fee Requirements

- Statutory fees used to defray cost
- Based on cash disbursements per quarter as reported on the operating reports

DISBURSEMENT CATEGORY		QUARTERLY FEE DUE
\$0	- \$14,999	\$325
\$15,000	- \$74,999	\$650
\$75,000	- \$149,999	\$975
\$150,000	- \$224,999	\$1,625
\$225,000	- \$299,999	\$1,950
\$300,000	- \$999,999	\$4,875
\$1,000,000	- \$1,999,999	\$6,500
\$2,000,000	- \$2,999,999	\$9,750
\$3,000,000	- \$4,999,999	\$10,400
\$5,000,000	- \$14,999,999	\$13,000
\$15,000,000	- \$29,999,999	\$20,000
\$30,000,000	- or more	\$30,000

UST fees are statutory fees on all Chapter 11 cases that are used to defray the cost of administration.

The fees are calculated on the total cash disbursements reported on your operating reports for the calendar quarter. The fees start at a minimum of \$325 per quarter and increase at various disbursement levels up to a maximum of \$30,000.

If your cash disbursements for the quarter were \$137,654, for example, your UST fees for that quarter would be \$975.

Note that the fees begin to increase substantially once you've hit the \$300,000 disbursement mark.

UST Fee Requirements

- Calculated on actual and constructive disbursements
- Remember to budget for extra UST fees if a sale generates funds used to pay off debt!

DISBURSEMENT CATEGORY		QUARTERLY FEE DUE
\$0	- \$14,999	\$325
\$15,000	- \$74,999	\$650
\$75,000	- \$149,999	\$975
\$150,000	- \$224,999	\$1,625
\$225,000	- \$299,999	\$1,950
\$300,000	- \$999,999	\$4,875
\$1,000,000	- \$1,999,999	\$6,500
\$2,000,000	- \$2,999,999	\$9,750
\$3,000,000	- \$4,999,999	\$10,400
\$5,000,000	- \$14,999,999	\$13,000
\$15,000,000	- \$29,999,999	\$20,000
\$30,000,000	- or more	\$30,000

The UST fee is calculated on both actual and constructive disbursements.

If your plan involves the sale of property and the proceeds are used to pay off debts, those proceeds are also included in the calculation of the UST fees, even if they don't flow through your bank account, so make certain you budget for those additional fees.

UST Fee Requirements

- Your case is NOT CLOSED when your plan has been confirmed!
- Fees are owed until your attorney files a motion to close your case and it is approved by the Court or until the Court converts or dismisses your case



You will owe UST fees through the whole duration of your case and will no longer owe them when your case is closed or until your case has been converted or dismissed.

Remember that just because your plan has been confirmed by the Court does not mean that your case has been closed. Your attorney is responsible for asking the Court to close your case, so talk with him or her shortly after your plan has been confirmed to get an idea as to when they intend to ask to close your case. You do not need to wait until all payments have been made as proposed in your plan to have your case closed.

UST Fee Requirements

- Delinquent on the last day of the month following the calendar quarter
- Fees are NOT prorated

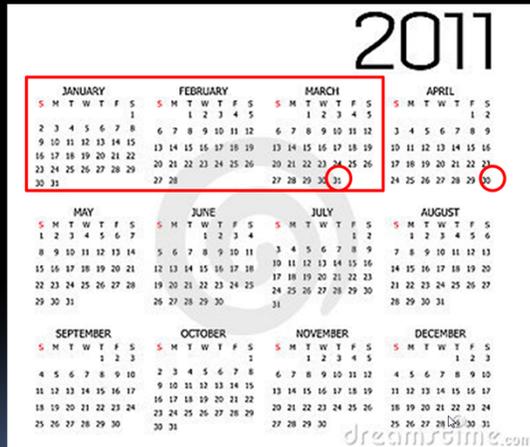
1 st Quarter	January 1 st to March 31 st	Due April 30 th
2 nd Quarter	April 1 st to June 30 th	Due July 31 st
3 rd Quarter	July 1 st to September 30 th	Due October 31 st
4 th Quarter	October 1 st to December 31 st	Due January 31 st



The fees become delinquent on the last day of the month following the calendar quarter. For example, the fees for 1st Quarter would become delinquent on April 30th, and the fees for 2nd Quarter would become delinquent July 31st.

The fees are not prorated, so the full quarterly fee is due for whatever disbursements have been made between the date of filing and the end of the quarter.

UST Fee Requirements



If you file bankruptcy on 03/31/11:

You will owe UST fees for 1st Quarter

Fees become delinquent on 04/30/11

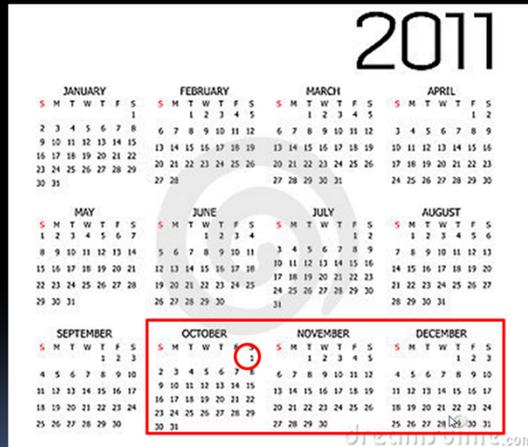


For example, if you file bankruptcy on 03/31/11, even though it's the last day of the quarter, you will still owe UST fees for the 1st Quarter of 2011 for whatever disbursements you had on that day (the disbursement activity for the days prior to bankruptcy would not be included).

If you had no disbursements on that day, you would owe a minimum of \$325 for the quarter because the fee is not prorated.

UST quarterly fees for the 1st Quarter 2011 would become delinquent on April 30, 2011 (one month after the end of the quarter).

UST Fee Requirements



If the Court closes your case on 10/01/11:

You will owe UST fees for 4th Quarter

Fees become delinquent on 01/31/12



If the Court enters the Order to close your case on 10/01/11, even though it's the first day of the quarter, you will still owe UST fees for the 4th Quarter of 2011 for whatever disbursements you had on that day (the disbursement activity for the days after the closing of the case would not be included).

If you had no disbursements on that day, you would owe a minimum of \$325 for the quarter because the fee is not prorated.

UST quarterly fees for the 4th Quarter 2011 would become delinquent on January 31, 2012 (one month after the end of the quarter).

Consequences of Non-Payment

- Dismissal of your case by the Court
- Conversion of your case to a Chapter 7 (liquidation) by the Court
- Assessment of late fees
- Referral to the US Treasury for collection



Non-payment of UST fees can result in the dismissal or conversion of your bankruptcy case by the Court, the assessment of late fees, and/or referral to the US Treasury for collection.

Jointly Administered Cases

- Separate MORs are filed for each case
- UST fees are calculated separately for each entity
- Talk with your attorney about whether you have cases that should be jointly administered



Talk with your attorney about whether you have a situation that involves consolidating two or more bankruptcy cases.

We want to spend just a moment on jointly administered cases here because even if they are consolidated, separate operating reports must still be filed for each case, even after the case has been confirmed. UST fees are also calculated for the disbursements reported in each separate bankruptcy case.

There's another type of consolidation called "Substantive Consolidation" that is treated differently but is beyond the scope of this course, so just be sure to talk with your attorney if you have a consolidated case situation.



So, in summary, let's highlight a few of the points that we covered:

Summary

- Start with the correct beginning cash figure
- Cash figures are reported on both the Accrual and Cash Basis reports (hybrids)
- Don't take the reports lightly: complete all pages; ensure the report balances; and that figures are consistent



Be sure you start with the correct beginning cash figure on the first operating report. If you start out on the right foot it's easier to stay on the right path. Keep the creation of the bankruptcy estate in mind and remember use whatever cash was sitting in your bank account as of the date of filing on that very first operating report. After that first report, use the ending cash balance from the previous month's report.

Remember that cash basis figures are reported on both the accrual and cash basis reports. Neither report is truly a cash or accrual basis report - they are both hybrid reports designed to provide various parties with information that is specific to a bankruptcy case.

Don't take the filing of the operating reports lightly. Complete all the pages, ensure that the report balances and that the figures reported are consistent.

Summary

- Review reports prior to filing – they represent the financial activity of your business and you are signing them under penalty of perjury
- File reports timely (20th of the month)
- Pay UST fees timely (delinquent on the last day of month following quarter) and include them in your Plan



Review your operating reports carefully before filing them. Remember that they are a tangible representation of you and your business and that you are signing them under penalty of perjury.

Be sure your attorney files the reports with the Court timely (by the 20th of the month for the period prior) and make sure you get the reports your attorney in enough time to allow them to process them.

Remember to include the UST fee in your plan and to pay them timely (they become delinquent on the last day of the quarter).

Helpful Tips

- Focus on accurate reporting – remember you are signing under penalty of perjury
- “Tick & Tie” prior to filing (use proofs)
- Cash is King
- If in doubt...write notes! Anticipate questions!



Before we conclude this presentation, we wanted to leave you with some helpful and practical tips .

Regardless of what problems arise as you complete the reports, your primary focus should be on accurately reporting your financial activity. Remember that you are signing these operating reports under penalty of perjury.

Prior to filing your operating reports, make sure that your figures “tick and tie”. Our regional website contains “Chapter 11 Operating Report Pre-Filing Proofs/Checklists” for each of the four operating reports that you can use to double check your figures prior to filing your report. These are really great tools. Remember that continually filing reports with errors may give the appearance that you lack the skills or resources needed to reorganize – so take the extra time to go through the appropriate checklist and review your reports carefully prior to filing them.

Remember that Cash is King and it’s important that all the cash during your bankruptcy is accounted for.

If you are unsure of how to report something on your report – we encourage you to write notes on the reports. These reports are reviewed by actual people, not scanned into a program, so anticipate questions and write notes of explanation whenever you feel it may help with the review of your operating report. It’s always preferable to anticipate a question and answer it with a note, than to report a questionable transaction that raises a red flag and results in further scrutiny. If your disbursements were unusually high in a particular month because you were gearing up for a busy holiday season, then a small note of explanation would go a long way.

Helpful Tips

- Attach additional schedules to boost a report
- Avoid red flags that trigger further inquiry
- Use the operating reports as a tool – what do the reports say about your business?



Along the same vein as writing notes of explanation, feel free also to attach additional schedules or reports that may boost a less than stellar operating report. For example, if you report on the cash basis and are a carpenter with a couple of large jobs that are taking months to complete and is costing a lot in materials, but will eventually result in a large payoff later on, you may want to attach a report that shows those pending projects and the pay off you're expecting. Without such supporting schedules, your reports will just look like you are losing money each month.

Avoid any of the red flags that we discussed that might result in further inquiry or scrutiny of your reports. File your reports on time, make sure your reports balance, pay your fees on time, etc.

Try to use these operating reports as a tool instead of a hindrance or one more UST requirement that you've got to hurry up and get out of the way. You've got to spend the time compiling them anyway, so you may as well get all the value you can out of them. If you don't already have a financial management system, use these operating reports as a springboard to develop a system that works for you and your business. Pay attention to what the operating reports say about your business. Being in Chapter 11 can be expensive. In reviewing the activity on your operating reports, does it make sense to continue with the reorganization or is it time to rethink your strategy?

Helpful Tips

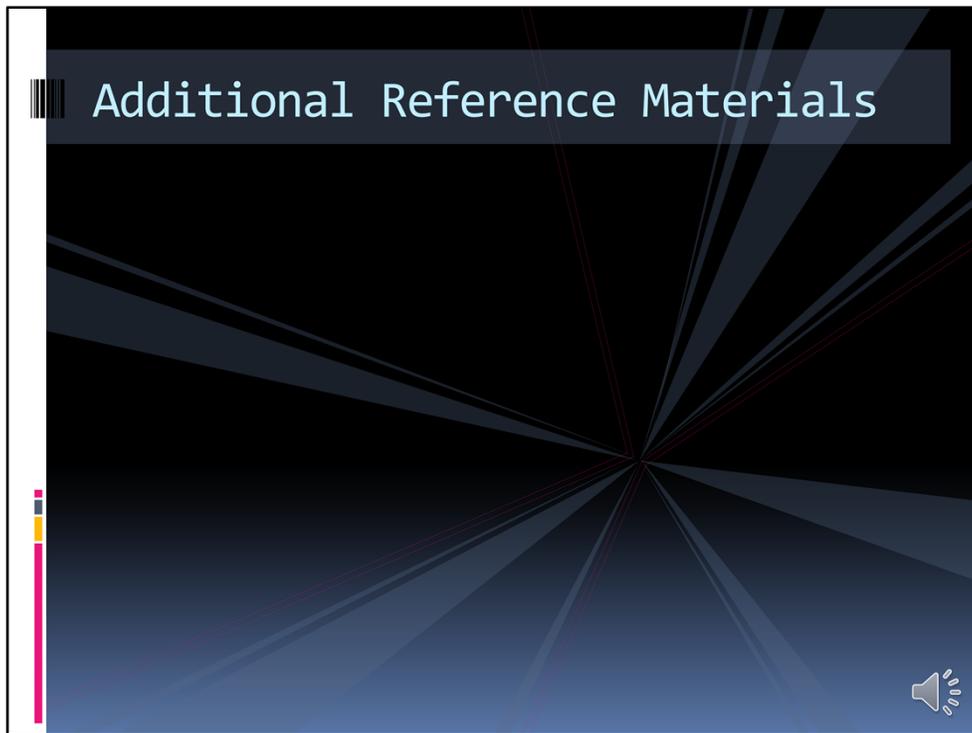
- Do your own UST fee calculations
- Consider a bookkeeper or CPA (but hiring and paying professionals requires Court approval, so be sure to talk with your attorney first)
- Upon confirmation – follow up with your attorney about the motion for final decree and when to ask the judge to close your case



Always do your own UST fee calculation based on the disbursements you are reporting on the operating reports. The invoices mailed out by our office for the UST fees are mailed before we've processed all of your operating reports for the quarter, so they almost always involve estimates. Calculating the fees yourself helps to avoid surprises and it a good double-check to make sure the disbursements you've reported are being input into our system properly.

If you find yourself spending an exorbitant amount of time preparing the operating reports, it may be time to do a little cost/benefit analysis and consider whether it makes more sense to hire a bookkeeper or CPA to prepare these reports for you so that you can focus on your strengths. Before you hire anyone, though, make sure that you discuss this with your attorney because there are specific rules regarding the employment and payment of professionals that must be followed. You may also want to make sure that the CPA you hire is already familiar with the completion of the operating reports for our Region.

And finally, make sure that you follow up with your attorney shortly after you receive confirmation of your plan regarding when your attorney will ask the Court to close your case. Until your case is closed, you must continue to file operating reports and pay quarterly UST fees.



This concludes the Operating Report Workshop presentation. Thank you for your interest and we hope that you've found it helpful.



- Slide Show Notes
- Pre-Filing Proofs/Checklists
- Attend a live workshop in person

www.justice.gov/ust/ro6/reg_info.htm

Dallas Office (Northern District): (214) 767-8967

Tyler Office (Eastern District): (903) 590-1450

If you need additional assistance, remember that we have the slide show notes for this presentation and the proofs/checklists available on our regional website at the address shown here.

We also conduct monthly live training workshops in our Dallas office that you may attend in person if your attorney has provided the appropriate McDade authorization.

Please contact the Northern District Office in Dallas at (214) 767-8967 or the Eastern District Office in Tyler at (903) 590-1450 for information on workshop dates and how to register. 2 hours of CPE credit is available for the live training workshops.