



# Early Analysis of a Chapter 11 Debtor's Prospects

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**CAN THIS DOG HUNT?**

# Most Important Decisions

- To File or Not to File?
- What to File?

- Type of Debtor
- Type of Problem
- Financial Structure
- Debtor's Objectives
- Alternatives to Chapter 11

# Type of Debtor

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- Hotel
- Automaker
- Retail Chain
- Home Builder
- Trucking Company

# Type of Problem

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- One-Time Catastrophic Loss
- Unprofitable Locations or Product Lines
- Expanded Too Rapidly
- Competition
- Too Much Secured Debt
- Poor Management or Lack of Financial Controls

# ACME Truss Manufacturing Corporation

## Financial Structure

- Balance Sheet
- Cash Flow Pro Forma

# Balance Sheet

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Assets	FN	Book	Liquidation
<b>Total</b>			
Liabilities			
<b>Total</b>			
Footnotes:			

Assets	FN	Book	Liquidation
Cash			
Accounts Receivable			
Inventory			
Rolling Stock (Net of Depreciation)			
<b>Liabilities</b>			
<b>Footnotes:</b>			

Assets	FN	Book	Liquidation
Cash		\$0.00	
Accounts Receivable		\$500,000.00	
Inventory		\$1,250,000.00	
Rolling Stock (Net of Depreciation)		\$150,000.00	
<b>Liabilities</b>			
<b>Footnotes:</b>			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
<b>Footnotes:</b>			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
BankTrust Letter of Credit	1		
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Liabilities			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Footnotes:			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)			
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2		
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2	\$0.00	
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Real Estate			
Liabilities			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
First Federal Real Estate Mortgage	3		
Footnotes:			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			
3. First Federal Mortgage Secured by 1 <sup>st</sup> Mortgage on Real Estate			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Real Estate		<u>\$1,500,000.00</u>	
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
First Federal Real Estate Mortgage	3	<u>\$900,000.00</u>	
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			
3. First Federal Mortgage Secured by 1 <sup>st</sup> Mortgage on Real Estate			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Real Estate		<u>\$1,500,000.00</u>	<u>\$2,000,000.00</u>
<b>Liabilities</b>			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
First Federal Real Estate Mortgage	3	<u>\$900,000.00</u>	<u>\$900,000.00</u>
<b>Footnotes:</b>			
1. BankTrust Letter of Credit Secured by 1 <sup>st</sup> Lien on A/R, Inventory & FF&E			
2. Leases of Manufacturing Equipment. ACME Obligated to Purchase			
3. First Federal Mortgage Secured by 1 <sup>st</sup> Mortgage on Real Estate			

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Real Estate		<u>\$1,500,000.00</u>	<u>\$2,000,000.00</u>
<b>Total</b>		<b>\$4,100,000.00</b>	<b>\$3,050,000.00</b>
Liabilities			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Trade Payables		\$900,000.00	\$900,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
Taxes		\$75,000.00	\$75,000.00
First Federal Real Estate Mortgage	3	<u>\$900,000.00</u>	<u>\$900,000.00</u>
Footnotes:			

1. BankTrust Letter of Credit Secured by 1<sup>st</sup> Lien on A/R, Inventory & FF&E

2. Leases of Manufacturing Equipment. ACME Obligated to Purchase

3. First Federal Mortgage Secured by 1<sup>st</sup> Mortgage on Real Estate

Assets	FN	Book	Liquidation
Cash		\$0.00	\$0.00
Accounts Receivable		\$500,000.00	\$250,000.00
Inventory		\$1,250,000.00	\$375,000.00
FF&E (Net of Depreciation)		\$700,000.00	\$350,000.00
Rolling Stock (Net of Depreciation)		\$150,000.00	\$75,000.00
Real Estate		<u>\$1,500,000.00</u>	<u>\$2,000,000.00</u>
<b>Total</b>		<b>\$4,100,000.00</b>	<b>\$3,050,000.00</b>
Liabilities			
BankTrust Letter of Credit	1	\$750,000.00	\$750,000.00
Trade Payables		\$900,000.00	\$900,000.00
Personal Property Leases	2	\$0.00	\$500,000.00
Taxes		\$75,000.00	\$75,000.00
First Federal Real Estate Mortgage	3	<u>\$900,000.00</u>	<u>\$900,000.00</u>
<b>Total</b>		<b>\$2,625,000.00</b>	<b>\$3,125,000.00</b>
Footnotes:			

1. BankTrust Letter of Credit Secured by 1<sup>st</sup> Lien on A/R, Inventory & FF&E

2. Leases of Manufacturing Equipment. ACME Obligated to Purchase

3. First Federal Mortgage Secured by 1<sup>st</sup> Mortgage on Real Estate

# Pro Forma

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	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>				
<i>Disbursements</i>				
<b>Total Disbursements</b>				
Cash Surplus / Deficit				
Cash at Beginning of Period				
<b>Cash at End of Period</b>				

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$16,666	\$16,666	\$16,666	16,666
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$3,600	\$3,600	\$3,600	\$3,600
Legal	\$10,000	\$10,000	\$10,000	\$10,000
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$8,535	\$8,535	\$8,535	\$8,535
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$10,000	\$10,000	\$10,000	\$10,000
First Federal Mortgage Payment	\$20,000	\$20,000	\$20,000	\$20,000
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$587,880</b>	<b>\$675,758</b>	<b>\$741,542</b>	<b>\$715,678</b>
Cash Surplus / Deficit	(\$37,880)	(\$50,758)	(\$66,542)	(\$43,568)
Cash at Beginning of Period	\$0	(\$37,880)	(\$88,638)	(\$155,180)
<b>Cash at End of Period</b>	<b>(\$37,880)</b>	<b>(\$88,638)</b>	<b>(\$155,180)</b>	<b>(\$198,748)</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$3,600	\$3,600	\$3,600	\$3,600
Legal	\$10,000	\$10,000	\$10,000	\$10,000
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$8,535	\$8,535	\$8,535	\$8,535
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$10,000	\$10,000	\$10,000	\$10,000
First Federal Mortgage Payment	\$20,000	\$20,000	\$20,000	\$20,000
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$571,214</b>	<b>\$659,092</b>	<b>\$724,876</b>	<b>\$701,902</b>
Cash Surplus / Deficit	(\$21,214)	(\$34,092)	(\$49,876)	(\$26,902)
Cash at Beginning of Period	\$0	(\$21,214)	(\$55,306)	(\$105,182)
<b>Cash at End of Period</b>	<b>(\$21,214)</b>	<b>(\$55,306)</b>	<b>(\$105,182)</b>	<b>(\$132,084)</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$8,535	\$8,535	\$8,535	\$8,535
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$10,000	\$10,000	\$10,000	\$10,000
First Federal Mortgage Payment	\$20,000	\$20,000	\$20,000	\$20,000
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$557,614</b>	<b>\$645,492</b>	<b>\$711,276</b>	<b>\$688,302</b>
Cash Surplus / Deficit	(\$7,614)	(\$20,492)	(\$36,276)	(\$13,302)
Cash at Beginning of Period	\$0	(\$7,614)	(\$28,106)	(\$64,382)
<b>Cash at End of Period</b>	<b>(\$7,614)</b>	<b>(\$28,106)</b>	<b>(\$64,382)</b>	<b>(\$77,684)</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$0	\$0	\$0	\$0
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$10,000	\$10,000	\$10,000	\$10,000
First Federal Mortgage Payment	\$20,000	\$20,000	\$20,000	\$20,000
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$549,079</b>	<b>\$636,957</b>	<b>\$702,741</b>	<b>\$679,767</b>
Cash Surplus / Deficit	\$921	(\$11,957)	(\$27,741)	(\$4,767)
Cash at Beginning of Period	\$0	\$921	(\$11,036)	(\$38,777)
<b>Cash at End of Period</b>	<b>\$921</b>	<b>(\$11,036)</b>	<b>(\$38,777)</b>	<b>(\$43,544)</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$0	\$0	\$0	\$0
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$0	\$0	\$0	\$0
First Federal Mortgage Payment	\$20,000	\$20,000	\$20,000	\$20,000
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$539,079</b>	<b>\$626,957</b>	<b>\$692,741</b>	<b>\$669,767</b>
Cash Surplus / Deficit	\$10,921	(\$1,957)	(\$17,741)	\$5,233
Cash at Beginning of Period	\$0	\$10,921	\$8,964	(\$8,777)
<b>Cash at End of Period</b>	<b>\$10,921</b>	<b>\$8,964</b>	<b>(\$8,777)</b>	<b>(\$3,544)</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$0	\$0	\$0	\$0
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$0	\$0	\$0	\$0
First Federal Mortgage Payment	\$0	\$0	\$0	\$0
Personal Property Leases	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
<b>Total Disbursements</b>	<b>\$519,079</b>	<b>\$606,957</b>	<b>\$672,741</b>	<b>\$649,767</b>
Cash Surplus / Deficit	\$30,921	\$18,043	\$2,259	\$25,233
Cash at Beginning of Period	\$0	\$30,921	\$48,964	\$51,223
<b>Cash at End of Period</b>	<b>\$30,921</b>	<b>\$48,964</b>	<b>\$51,223</b>	<b>\$76,456</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$0	\$0	\$0	\$0
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$0	\$0	\$0	\$0
First Federal Mortgage Payment	\$0	\$0	\$0	\$0
Personal Property Leases	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	<b>\$499,079</b>	<b>\$586,957</b>	<b>\$652,741</b>	<b>\$629,767</b>
Cash Surplus / Deficit	\$50,921	\$38,043	\$22,259	\$45,233
Cash at Beginning of Period	\$0	\$50,921	\$88,964	\$111,223
<b>Cash at End of Period</b>	<b>\$50,921</b>	<b>\$88,964</b>	<b>\$111,223</b>	<b>\$156,456</b>

	April 2021	May 2021	June 2021	July 2021
<b>Income From Operations</b>	<b>\$550,000</b>	<b>\$625,000</b>	<b>\$675,000</b>	<b>\$675,000</b>
<i>Disbursements</i>				
Materials Cost	\$195,000	\$215,000	\$260,000	\$249,100
Labor Cost	\$210,000	\$237,500	\$262,000	\$265,000
Supplies	\$13,500	\$19,250	\$21,000	\$21,000
Advertising	\$14,726	\$24,650	\$22,285	\$10,445
Depreciation	\$0	\$0	\$0	\$0
Licensing Fee	\$18,375	\$20,985	\$24,381	\$23,607
Accounting	\$0	\$0	\$0	\$0
Legal	\$0	\$0	\$0	\$0
Insurance	\$8,950	\$7,000	\$8,950	\$7,000
Repairs & Maintenance	\$10,506	\$22,395	\$18,225	\$13,990
Real Estate Taxes	\$0	\$0	\$0	\$0
Utilities	\$28,022	\$40,177	\$35,900	\$39,625
BankTrust Interest	\$0	\$0	\$7,500	\$7,500
First Federal Mortgage Payment	\$0	\$0	\$0	\$0
Personal Property Leases	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
<b>Total Disbursements</b>	<b>\$499,079</b>	<b>\$586,957</b>	<b>\$675,241</b>	<b>\$652,267</b>
Cash Surplus / Deficit	\$50,921	\$38,043	(\$241)	\$22,733
Cash at Beginning of Period	\$0	\$50,921	\$88,964	\$88,723
<b>Cash at End of Period</b>	<b>\$50,921</b>	<b>\$88,964</b>	<b>\$88,723</b>	<b>\$111,456</b>

# Debtor's Objectives

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- Maximize Liquidation Value?
- Save the Business?

# Alternatives to Chapter 11

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- Friendly Repossession
- “ABC” (Assignment for the Benefit of Creditors)
- Chapter 7
- Sale of Business
- Out-of-Court Workout

# The “Williamson Rule”

Never put a  
corporation into  
chapter 7  
bankruptcy!

- Creates Problems for Insiders
- Waives Attorney-Client Privilege for Communications with the Debtor and Possibly the Debtor’s Principals

# Problems for Insiders

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- How Do You Characterize Payments to Insiders?
  - Debt – Must be Repaid to Debtor
  - Compensation – Must Pay Taxes
- Expose Insiders to Liability for Avoidance Actions.
  - Preference Actions
  - Fraudulent Transfer Actions

# Privilege Issues

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## ***WEINTRAUB***

- The Trustee alone controls the ability to assert—or waive—the corporate debtor’s attorney-client privilege.
- Thus, the Trustee is entitled to all the corporate debtor’s pre-bankruptcy communications with counsel.

## **CO-CLIENT EXCEPTION**

- Applies when one lawyer represents two or more persons in the same matter.
- Communications between lawyer and Client A are not confidential as to Client B—even if Client B was not present during the communications with Client A.