

BUSINESS PLAN

The United States Trustee has determined that in order to enhance the potential for successful reorganization, debtors in possession shall file a business plan. This plan serves as a method of assisting debtors in identifying, with some specificity, the nature and causes of their financial problems. By identifying those problems, debtors are then in a much better position to determine what actions will be required to resolve their financial difficulties and thus generate funds sufficient to confirm a meaningful reorganization. The filing of the business plan is required pursuant to Rule 2015(3) of the Federal Rules of Bankruptcy Procedure and 11 U.S.C. Section 704(8) which is expressly made applicable to debtors in possession by 11 U.S.C. Sections 1107(a) and 1106(a)(1).

The business plan should be broken down into three sections:

- (a) identification of problems;
- (b) proposed actions;
- (c) proposed timetable and financial information.

The first section, dealing with the identification of the causes of the debtor's financial problems should include a brief discussion of the debtor's history and the nature and scope of its business. The plan should then go on to describe, in some detail, the aspects of the business which contributed to its present financial condition. In this respect, the debtor may wish to consider:

1. Undercapitalization;
2. Excessive payroll expenses, including management salaries;
3. Excessive and/or unnecessary overhead, business and non-business expenses;
4. Phases or divisions of the business which are not profitable; and
5. Executory contracts which are not profitable or otherwise unfavorable to the debtor.

The second section of the business plan should address the actions the debtor proposes to take (or at least seriously consider and investigate) to resolve existing business problems such that it will be able to generate sufficient funds to reorganize. This section might include:

1. Addition of new capital by capital contributions by existing shareholders, addition of new share-holders, or sale of all stock to a third party.
2. Reduction in staff and/or reduction in salaries.
3. Reduction in expenses and overhead:
 - a) Negotiation of new lease or relocation to a new facility.
 - b) Reduction or elimination of company provided leased vehicles.
 - c) Sale of unused equipment.
 - d) Reduction in advertising and business entertainment.

4. Reduction or elimination of unprofitable phases of the business.

5. Renegotiation or rejection of unfavorable contracts.

The above lists are certainly not exhaustive; instead they merely suggest the types of concepts the debtor should be thinking about and addressing. Every type of business will have its own unique problems and solutions.

The third and final section of the business plan should set forth a timetable for the completion of the actions proposed by the debtor in the second section of its business plan and for the submission of a disclosure statement and plan or reorganization. This section should also include at least a six (6) month projection of income, taking into account the proposed changes in the business income, and also taking into account the proposed changes in the business structure and operations. The business plan should be filed with the Court and a copy served upon the attorney in the Office of the United States Trustee assigned to monitor the case. The business plan will be discussed at the first status conference held following its submission.