



“Must-See” (CLE) TV: Monthly and Quarterly Operating Reports and Final Decrees

By Judge McEwen

Chapter 11 lawyers, the debtor’s financial management personnel, and the debtor’s accounting professionals can avoid the most common mistakes in preparing monthly and quarterly operating reports and calculating fees payable quarterly to the United States Trustee Program (USTP) by watching the video replay of the latest program in my continuing series of quarterly brown bag mentoring programs, *A Refresher on Tricks and Traps of MORs, QORs, and How to Get a Final Decree*. In addition, chapter 11 lawyers and the debtor’s management can learn how to use the operating reports to spot operational problems early on, instead of allowing the problems to fester and metastasize—possibly leading to confirmation objections—due to oversight or neglect.

The program is available to registered CM/ECF users by going to our Court’s website at www.flmb.uscourts.gov, then entering The Source, then the box titled “Online CLE Credits for Bankruptcy Lawyers,” then entering your CM/ECF log-in to view the various offerings, and then selecting the box for the program offered on June 21, 2019. The video runs a little more than an hour (and includes a bonus in the form of information about the pending legislation on a new small business chapter 11 option).

The program features forensic CPA/analyst Steve Pralle and lawyers J. Steven Wilkes and Nathan Wheatley from the USTP as well as frequent filer chapter 11 bankruptcy lawyer Jonathan Semach. Together these four panelists highlight problem areas and unlock the mysteries of filling out operating reports correctly. For example, a chapter 11 debtor’s business pays her monthly automobile installment obligation. Should that be reported? Short answer: Yes. Why? Watch the video. Another example: Parent corporation pays invoices for services rendered to a subsidiary. Both are chapter 11 debtors. Which corporation reports the disbursement? Short answer: Depends. Maybe even both. Why? Watch the video.

You will no doubt enjoy the segment where Mr. Pralle talks about a quick way to eyeball whether current cash flow is sufficient to fund current operations. And that includes your own administrative expense! (No chapter 11 case should be financed on the backs of our chapter 11 lawyers, right?)

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And when it comes to proving entitlement to a discharge for individual chapter 11 lawyers and final decrees, when is the time to start that process and what easy tool can your client use to keep track of plan compliance? The answer to the first part of the question is the day after confirmation. For the answer to the second part, again, watch the video.

Frankly, if I were a chapter 11 lawyer, I would not only make my staff watch the video, but also I would queue up the video while my client is in my office at some point during our initial meetings and *make the client watch it* right then. By asking some pointed questions, you'll be able to tell if your client "gets it." And when the client asks you to seek approval of employment of an accounting professional, I would make the filing of the application contingent on the professional's sitting through the video after first familiarizing herself or himself with the monthly operating report forms.

This "must see" CLE will enable your client's chapter 11 team to maximize the prospect of an effective reorganization, so don't miss it—and don't let the relevant management people and professionals miss it. Oh, and if you view the video within the CLE approval period, you also get free CLE credit.

[Author's note: The Court is very grateful to the panel who put on this valuable show and permitted the program to be taped to help our Middle District chapter 11 lawyers and their clients adopt "best practices" on the issues they dealt with.]