

OPERATING GUIDELINES
AND
REPORTING REQUIREMENTS FOR CHAPTER 11 CASES

TO: Debtors, Their Counsel, and Chapter 11 Trustees

The United States Trustee supervises the administration of Chapter 11 cases pursuant to 28 U.S.C. §586(a)(3). You must timely serve the United States Trustee with copies of all documents filed in the case, as delineated in the Federal Rules of Bankruptcy Procedure, any applicable local rule or order of the Bankruptcy Court, and requirements of the United States Trustee. All communications or documents to be served upon the United States Trustee should be directed to the Office of the United States Trustee at the address and telephone number shown above.

The following requirements, the Federal Rules of Bankruptcy Procedure, and applicable local bankruptcy rules must be observed in each Chapter 11 case. Failure to comply with any requirement may result in the United States Trustee or another party moving to dismiss or convert your case or to request other relief.

IF THE DEBTOR OR DEBTOR'S COUNSEL WISHES A WAIVER OR MODIFICATION OF ANY OF THESE REQUIREMENTS, A REQUEST MUST BE SUBMITTED IN WRITING STATING THE REASON(S) WHY A WAIVER IS REQUESTED. THE OFFICE OF THE UNITED STATES TRUSTEE WILL APPROVE OR DENY THE REQUEST IN WRITING.

The United States Trustee reserves the right to revise, modify, or amend these guidelines and requirements from time to time and, as appropriate, in an individual case.

1. **BOOKS AND RECORDS**

The debtor's books and records must be closed as of the petition filing date. New books and records must be set up to reflect postpetition transactions.

2. BANK ACCOUNTS

Upon the filing of the petition, debtors engaged in business must ensure that they have separate bank accounts for general operations and taxes. All accounts must be fully FDIC insured in a depository which agrees to pledge collateral for any funds on deposit in excess of FDIC coverage. The checks for each account must bear the name of the debtor, the designation "Debtor in Possession", and the type of account, and must be prenumbered. The debtor must also ensure that the depository changes the account title to reflect "Debtor in Possession" and that the depository is aware of the collateralization requirement. Depositories are to be instructed that bank account statements are to run for the period beginning on the first day and ending on the last day of each calendar month.

3. INITIAL DEBTOR INTERVIEW

Within 15 days of petition filing the debtor shall meet with the United States Trustee to review the facts leading to chapter 11, past and current debtor operations, the debtor's plans with regard to reorganization, and administrative requirements of chapter 11. The interview may be conducted telephonically. The initial debtor interview may result in the scheduling of a visit to the debtor's place of business, upon written notice from the United States Trustee. It may also result in the preparation of a stipulated court order scheduling key dates in the progress of the case. Under 11 U.S.C. §1112(b)(4) failure to timely provide information or attend meetings reasonably required by the United States Trustee is a ground for dismissal of the case or conversion of the case to chapter 7.

4. MAINTENANCE AND PROOF OF INSURANCE

In order to protect the interests of creditors and the bankruptcy estate, the debtor is required to maintain the following insurance coverage, as appropriate: homeowners or rental; vehicle; general comprehensive liability; fire and theft; workers' compensation; products liability; fidelity bonds for employees; and other coverage customary in the debtor's business. Under 11 U.S.C. §1112(b)(4) the failure to maintain insurance is a ground for dismissal of the case or conversion of the case to chapter 7.

Within 20 days after the filing of the petition, the debtor shall provide the United States Trustee with proof of insurance coverage. Such proof of coverage shall consist of certificates of insurance or other verified documents showing that each policy of insurance required for the estate is in full force and effect, and shall disclose the type and extent of coverage, effective dates, name of insurance carrier, and name, address, and telephone number of agent. The debtor is responsible for including the United States Trustee as an addressee for all notices for each insurance policy. Upon expiration or other termination of any coverage, the debtor shall immediately provide the United States Trustee with proof of

replacement coverage. The debtor is responsible for making arrangements with the insurer(s) to provide notice to the U.S. Trustee of any payments made under said policy or policies.

5. MEETING OF CREDITORS

Generally, within 20 to 40 days after the order for relief, a meeting of creditors will be held by the United States Trustee. If the United States Trustee designates a place for the meeting which is not regularly staffed by the United States Trustee, the meeting may be held not more than 60 days after the order for relief. The debtor or its representative, if the debtor is a corporation or partnership, and debtor's attorney are required to appear; and in the case of a joint petition, both spouses must appear. The debtor or debtor's representative will be examined under oath by the United States Trustee, creditors, and other parties in interest in attendance. Every individual debtor shall bring to the meeting of creditors (a) a picture identification issued by a governmental unit or other personal identifying information that establishes the debtor's identity and (b) evidence of the debtor's social security number or a written statement that such documentation does not exist.

6. UNITED STATES TRUSTEE QUARTERLY FEES

In accordance with 28 U.S.C. §1930(a)(6), debtors in possession are required to pay quarterly fees to the United States Trustee in all pending Chapter 11 cases. The amount of the fee varies depending upon the amount of monies disbursed from the estate during any calendar quarter (or fraction thereof); however, a minimum fee of \$250 is due each quarter even if no disbursements are made. Commencing with the first quarter of 2008, the fee schedule is as follows:

FEE SCHEDULE

TOTAL QUARTERLY DISBURSEMENTS	QUARTERLY FEE
Less than \$15,000.00	\$325
\$15,000.00 - \$74,999.99	\$650
\$75,000.00 - \$149,999.99	\$975
\$150,000.00 - \$224,999.99	\$1,625
\$225,000.00 - \$299,999.99	\$1,950
\$300,000.00 - \$999,999.99	\$4,875
\$1,000,000.00 - \$1,999,999.99	\$6,500
\$2,000,000.00 - \$2,999,999.99	\$9,750
\$3,000,000.00 - \$4,999,999.99	\$10,400
\$5,000,000.00 - \$14,999,999.99	\$13,000
\$15,000,000.00 - 29,999,999.99	\$20,000
\$30,000,000.00 or more	\$30,000

Federal Rule of Bankruptcy Procedure 2015(a)(5) requires a debtor to file with the U.S. Trustee, on or before the last day of the month after each calendar quarter, a statement of disbursements made during such calendar quarter and a statement of the fee required pursuant to 28 U.S.C. §1930 (a)(6) that has been paid for such calendar quarter.

Fee payments are due no later than one month following each quarter. In order for a plan to be confirmed, all quarterly fees must be paid, or the plan must provide for payment of all fees on the effective date of the plan. 11 U.S.C. §1129(a)(12).

Quarterly fee payments must be mailed with the proper transmittal form to: U.S. Trustees Payment Center, P. O. Box 70937, Charlotte, NC 28272-0937. If you do not have the proper form, or do not timely receive a bill for quarterly fees from the Payment Center, contact this Office of the United States Trustee immediately. Failure to receive a proper transmittal form does not relieve you from responsibility for timely payment.

Under 11 U.S.C. §1112(b)(4) the failure to pay the quarterly fee is cause for dismissal of the case or conversion of the case to chapter 7.

NOTICE: DISCLOSURE OF INTENT TO USE TAXPAYER IDENTIFYING NUMBER FOR THE PURPOSE OF COLLECTING AND REPORTING DELINQUENT QUARTERLY FEES OWED TO THE UNITED STATES TRUSTEE PURSUANT TO 28 U.S.C. §1930(a)(6)

Please be advised that pursuant to the Debt Collection Improvements Act of 1996, 31 U.S.C. §3701, the United States Trustee intends to use the debtor's Taxpayer Identification Number ("TIN") as reported by the debtor or debtor's counsel in connection with the chapter 11 bankruptcy proceeding for the purpose of collecting and reporting on any delinquent debt, including chapter 11 quarterly fees, that are owed to the United States Trustee.

The United States Trustee will provide the debtor's TIN to the Department of Treasury for its use in attempting to collect overdue debts. Treasury may take the following steps: (1) submit the debt to the Internal Revenue Service Offset Program so that the amount owed may be deducted from any payment made by the federal government to the debtor, including but not limited to tax refunds; (2) report the delinquency to credit reporting agencies; (3) send collection notices to the debtor; (4) engage private collection agencies to collect the debt; and (5) engage the United States Attorney's office to sue for collection. Collection costs will be added to the total amount of the debt.

7. PREPETITION AND POSTPETITION DEBT

The debtor shall not pay any prepetition obligations unless authorized by the Bankruptcy Code or by Court order. The debtor must pay all obligations arising out of its operations after the filing of

the petition in full when due.

8. MONTHLY FINANCIAL REPORTS

The debtor shall file a monthly financial report signed by the debtor or its authorized representative with the Clerk of the Bankruptcy Court and shall serve a copy on the United States Trustee and upon each member of any committee appointed in the case. The monthly reports shall be in the form required by the United States Trustee or otherwise authorized by the Court. The monthly reports are to be on a calendar-month basis and must be filed and served within 15 days of the close of the month during which relief was ordered and within 15 days of the close of every month thereafter, until a plan is confirmed or the case is or dismissed or converted to another chapter. The reports shall include a copy of the debtor's monthly bank statements. Additional financial information and other information regarding the status of the case may also be requested by the United States Trustee.

9. TAXES

All tax returns and reports for postpetition obligations shall be timely filed and accompanied by payment in full of any liability. Such taxes include, but are not limited to, federal and state payroll withholding taxes, F.I.C.A. taxes, federal and state unemployment insurance, real property taxes, personal property taxes, and sales and use taxes. The debtor shall timely deposit sufficient funds in the debtor's tax account to pay any liability associated with the payroll. The debtor shall timely file returns for, but not pay, all prepetition taxes. Under 11 U.S.C. §1112(b)(4) the failure to pay post-petition taxes is a ground for dismissal of the case or conversion of the case to chapter 7.

10. USE, SALE, OR LEASE OF ESTATE PROPERTY

The debtor must obtain prior approval of the Court to use, sell, or lease property of the estate, except in the ordinary course of business. The debtor may not use cash collateral, as defined by 11 U.S.C. §363(a), without the consent of the secured creditor or approval by the Court; under 11 U.S.C. §1112(b)(4) the unauthorized use of cash collateral is a ground for dismissal of the case or conversion of the case to chapter 7. The debtor must provide notice of any hearings to the United States Trustee in the same manner as that provided to creditors and parties in interest.

11. OBTAINING CREDIT

The debtor must obtain Court approval before it may obtain secured credit or incur secured debt, or obtain unsecured credit, other than in the ordinary course of business. The debtor must

provide notice of any hearings to the United States Trustee in the same manner as that provided to creditors and parties in interest.

12. EMPLOYMENT AND COMPENSATION OF PROFESSIONALS

The employment of professionals (including but not limited to attorneys, accountants, appraisers, and auctioneers) must be approved by the Court. Generally, professionals will not be compensated for services rendered prior to Court approval. No payments may be made to such professionals after the filing of the petition without Court authorization, after notice to creditors and a hearing. A corporate or partnership debtor must be represented by an attorney; such debtor may not appear pro se.

13. CHANGE OF ADDRESS OR TELEPHONE NUMBER

The debtor must notify the United States Trustee and the Bankruptcy Court in writing of any changes of address or telephone number within 10 days of the change.

14. COMPENSATION OF DEBTOR, PARTNERS, OFFICERS, STOCKHOLDERS, OR DIRECTORS

No compensation shall be paid to the debtor, a partner of a debtor partnership, or an officer, stockholder, or director of a debtor corporation, except in accordance with Rule 3016-1 of the Local Rules of the United States Bankruptcy Court for the Eastern District of Washington.

15. PLAN OF REORGANIZATION AND DISCLOSURE STATEMENT

The United States Trustee will closely monitor chapter 11 cases to ensure debtors are making regular progress toward the filing and confirmation of a plan of reorganization. In small business cases (as defined in 11 U.S.C. §101(51)(D)), barring an extension by the Court, the debtor must file a plan and disclosure statement within 300 days of the filing of the bankruptcy petition, and the plan must be confirmed within 45 days thereafter. In the case of debtors who are individuals the United States Trustee is also charged with monitoring post-confirmation payments under the debtor's plan.

ILENE J. LASHINSKY
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