



Chapter 11 Readiness Checklist

Prepared by Winter Park Estate Plans & ReOrgs: A Private Law Practice

Before filing a Chapter 11 or Subchapter V bankruptcy case, you need (1) to ensure your business is ready, (2) that it qualifies, and (3) to decide which type of case will have the best outcome for your business. This checklist is designed for Florida business owners to evaluate financial readiness, gather documentation to be reviewed by a Chapter 11 attorney, and identify red flags before initiating a reorganization case.

1. Financial Documentation to Gather for Bankruptcy Attorney

☐ Current balance sheet, income statement, profit and loss statement, and cash flow projections looking ahead six months:

- Cash Flow Red Flags that may indicate Subchapter V/Chapter 11 is warranted:
 - Negative operating cash flow even when profits appear strong — may indicate revenue isn't being collected or expenses are poorly managed.
 - Increasing accounts receivable without a proportional increase in sales — could mean customers are paying slower.
 - Rising short-term debt used to fund operations — suggests liquidity problems.
- Profitability and Revenue Red Flags that may indicate Subchapter V/Chapter 11 is warranted:
 - Flat or declining gross margins — costs may be increasing faster than prices.
 - Sudden revenue spikes without clear explanation — could point to aggressive revenue recognition.

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- Inconsistent profit trends — large swings in net income may reflect poor forecasting or accounting manipulation.

☐ Detailed list of secured and unsecured creditors

- Has a notice of default/acceleration been issued? If so, provide copies.

☐ Copies of recent tax returns for past two years (business and personal if applicable)

☐ Aging reports for accounts payable and receivable

☐ Loan and lease agreements, promissory notes, and guarantees

☐ Check Register/Spreadsheet detailing all payments made by the business in the past ninety (90) days, showing date of payment, amount, type (check/debit/ACH), and description

☐ Bank statements for prior year.

2. Business Operations

☐ Organizational chart and ownership breakdown

☐ Copies of key vendor, lease, and employment contracts

☐ Identification of any pending lawsuits or disputes

- Have any lawsuits been filed by creditors? If so, provide copies.

☐ Assessment of ongoing cash needs post-filing

☐ Communication plan for employees, vendors, and customers

3. Eligibility & Legal Considerations

Our Chapter 11 attorney, Melissa Youngman, can evaluate whether your business qualifies for Subchapter V (a streamlined version of Chapter 11 for small to midsize businesses) or a traditional Chapter 11 case.

☐ Confirm Subchapter V eligibility (debt limit and business activity test)

- Does total debt (noncontingent and unliquidated) exceed \$3,424,000? If so, a traditional chapter 11, rather than a streamlined subchapter V may be considered.
- Is at least fifty percent (50%) of the debt related to commercial or business activities? If not, the business may not qualify for subchapter V.
- Is the only business being conducted by the business the ownership of single asset real estate? If so, exclusions may apply.

☐ Did any member or shareholder sign personal guarantees? If yes, provide a copy to your attorney.

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- ☐ Provide a list of vendors who are critical to the business and whether the business is current or behind on payments to same.

4. Pre-Filing Strategy

- ☐ Consult experienced Chapter 11 counsel to map the strategy.
- ☐ Consider the best filing date to preserve cash and minimize disruption – Your Chapter 11 attorney will help your business make this determination. Questions to consider include when is the next payroll due? Are there any lawsuit deadlines? Has a foreclosure sale been set?
- ☐ Review for pre-petition preferences and insider payments – Your attorney will want to review all payments to insiders (shareholders, members, family members, business partners) going back for at least a year before making a recommendation to file a bankruptcy case.
- ☐ Prepare first-day motions and cash collateral budget – Certain things must happen immediately once a Chapter 11 case is filed, such as seeking Court approval for the hiring of any professionals to assist your business in the case, including your attorney and accountant, and seeking approval to use cash collateral. (Some creditors may have a lien against the business's cash and receivables. This is called cash collateral. If there is a lien against cash collateral, the business must seek emergency court approval to continue to use its revenues to operate immediately after the case has been filed. Our Chapter 11 attorney, Melissa Youngman, can help your business file any necessary first day motions and prepare a budget for post-filing operations to ensure the best result for your case.

5. Post-Filing Considerations

- Outline 90-day milestones with your chapter 11 attorney to ensure that all deadlines are met and your business has the best chance to reorganize under Chapter 11 or Subchapter V (the deadlines may include the filing of the plan, status report, and monthly financial reporting).
- Create a creditor communication strategy with your Chapter 11 attorney. Once a bankruptcy case is filed, all attempts to collect a debt are stayed automatically under Section 362 of the Bankruptcy Code. Creditors who continue to contact your business once the case has been filed may be subject to sanctions for violating the automatic stay. Our Chapter 11 attorney, Melissa Youngman, can help your business come up with a plan to manage communications with creditors and any potential automatic stay violations.

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- Manage trustee relationships and financial reporting. Our chapter 11 attorney, Melissa Youngman, can assist your business with providing the financial disclosures required by the Court and Office of the U.S. Trustee, and guide you through the process at appearing at the Initial Debtor Interview and the Section 341 Meeting of Creditors once the case has been filed. She can also help your business navigate its relationship with the Subchapter V trustee and the Office of the U.S. Trustee to keep your case on track.

- Your Chapter 11 attorney will assist you to make sure your business is fully compliant with the post-filing requirements for debtors-in-possession in Chapter 11 and Subchapter V cases. These obligations include maintaining insurance, paying taxes, making monthly payments to the Subchapter V trustee (in a Subchapter V case), paying quarterly payments to the Office of the U.S. Trustee (in a traditional Chapter 11) and required financial reporting to the Court, among other things.

Ready to discuss your options? Schedule a confidential consultation with Chapter 11 attorney Melissa Youngman, our Chapter 11 attorney at Winter Park Estate Plans & ReOrgs. With over 22 years of experience, Melissa Youngman, helps Florida business owners navigate Chapter 11 and Subchapter V reorganizations efficiently and strategically.

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