

UNITED STATES BANKRUPTCY COURT
DISTRICT OF

In re USA Discounters, Ltd., et al.Case No. 15-11755Reporting Period: 10/1/15 - 10/31/15**MONTHLY OPERATING REPORT**

File with Court and submit copy to United States Trustee within 20 days after end of month

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X		
Schedule of Professional Fees Paid	MOR-1b	X		
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Postpetition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4			
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Signature of Authorized Individual*

Date

Laurence Sax

Printed Name of Authorized Individual

Senior Director with Alvarez & Marsal
and Chief Financial Officer

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.



1511755151130000000000004

USA DISCOUNTERS, LTD.
MOR-1 - SUMMARY BY ENTITY
10/4/15 - 10/31/15
(\$000's in USD)

UNAUDITED:

	<u>Consolidated</u>	<u>Limited</u>	<u>Holdings</u>	<u>Credit</u>
Opening Cash Balance 10/4/15	\$ 6,984	\$ 6,974	\$ 5	\$ 5
Receipts	6,802	6,802	-	-
Disbursements	(6,407)	(6,406)	(0)	(0)
Closing Cash Balance 10/31/15 ⁽¹⁾	<u>\$ 7,379</u>	<u>\$ 7,370</u>	<u>\$ 5</u>	<u>\$ 5</u>

(1) The reported period is 10/4/15 through 10/31/15, in order to coincide with our weekly cash flow reporting dates.

MOR-1 - SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

10/4/15 - 10/31/15

(\$000's in USD)

Period Beginning Period Ending	Actual Cash Flow 4-Oct-15 ⁽¹⁾ 31-Oct-15		Forecast ⁽²⁾ Cash Flow 4-Oct-15 31-Oct-15		Variance (\$)
Beginning Cash Balance	\$	6,974	\$	4,109	\$ 2,865
<u>Receipts:</u>					
AR Collections:					
Military		1,964		1,959	5
Civil Service		1,042		995	47
Civilian		586		814	(227)
Total AR Collections		3,592		3,768	(176)
Proceeds Fletcher's Cash Sales		270		864	(594)
Sales Tax on Cash Sales		22		69	(47)
Est. Income Tax Refund		2,596		-	2,596
Legal/Recovery Receipts		261		316	(55)
Other Receipts		61		-	61
Funds Returned / (Withheld) by Credit Card Processor ⁽³⁾		-		-	-
Total Projected Receipts		6,802		5,017	1,785
<u>Operating Disbursements:</u>					
Occupancy		(4)		-	(4)
Utilities		(30)		(40)	10
Payroll		(624)		(798)	174
Tax Remittance		(26)		(59)	33
Other Operating Disbursements		(197)		(350)	153
Customer Refunds		(25)		(40)	15
Total Operating Disbursements		(906)		(1,287)	381
<u>Non-Operating Disbursements:</u>					
Professional Fees		(589)		-	(589)
Carve-Out Reserve Account (Professional Fees)		(530)		-	(530)
Employee Termination Costs ⁽⁴⁾		(3)		(21)	18
Retention Payments		(1)		(3)	2
Interest and Fees		(1)		-	(1)
Other Admin. Exp.		-		(20)	20
Total Planned Disbursements⁽⁵⁾		(2,030)		(1,331)	(699)
Net Cash Flow (Deficit)	\$	4,772	\$	3,686	\$ 1,086
Lender Legal Fees		(26)		-	(26)
Debt Payments		(4,350)		(3,559)	(791)
Ending Cash Balance	\$	7,370	\$	4,237	\$ 3,133
Beginning Debt Balance	\$	59,984	\$	59,984	\$ -
Debt Payments		(4,350)		(3,559)	(791)
Ending Debt Balance	\$	55,634	\$	56,425	\$ (791)
<i>Excess / (Shortfall) Over Borrowing Base</i>		-		-	-

(1) The reported period is 10/4/15 through 10/31/15, in order to coincide with our weekly cash flow reporting dates.

(2) As per the original cash collateral budget filed on 8/24/15 and as submitted to the UST as part of the IOR.

(3) The company's credit card processor is presently withholding an approximate \$1.0M reserve; no amounts were withheld during this period.

(4) On 10/2/15, severance of \$12,475 was incorrectly paid to one individual prior to his expected termination date. The severance amount should have been due and payable on termination at the end of December 2015 (assuming the subject employee continued to work through that date -- the individual remains employed as of the date of this report). The Creditors' Committee and the Prepetition Agent have been advised about this transfer. All rights, claims, and defenses of the Debtors, the estates, and all other parties are reserved in respect of this transfer.

(5) Total disbursements from 10/1/15 through 10/31/15 were \$8,045k (inclusive of lender legal fees and debt payments).

Period Beginning	Actual		Forecast		
Period Ending	Cash Flow		Cash Flow		Variance (\$)
	4-Oct-15		4-Oct-15		
	31-Oct-15		31-Oct-15		
Beginning Cash Balance	\$	5	\$	-	\$ 5
Receipts:					
Cash Sales		-		-	-
Other Receipts		-		-	-
Total Projected Receipts		-		-	-
Disbursements: ⁽¹⁾					
Bank Fees		(0)		-	(0)
UST Fees		(0)		-	(0)
Other Disbursements		-		-	-
Total Planned Disbursements		(0)		-	(0)
Net Cash Flow (Deficit)	\$	(0)	\$	-	\$ (0)
Ending Cash Balance	\$	5	\$	-	\$ 5

(1) Bank fees of \$53.93 and UST fees of \$325.00 were disbursed during the period.

Period Beginning	Actual		Forecast		
Period Ending	Cash Flow		Cash Flow		Variance (\$)
	4-Oct-15	31-Oct-15	4-Oct-15	31-Oct-15	
Beginning Cash Balance	\$	5	\$	-	\$ 5
Receipts:					
Cash Sales		-		-	-
Other Receipts		-		-	-
Total Projected Receipts		-		-	-
Disbursements: ⁽¹⁾					
Bank Fees		(0)		-	(0)
UST Fees		(0)		-	(0)
Other Disbursements		-		-	-
Total Planned Disbursements		(0)		-	(0)
Net Cash Flow (Deficit)	\$	(0)	\$	-	\$ (0)
Ending Cash Balance	\$	5	\$	-	\$ 5

(1) Bank fees of \$53.93 and UST fees of \$325.00 were disbursed during the period.

USA DISCOUNTERS, LTD.

MOR-1a - BANK RECONCILIATION (BALANCES AS OF 10/31/15)

(\$000's in USD)

Legal Entity	Account Type	Bank Name	Account Number (last four)	Closing Bank Balance
USA Discounters, Ltd.	CCA	Wells Fargo	7388	\$ 7,252
USA Discounters, Ltd.	ACH	Wells Fargo	7396	-
USA Discounters, Ltd.	Checking	Wells Fargo	0483	-
USA Discounters, Ltd.	Tax Account	Wells Fargo	7370	-
USA Discounters, Ltd.	Store Master Depository	Wells Fargo	8749	-
USA Discounters, Ltd.	OK Service Warranty Reserve	Wells Fargo	7438	238
USA Discounters, Ltd.	TX Service Contracts Reserve	Wells Fargo	7420	515
USA Discounters, Ltd.	TX Service Contracts CD	Wells Fargo	4902	251
USA Discounters, Ltd.	California Money Market Fund	Wells Fargo	3400	102
USA Discounters, Ltd.	Utility Deposit ⁽¹⁾	Wells Fargo	8151	35
USA Discounters, Ltd.	Carve Out Reserve Account ⁽¹⁾	Wells Fargo	9870	530
USA Discounters Holding Company, Inc.	Checking	Wells Fargo	0314	5
USA Discounters Credit, LLC	Checking	Wells Fargo	0306	5
				<u>\$ 8,932</u>

(1) Represents accounts that were opened after filing

USA DISCOUNTERS, LTD.

MOR-1b - Schedule of Professional Fees Paid

10/1/15 - 10/31/15

(\$000's in USD)

Full Firm Name	Amount
Alvarez & Marsal	\$ 360
Blank Rome LLP	26
FTI Consulting ⁽¹⁾	-
Kelley Drye ⁽¹⁾	-
Klee, Tuchin, Bogdanoff & Stern LLP	222
	<u>\$ 609</u>

- (1) Two transfers of \$265k each were put into a segregated account (Carve-Out Reserve Account) for the UCC professionals as per the cash collateral order. The disbursements from the segregated account to FTI Consulting and Kelley Drye were paid in the subsequent month.

USA Discounters, Ltd.
Statement of Operations
October 31, 2015

	October 2015	Cumulative Filing to Date
Revenues:		
Product sales	275,374	513,579
Finance income	1,218,822	3,886,143
Insurance/warranty/debt cancellation income	731,900	2,216,308
Total revenues	2,226,097	6,616,029
Cost of Sales:		
Cost of product sales	322,454	596,789
Interest expense	537,986	1,644,835
Cost of insurance/warranty/debt cancellation sales	-2,844	-11,283
Total Cost of Sales	857,596	2,230,341
Gross Profit	1,368,501	4,385,688
General and administrative expenses	1,671,846	6,271,271
Business process reengineering costs	0.00	0.00
Income (Loss) From Operations	-303,345	-1,885,583
Other expense	-324,209	-1,158,666
Income (loss) before income taxes	-627,554	-3,044,249
Net income (loss)	-627,554	-3,044,249
	=====	=====

Detail of General and Administrative Expenses

Advertising	1,010	7,819
Amortization	1,305	26,806
Bad debts expense	0	652,100
Bank fees	6,489	15,081
Collection cost	-1,294	64,249
Courier service	10,166	21,906
Delivery vehicle expense	0	10,610
Depreciation	33,027	124,905
Dues and subscriptions	15,044	29,902
Equipment rental	727	1,540
Insurance	47,854	301,592
IT expense	2,560	9,877
Merchandise repair	28,347	66,579
Miscellaneous	28,029	75,106
Office expense	7,680	19,549
Payroll taxes	38,077	141,425
Professional fees ⁽¹⁾	680,193	2,083,082
Rent	106,458	528,499
Repairs and maintenance	1,882	8,680
Salaries	612,934	1,940,429
Sales and promotion	292	18,898
Taxes (benefit) and licenses	595	19,544
Telephone	33,178	64,914
Travel and entertainment	16,250	20,892
Utilities	1,043	17,287
Total Administrative Expenses	1,671,846	6,271,271
	=====	=====

⁽¹⁾ The Debtor created an accrual at month-end to account for the fees incurred, but not yet billed per the cash collateral budget.

USA Discounters, Holdings Inc.
Statement of Operations
October 31, 2015

	October 2015	Cumulative Filing to Date
Revenues:		
Product sales	0	0
Finance income	0	0
Insurance/warranty/debt cancellation income	0	0
Total revenues	0	0
Cost of Sales:		
Cost of product sales	0	0
Interest expense	0	0
Cost of insurance/warranty/debt cancellation sales	0	0
Total Cost of Sales	0	0
Gross Profit	0	0
General and administrative expenses	54	109
Business process reengineering costs		
Income (Loss) From Operations	-54	-109
Other expense	0	0
Income (loss) before income taxes	-54	-109
Net income (loss)	-54	-109

Detail of General and Administrative Expenses

Advertising	0	0
Amortization	0	0
Bad debts expense	0	0
Bank fees	54	109
Collection cost	0	0
Courier service	0	0
Delivery vehicle expense	0	0
Depreciation	0	0
Dues and subscriptions	0	0
Equipment rental	0	0
Insurance	0	0
IT expense	0	0
Merchandise repair	0	0
Miscellaneous	0	0
Office expense	0	0
Payroll taxes	0	0
Professional fees	0	0
Rent	0	0
Repairs and maintenance	0	0
Salaries	0	0
Sales and promotion	0	0
Taxes (benefit) and licenses	0	0
Telephone	0	0
Travel and entertainment	0	0
Utilities	0	0
Total Administrative Expenses	54	109

USA Discounters, Credit Sub LLC
Statement of Operations
October 31, 2015

	October 2015	Cumulative Filing to Date
Revenues:		
Product sales	0	0
Finance income	0	0
Insurance/warranty/debt cancellation income	0	0
Total revenues	0	0
Cost of Sales:		
Cost of product sales	0	0
Interest expense	0	0
Cost of insurance/warranty/debt cancellation sales	0	0
Total Cost of Sales	0	0
Gross Profit	0	0
General and administrative expenses	54	109
Business process reengineering costs		
Income (Loss) From Operations	-54	-109
Other expense	0	0
Income (loss) before income taxes	-54	-109
Net income (loss)	-54	-109

Detail of General and Administrative Expenses

Advertising	0	0
Amortization	0	0
Bad debts expense	0	0
Bank fees	54	109
Collection cost	0	0
Courier service	0	0
Delivery vehicle expense	0	0
Depreciation	0	0
Dues and subscriptions	0	0
Equipment rental	0	0
Insurance	0	0
IT expense	0	0
Merchandise repair	0	0
Miscellaneous	0	0
Office expense	0	0
Payroll taxes	0	0
Professional fees	0	0
Rent	0	0
Repairs and maintenance	0	0
Salaries	0	0
Sales and promotion	0	0
Taxes (benefit) and licenses	0	0
Telephone	0	0
Travel and entertainment	0	0
Utilities	0	0
Total Administrative Expenses	54	109

USA Discounters, Ltd.
Balance Sheet
October 31, 2015

	Book Value as of 10/31/15	Book Value as of 08/24/15
ASSETS		
Current Assets		
Cash	\$6,689,819	\$3,202,800
Net accounts receivable	70,141,249	75,988,814
Inventory, net	4,897,547	5,232,164
Prepaid expenses	584,682	627,154
Professional retainers ⁽¹⁾	684,195	1,048,283
Prepaid income taxes	308,136	296,724
Ancillary products acquisition cost, net	755,041	923,071
Deferred income tax - short term	3,408,496	6,037,571
	-----	-----
Total Current Assets	87,469,164	93,356,581
Property and equipment, gross	5,204,023	5,204,023
Accumulated depreciation	-3,688,532	-3,621,456
	-----	-----
Property and equipment, net	1,515,491	1,582,567
Start-up costs, net of amortization	0	14,055
Deposits	565,000	14,207
Escrow	1,105,399	1,105,378
Goodwill	11,600,718	11,600,718
	-----	-----
Total Other Assets	14,786,609	14,316,925
	-----	-----
Total Assets	\$102,255,773	\$107,673,506
	=====	=====

⁽¹⁾ The apparent change in professional retainers occurred due to the Debtor updating accounting records for pre-petition expenses. The book value as of 8/24/15 was \$684,195

USA Discounters, Ltd.
Balance Sheet
October 31, 2015

	Book Value as of 10/31/15	Book Value as of 08/24/15
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities not subject to compromise		
Accounts payable	\$550,104	\$2,822,965
Accrued payroll and related taxes	236,210	428,575
Taxes payable	6,707	287,018
Accrued expenses	1,914,643	687,613
Other liabilities	145,644	3,560,699
Accrued income taxes payable	-4,068,954	-4,068,954
Reserve for warranty claims	1,582,523	1,657,949
	-----	-----
Total post-petition liabilities	366,877	5,375,865
	-----	-----
Current liabilities subject to compromise		
Secured debt	55,633,291	59,983,291
Priority debt	0	0
Unsecured debt	6,435,356	0
	-----	-----
Total pre-petition liabilities	62,068,647	59,983,291
	-----	-----
Deferred income	451,326	585,718
	-----	-----
Long Term Liabilities		
Deferred income tax - long term	2,062,497	2,062,497
	-----	-----
Subtotal	2,062,497	2,062,497
Less current portion		
	-----	-----
Total Long-Term Liabilities	2,062,497	2,062,497
	-----	-----
Total Liabilities	64,949,347	68,007,371
	-----	-----
Stockholder's Equity		
Retained earnings	22,144,727	22,144,727
Paid in Capital - Common Stock	1,401,330	1,401,330
Paid in Capital - Preferred Stock	17,250,000	17,250,000
Paid in Capital - Stock Compensation	160,440	160,440
Class B Preferred Stock	8,000,000	8,000,000
Net income	-11,650,072	-9,290,363
	-----	-----
Total Stockholder's Equity	37,306,426	39,666,135
	-----	-----
Total Liabilities & Equity	\$102,255,773	\$107,673,506
	=====	=====

USA DISCOUNTERS, LTD.

MOR-5 - AR RECONCILIATION

10/1/15 - 10/31/15

(\$000's in USD)

UNAUDITED:

Beginning AR Balance 10/1/15 (Gross)		<u>\$ 103,532</u>
<u>Add Volume During Period:</u>		
Balances Renewed/Restructured	(50)	
Miscellaneous	25	
Subtotal		<u>(25)</u>
<u>Less Liquidation During Period:</u>		
Cash Collections	(4,297)	
Charge-Offs	(2,621)	
Miscellaneous	(102)	
Subtotal		<u>(7,020)</u>
Ending AR Balance 10/31/15 (Gross)		<u>\$ 96,488</u>
Less Unearned Items		(21,403)
Less Bad Debt and Reserves		(4,943)
Ending AR Balance 10/31/15 (Net)		<u>\$ 70,141</u>

In re USA Discounters, Ltd., et al.
Debtor

Case No. 15-11755
Reporting Period: _____

STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
Federal						
Withholding ⁽¹⁾	0.00	160,350.96	(160,350.96)	10/31/2015		\$0.00
FICA-Employee ⁽¹⁾	0.00	70,719.45	(70,719.45)	10/31/2015		0.00
FICA-Employer ⁽¹⁾	0.00	70,719.26	(70,719.26)	10/31/2015		0.00
Unemployment ⁽¹⁾	0.00	20.13	(20.13)	10/31/2015		0.00
Income	0.00					0.00
Other:	0.00					0.00
Total Federal Taxes	0.00	301,809.80	(301,809.80)			\$0.00
State and Local						
Withholding ⁽¹⁾	0.00	42,990.00	-42,990.00	10/31/2015		0
Sales ⁽²⁾	23,879.11	6,706.94	-23,879.11	10/20/2015		6,706.94
Excise ⁽²⁾	196.27	0.00	-196.27	10/20/2015		0.00
Unemployment ⁽¹⁾	0.00	2,842.22	-2,842.22	10/31/2015		0.00
Real Property	0.00					0
Personal Property ⁽²⁾	1,617.47	0.00	-1,617.47	10/20/2015		0
Other:						0
Total State and Local						0
Total Taxes	\$25,692.85	\$52,539.16	(\$71,525.07)			\$6,706.94

⁽¹⁾ The Debtors' payroll taxes are remitted pursuant to an agreement with Paylocity, a payroll service provider. Each pay period, the Debtors remit the required amount of payroll taxes to Paylocity, which files the appropriate federal, state and local payroll tax returns.

⁽²⁾ The Debtors' taxes are due on the 20th of each month. Due to variation in the payment processing from state to state, the date paid is listed as the due date. The actual date of the bank transaction clears the Debtors' bank account may vary.

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 90	
Accounts Payable	547,710.65	0.00	0.00	0.00	0.00	547,710.65
Wages Payable						
Taxes Payable						
Rent/Leases-Building						
Rent/Leases-Equipment						
Secured Debt/Adequate Protection Payments						
Professional Fees						
Amounts Due to Insiders*						
Other:						
Other:						
Total Postpetition Debts						

Explain how and when the Debtor intends to pay any past-due postpetition debts.

*"Insider" is defined in 11 U.S.C. Section 101(31).

In re USA Discounters, Ltd., et al.
Debtor

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		Amount
Total Accounts Receivable at the beginning of the reporting period		
+ Amounts billed during the period		
- Amounts collected during the period		
Total Accounts Receivable at the end of the reporting period		
Accounts Receivable Aging		Amount
0 - 30 days old		
31 - 60 days old		
61 - 90 days old		
91+ days old		
Total Accounts Receivable		
Amount considered uncollectible (Bad Debt)		
Accounts Receivable (Net)		

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.	X ⁽¹⁾	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.	X	

(1) Please refer to footnote 5 on MOR-1.