

UNITED STATES BANKRUPTCY COURT
DISTRICT OF _____

In re USA Discounters, Ltd., et al.

Case No. 15-11755
 Reporting Period: 8/25/15 - 9/30/15

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	Indiv./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

Laverne Sax
 Printed Name of Authorized Individual

10/30/15
 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.



MOR

USA DISCOUNTERS, LTD.

MOR-1 - SUMMARY BY ENTITY

8/25/15 - 10/3/15

(\$000's in USD)

UNAUDITED:

	<u>Consolidated</u>	<u>Limited</u>	<u>Holdings</u>	<u>Credit</u>
Opening Cash Balance 8/25/15	\$ 977	\$ 967	\$ 5	\$ 5
Receipts	8,940	8,940	-	-
Disbursements	(2,933)	(2,933)	(0)	(0)
Closing Cash Balance 10/3/15 ⁽¹⁾	<u>\$ 6,984</u>	<u>\$ 6,974</u>	<u>\$ 5</u>	<u>\$ 5</u>

(1) The reported period is 8/25/15 through 10/3/15, in order to coincide with our weekly cash flow reporting dates.

USA DISCOUNTERS, LTD.

MOR-1 - SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

8/25/15 - 10/3/15

(\$000's in USD)

Period Beginning	Actual	Forecast ⁽²⁾	
Period Ending	Cash Flow	Cash Flow	
	25-Aug-15 ⁽¹⁾	25-Aug-15	Variance (\$)
	3-Oct-15	3-Oct-15	
Beginning Cash Balance	\$ 967	\$ 967	\$ -
<u>Receipts:</u>			
AR Collections:			
Military	4,444	3,705	738
Civil Service	2,220	1,881	339
Civilian	1,430	1,257	173
Total AR Collections	8,094	6,843	1,251
Proceeds Fletcher's Cash Sales	294	745	(451)
Sales Tax on Cash Sales	23	60	(36)
Est. Income Tax Refund	-	-	-
Legal/Recovery Receipts	514	491	23
Other Receipts	28	-	28
Funds Returned / (Withheld) by Credit Card Processor ⁽³⁾	(14)	-	(14)
Total Projected Receipts	8,940	8,139	802
<u>Operating Disbursements:</u>			
Occupancy	(205)	(242)	37
Utilities	(40)	(61)	22
Payroll	(1,034)	(1,354)	320
Tax Remittance	(38)	(86)	49
Other Operating Disbursements	(186)	(540)	355
Customer Refunds	(37)	(87)	50
Total Operating Disbursements	(1,539)	(2,371)	832
<u>Non-Operating Disbursements:</u>			
Professional Fees	-	(504)	504
Carve-Out Reserve Account (Professional Fees)	-	-	-
Employee Termination Costs	(145)	(169)	24
Retention Payments	(103)	(154)	51
Interest and Fees	(1,116)	(1,141)	24
Other Admin. Exp.	-	(29)	29
Total Planned Disbursements⁽⁴⁾	(2,903)	(4,366)	1,463
Net Cash Flow (Deficit)	\$ 6,037	\$ 3,772	\$ 2,265
Lender Legal Fees	(30)	(141)	111
Debt Payments	-	(488)	488
Ending Cash Balance	\$ 6,974	\$ 4,110	\$ 2,864
Beginning Debt Balance	\$ 59,984	\$ 59,984	\$ -
Debt Payments	-	(488)	488
Ending Debt Balance	\$ 59,984	\$ 59,496	\$ 488
<i>Excess / (Shortfall) Over Borrowing Base</i>	83	-	83

(1) The reported period is 8/25/15 through 10/3/15, 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; \$14k of which was withheld during this period.

(4) Total disbursements from 8/25/15 through 9/30/15 were \$1,298k (inclusive of lender legal fees).

USA DISCOUNTERS CREDIT, LLC

MOR-1 - SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

8/25/15 - 10/3/15

(\$000's in USD)

Period Beginning Period Ending	Actual Cash Flow 25-Aug-15 3-Oct-15	Forecast Cash Flow 25-Aug-15 3-Oct-15	Variance (\$)
Beginning Cash Balance	\$ 5	\$ -	\$ 5
<u>Receipts:</u>			
Cash Sales	-	-	-
Other Receipts	-	-	-
Total Projected Receipts	-	-	-
<u>Disbursements:</u>			
Bank Fees ⁽¹⁾	(0)	-	(0)
UST Fees	-	-	-
Other Disbursements	-	-	-
Total Planned Disbursements	(0)	-	(0)
Net Cash Flow (Deficit)	\$ (0)	\$ -	\$ (0)
Ending Cash Balance	\$ 5	\$ -	\$ 5

(1) Bank fees of \$54.85 were disbursed during the period.

USA DISCOUNTERS HOLDING COMPANY, INC.

MOR-1 - SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

8/25/15 - 10/3/15

(\$000's in USD)

Period Beginning	Actual Cash Flow 25-Aug-15	Forecast Cash Flow 25-Aug-15	Variance (\$)
Period Ending	3-Oct-15	3-Oct-15	
Beginning Cash Balance	\$ 5	\$ -	\$ 5
<u>Receipts:</u>			
Cash Sales	-	-	-
Other Receipts	-	-	-
Total Projected Receipts	<u>-</u>	<u>-</u>	<u>-</u>
<u>Disbursements:</u>			
Bank Fees ⁽¹⁾	(0)	-	(0)
UST Fees	-	-	-
Other Disbursements	-	-	-
Total Planned Disbursements	<u>(0)</u>	<u>-</u>	<u>(0)</u>
Net Cash Flow (Deficit)	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (0)</u>
Ending Cash Balance	\$ 5	\$ -	\$ 5

(1) Bank fees of \$54.85 were disbursed during the period.

USA DISCOUNTERS, LTD.

MOR-1a - BANK RECONCILIATION (BALANCES AS OF 9/30/15)

(\$000's in USD)

Legal Entity	Account Type	Bank Name	Account Number (last four)	Closing Bank Balance
USA Discounters, Ltd.	CCA	Wells Fargo	7388	\$ 5,081
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	Wells Fargo	8151	35
USA Discounters Holding Company, Inc.	Checking	Wells Fargo	0314	5
USA Discounters Credit, LLC	Checking	Wells Fargo	0306	5
				<u>\$ 6,231</u>

USA DISCOUNTERS, LTD.

MOR-1b - Schedule of Professional Fees Paid

8/25/15 - 9/30/15

(\$000's in USD)

<u>Full Firm Name</u>	<u>Amount</u>
Blank Rome LLP	\$ 30
	<u>\$ 30</u>

USA Discounters, Ltd.
Statement of Operations ⁽¹⁾
September 30, 2015

	<u>September</u> <u>2015</u>	<u>Cumulative</u> <u>Filing to Date</u>
Revenues:		
Product sales	182,958	238,205
Finance income	1,318,877	2,667,320
Insurance/warranty/debt cancellation income	719,832	1,484,407
Total revenues	2,221,668	4,389,933
Cost of Sales:		
Cost of product sales	212,789	274,335
Interest expense	537,667	1,106,849
Cost of insurance/warranty/debt cancellation sales	-12,332	-8,439
Total Cost of Sales	738,124	1,372,745
Gross Profit	1,483,544	3,017,187
General and administrative expenses	2,855,018	4,599,425
Business process reengineering costs		
Income (Loss) From Operations	-1,371,474	-1,582,238
Other expense	-360,464	-834,458
Income (loss) before income taxes	-1,731,938	-2,416,695
Net income (loss)	-1,731,938	-2,416,695
Detail of General and Administrative Expenses		
Advertising	1,390	6,809
Amortization	12,750	25,501
Bad debts expense	0	652,100
Bank fees	8,552	8,592
Collection cost	37,122	65,543
Courier service	6,373	11,740
Delivery vehicle expense	-3,512	10,610
Depreciation	34,048	91,878
Dues and subscriptions	10,627	14,858
Equipment rental	389	813
Insurance	83,177	253,738
IT expense	1,669	7,317
Merchandise repair	26,122	38,233
Miscellaneous	40,146	47,077
Office expense	5,595	11,869
Payroll taxes	76,441	103,348
Professional fees	1,399,500	1,402,889
Rent	127,333	422,041
Repairs and maintenance	2,176	6,798
Salaries	938,658	1,327,495
Sales and promotion	11,080	18,606
Taxes (benefit) and licenses	-647	18,949
Telephone	28,695	31,736
Travel and entertainment	2,082	4,642
Utilities	5,253	16,245
Total Administrative Expenses	2,855,018	4,599,425

(1) The statement of operations is prepared on an accrual basis.

USA Discounters, Holdings Inc.
Statement of Operations
September 30, 2015

	<u>September</u> <u>2015</u>	<u>Cumulative</u> <u>Filing to Date</u>
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	55	55
Business process reengineering costs		
Income (Loss) From Operations	-55	-55
Other expense	0	0
Income (loss) before income taxes	-55	-55
Net income (loss)	-55	-55
Detail of General and Administrative Expenses		
Advertising	0	0
Amortization	0	0
Bad debts expense	0	0
Bank fees	55	55
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	55	55

USA Discounters, Credit Sub LLC
Statement of Operations
September 30, 2015

	September 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	55	55
Business process reengineering costs		
Income (Loss) From Operations	-55	-55
Other expense	0	0
Income (loss) before income taxes	-55	-55
Net income (loss)	-55	-55
Detail of General and Administrative Expenses		
Advertising	0	0
Amortization	0	0
Bad debts expense	0	0
Bank fees	55	55
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	55	55

USA Discounters, Ltd.
Balance Sheet
September 30, 2015

	Book Value as of 09/30/15	Book Value as of 08/24/15
ASSETS		
Current Assets		
Cash	\$6,596,104	\$3,192,800
Net accounts receivable	72,998,825	75,988,814
Inventory, net	5,231,455	5,232,164
Prepaid expenses	595,286	627,154
Professional Retainers ⁽¹⁾	684,195	1,048,283
Prepaid income taxes	308,136	296,724
Ancillary products acquisition cost, net	800,429	923,071
Deferred income tax - short term	6,037,571	6,037,571
	93,252,001	93,346,581
Property and equipment, gross	5,204,023	5,204,023
Accumulated depreciation	-3,655,504	-3,621,456
	1,548,519	1,582,567
Due from Affiliate	10,000	10,000
Start-up costs, net of amortization	1,305	14,055
Deposits	35,000	14,207
Escrow	1,105,399	1,105,378
Goodwill	11,600,718	11,600,718
	14,300,941	14,326,925
	\$107,552,942	\$107,673,506

(1) The professional fee retainer balance amount of \$1,048k represents book value only and does not give effect to certain amounts drawn prior to the petition date but not yet booked by the Debtor as of that date. The actual professional fee retainer balance amount as of 8/24/15 was \$684k and had not changed as of 9/30/15

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities not subject to compromise		
Accounts payable	\$442,763	\$2,822,965
Accrued payroll and related taxes	788,360	428,575
Taxes payable	27,548	287,018
Accrued expenses	1,533,115	687,613
Other liabilities	552,236	3,560,699
Accrued income taxes payable	-4,068,954	-4,068,954
Reserve for warranty claims	1,620,254	1,657,949
	-----	-----
Total post-petition liabilities	895,322	5,375,865
	-----	-----
Current liabilities subject to compromise		
Secured debt	59,983,291	59,983,291
Priority debt		
Unsecured debt	6,167,048	0
	-----	-----
Total pre-petition liabilities	66,150,340	59,983,291
	-----	-----
Deferred income	510,586	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	69,618,745	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	-11,022,300	-9,290,363
	-----	-----
Total Stockholder's Equity	37,934,197	39,666,135
	-----	-----
Total Liabilities & Equity	\$107,552,942	\$107,673,506
	=====	=====

In re USA Discounters, Ltd.
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	60,503.32	(60,503.32)	9/30/2015		\$0.00
FICA-Employee ⁽¹⁾	0.00	37,569.34	(37,569.34)	9/30/2015		0.00
FICA-Employer ⁽¹⁾	0.00	37,067.04	(37,067.04)	9/30/2015		0.00
Unemployment ⁽¹⁾	0.00	14.85	(14.85)	9/30/2015		0.00
Income	0.00					0.00
Other:	0.00					0.00
Total Federal Taxes	0.00	135,154.55	(135,154.55)			\$0.00
State and Local						
Withholding ⁽¹⁾	0.00	21,393.58	-21,393.58	9/30/2015		0
Sales ⁽²⁾	0.00	23,879.11	-59,418.77	9/20/2015		23,879.11
Excise ⁽²⁾	0.00	196.27	0.00	9/20/2015		196.27
Unemployment ⁽¹⁾	0.00	1,854.75	-1,854.75	9/30/2015		1,854.75
Real Property						0
Personal Property ⁽²⁾	0.00	1,617.47		9/20/2015		1617.47
Other:						0
Total State and Local						0
Total Taxes	\$0.00	\$48,941.18	(\$82,667.10)			\$27,547.60

⁽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	438,644.76	0.00	0.00	0.00	0.00	438,644.76
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).

MOR-5 - AR RECONCILIATION

8/25/15 - 9/30/15

(\$000's in USD)

UNAUDITED:

Beginning AR Balance 8/1/15 (Gross) ⁽¹⁾		<u>\$ 118,093</u>
<u>Add Volume During Period:</u>		
Gross Sales	240	
Miscellaneous	25	
Subtotal		<u>265</u>
<u>Less Liquidation During Period:</u>		
Cash Collections	(4,796)	
Charge-Offs	(2,095)	
Miscellaneous	(102)	
Subtotal		<u>(6,993)</u>
Ending AR Balance 8/31/15 (Gross)		<u>\$ 111,365</u>
Less Unearned Items		(26,405)
Less Bad Debt and Reserves		(8,971)
Ending AR Balance 8/31/15 (Net)		<u>\$ 75,989</u>
Beginning AR Balance 9/1/15 (Gross)		<u>\$ 111,365</u>
<u>Add Volume During Period:</u>		
Balances Renewed/Restructured	(145)	
Miscellaneous	31	
Subtotal		<u>(114)</u>
<u>Less Liquidation During Period:</u>		
Cash Collections	(4,607)	
Charge-Offs	(2,973)	
Miscellaneous	(139)	
Subtotal		<u>(7,719)</u>
Ending AR Balance 9/30/15 (Gross)		<u>\$ 103,532</u>
Less Unearned Items		(23,731)
Less Bad Debt and Reserves		(6,803)
Ending AR Balance 9/30/15 (Net)		<u>\$ 72,998</u>

(1) The reported period begins on 8/1/15, to coincide with our monthly AR reporting requirements.

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)		

**See prior page

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
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