

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS
KANSAS CITY DIVISION

IN RE:)
DIGITAL SYSTEMS, INC.) Case No. 11-20140-11-rdb
Debtor.) Chapter 11
_____)

DEBTOR'S STANDARD MONTHLY OPERATING REPORT (BUSINESS)
FOR THE PERIOD
FROM February 1, 2012 TO February 29, 2012

Comes now the above-named debtor and files its Monthly Operating Reports in accordance with the Guidelines established by the United States Trustee and FRBP 2015.

/s/ Joanne B. Stutz
Attorney for Debtor's Signature

Debtor's Address
and Phone Number:

15621 W. 87th Street, Box 355
Lenexa, KS 66219

Attorney's Address
and Phone Number:

7225 Renner Road, Suite 200
Shawnee, KS 66217
(913) 962-8700; (913) 962-8701 (FAX)

Note: The original Monthly Operating Report is to be filed with the court and a copy simultaneously provided to the United States Trustee Office. Monthly Operating Reports must be filed by the 21st day of the following month.

For assistance in preparing the Monthly Operating Report, refer to the following resources on the United States Trustee Program Website, <http://www.justice.gov/ust/r20/index.htm>

- 1) Instructions for Preparations of Debtor's Chapter 11 Monthly Operating Report
- 2) Initial Filing Requirements
- 3) Frequently Asked Questions (FAQs) <http://www.usdoj.gov/ust/>

MOR-1

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

Name of Debtor: Digital Systems, Inc.
Date of Petition: January 21, 2011

Case Number: 11-20140-11-rdb

	Current Month	Cumulative to Petition Date
1. FUNDS AT BEGINNING OF PERIOD	<u>\$ 141,774.79</u> (a)	<u>\$ 24,201.83</u> (b)
2. RECEIPTS:		
A. Cash Sales	_____	_____
Minus: Cash Refunds	_____	_____
Net Cash Sales	_____	_____
B. Accounts Receivable	_____	207,739.09
C. Other Receipts (See MOR-3)	9,043.88	763,102.70
(If you receive rental income, you must attach a rent roll.)	_____	_____
3. TOTAL RECEIPTS (Lines 2A+2B+2C)		<u>970,841.79</u>
4. TOTAL FUNDS AVAILABLE FOR OPERATIONS (Line 1 + Line 3)	<u>\$ 150,818.67</u>	<u>\$ 995,043.62</u>
5. DISBURSEMENTS		
A. Advertising	_____	_____
B. Bank Charges	_____	1,775.00
C. Contract Labor	4,630.00	66,664.85
D. Fixed Asset Payments (not incl. in "N")	_____	_____
E. Insurance	_____	41,943.00
F. Inventory Payments (See Attach. 2)	_____	_____
G. Leases	_____	_____
H. Manufacturing Supplies	_____	_____
I. Office Supplies	_____	1,647.33
J. Payroll - Net (See Attachment 4B)	_____	167,780.49
K. Professional Fees (Accounting & Legal)	4,056.00	199,328.74
L. Rent	750.00	53,375.66
M. Repairs & Maintenance	_____	_____
N. Secured Creditor Payments (See Attach. 2)	_____	186,977.59
O. Taxes Paid - Payroll (See Attachment 4C)	_____	83,905.08
P. Taxes Paid - Sales & Use (See Attachment 4C)	_____	_____
Q. Taxes Paid - Other (See Attachment 4C)	_____	6,630.52
R. Telephone	91.70	9,312.61
S. Travel & Entertainment	_____	4,185.62
Y. U.S. Trustee Quarterly Fees	_____	5,525.00
U. Utilities	248.49	7,346.68
V. Vehicle Expenses	_____	_____
W. Other Operating Expenses (See MOR-3)	_____	25,896.85
6. TOTAL DISBURSEMENTS (Sum of 5A thru W)	<u>9,776.19</u>	<u>863,045.02</u>
7. ENDING BALANCE (Line 4 Minus Line 6)	<u>\$ 141,042.48</u> (c)	<u>\$ 141,042.48</u> (c)

MOR-2

I declare under penalty of perjury that this statement and the accompanying documents and reports are true and correct to the best of my knowledge and belief.

This 20th day of March, 2012.

/s/ David C. Owen

By: David C. Owen, Chairman/CEO

- (a) This number is carried forward from last month's report. For the first report only, this number will be the balance as of the petition date.
- (b) This figure will not change from month to month. It is always the amount of funds on hand as of the date of the petition.
- (c) These two amounts will always be the same if form is completed correctly.

MOR-3

MONTHLY SCHEDULE OF RECEIPTS AND DISBURSEMENTS (cont'd)

Detail of Other Receipts and Other Disbursements

OTHER RECEIPTS:

Describe Each Item of Other Receipt and List Amount of Receipt. Write totals on Page MOR-2, Line 2C.

<u>Description</u>		<u>Current Month</u>	<u>Cumulative Petition to Date</u>
TOTAL OTHER RECEIPTS	Refunds	\$ 9,043.88	\$772,146.58

“Other Receipts” includes Loans from Insiders and other sources (i.e. Officer/Owner, related parties directors, related corporations, etc.). Please describe below:

<u>Loan Amount</u>	<u>Source of Funds</u>	<u>Purpose</u>	<u>Repayment Schedule</u>
_____	_____	_____	_____
_____	_____	_____	_____

OTHER DISBURSEMENTS:

Describe Each Item of Other Disbursement and List Amount of Disbursement. Write totals on Page MOR-2, Line 5W.

<u>Description</u>	<u>Current Month</u>	<u>Cumulative Petition to Date</u>
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
TOTAL OTHER DISBURSEMENTS	_____	

NOTE: Attach a current Balance Sheet and Income (Profit & Loss) Statement.

ATTACHMENT 1

MONTHLY ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

MOR-4

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

ACCOUNTS RECEIVABLE AT PETITION DATE:

ACCOUNTS RECEIVABLE RECONCILIATION

(Include all accounts receivable, pre-petition and post-petition, including charge card sales which have not been received):

Beginning of Month Balance	\$ 171,144.17 (a)
PLUS: Current Month New Billings	
MINUS: Collection During the Month	\$ (b)
PLUS/MINUS: Adjustments or Writeoffs	\$ *
End of Month Balance	\$ 171,144.17 (c)

*For any adjustments or Write-offs provide explanation and supporting documentation, if applicable:
Customer receipts paid to FCG offset against interest and penalty fees

Adjustment made to refund overpayment on account.

POST PETITION ACCOUNTS RECEIVABLE AGING
(Show the total for each aging category for all accounts receivable)

	0-30 Days	31-60 Days	61-90 Days	Over 90Days	Total
TOTAL	<u>0.00</u>	<u>0.00</u>	<u>(66.96)</u>	<u>(199,292.32)</u>	<u>370,503.85</u>
	<u>0.00</u>	<u>0.00</u>	<u>(66.96)</u>	<u>(199,292.32)</u>	<u>370,503.85</u>
	<u>0.00</u>	<u>0.00</u>	<u>(66.96)</u>	<u>(199,292.32)</u>	<u>370,503.85</u>

For any receivables in the "Over 90 Days" category, please provide the following:

<u>Customer</u>	<u>Receivable Date</u>	<u>Status</u> (Collection efforts taken, estimate of collectability, write-off, disputed account, etc.)
_____	_____	
_____	_____	
_____	_____	
_____	_____	

(a) This number is carried forward from last month's report. For the first report only, this number will be the balance as of the petition date.

(b) This must equal the number reported in the "Current Month" column of Schedule of Receipts and Disbursements (Page MOR-2, Line 2B).

(c) These two amounts must equal.

**ATTACHMENT 2
MONTHLY ACCOUNTS PAYABLE AND SECURED PAYMENTS REPORT**

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

In the space below list all invoices or bills incurred and not paid since the filing of the petition. Do not include amounts owed prior to filing the petition. In the alternative, a computer generated list of payables may be attached provided all information requested below is included.

POST-PETITION ACCOUNTS PAYABLE

<u>Date Incurred</u> <u>See Attached</u>	<u>Days Outstanding</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTAL AMOUNT				_____ (b)

X Check here if pre-petition debts have been paid. Attach an explanation and copies of supporting documentation.

ACCOUNTS PAYABLE RECONCILIATION (Post Petition Unsecured Debt Only)

Opening Balance	\$	4,941.02 (a)
PLUS: New Indebtedness Incurred This Month	\$	_____
MINUS: Amount Paid on Post Petition, Accounts Payable This Month	\$	_____
PLUS/MINUS: Adjustments	\$	_____*
Ending Month Balance	\$	4,941.02 (c)

*For any adjustments provide explanation and supporting documentation, if applicable.

SECURED PAYMENTS REPORT

List the status of Payments to Secured Creditors and Lessors (Post Petition Only). If you have entered into a modification agreement with a secured creditor/lessor, consult with your attorney and the United States Trustee Program prior to completing this section).

<u>Secured Creditor/ Lessor</u>	<u>Date Payment Due This Month</u>	<u>Amount Paid This Month</u>	<u>Number of Post Petition Payments Delinquent</u>	<u>Total Amount of Post Petition Payments Delinquent</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTAL		_____	_____ (d)	_____

(a) This number is carried forward from last month's report. For the first report only, this number will be zero.
(b, c) The total of line (b) must equal line (c).
(d) This number is reported in the "Current Month" column of Schedule of Receipts and Disbursements (Page MOR-2, Line 5N).

ATTACHMENT 3

INVENTORY AND FIXED ASSETS REPORT

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

INVENTORY REPORT

INVENTORY BALANCE AT PETITION DATE:	\$	
INVENTORY RECONCILIATION:		
Inventory Balance at Beginning of Month	\$	0.00 (a)
PLUS: Inventory Purchased During Month	\$	
MINUS: Inventory Used or Sold	\$	
PLUS/MINUS: Adjustments or Write-downs	\$	*
Inventory on Hand at End of Month	\$	0.00

METHOD OF COSTING INVENTORY: FIFO

*For any adjustments or write-downs provide explanation and supporting documentation, if applicable.
Sale of Assets March 2011.

INVENTORY AGING

Less than 6 months old	6 months to 2 years old	Greater than 2 years old	Considered Obsolete	Total Inventory
_____ %	_____ 100%	_____ %	_____ % =	_____ 100%*

* Aging Percentages must equal 100%.

Check here if inventory contains perishable items.

Description of Obsolete Inventory:

FIXED ASSET REPORT

FIXED ASSETS FAIR MARKET VALUE AT PETITION DATE: \$ _____ 1,219,241.95(b)
(Includes Property, Plant and Equipment)

BRIEF DESCRIPTION (First Report Only):

FIXED ASSETS RECONCILIATION:		
Fixed Asset Book Value at Beginning of Month	\$	-0- (a)(b)
MINUS: Depreciation Expense	\$	
PLUS: New Purchases	\$	
PLUS/MINUS: Adjustments or Write-downs	\$	
Ending Monthly Balance	\$	-0-

*For any adjustments or write-downs, provide explanation and supporting documentation, if applicable.
Asset Sale March 2011.

BRIEF DESCRIPTION OF FIXED ASSETS PURCHASED OR DISPOSED OF DURING THE REPORTING PERIOD:

- (a) This number is carried forward from last month's report. For the first report only, this number will be the balance as of the petition date.
- (b) Fair Market Value is the amount at which fixed assets could be sold under current economic conditions.
Book Value is the cost of the fixed assets minus accumulated depreciation and other adjustments.

ATTACHMENT 4A

MONTHLY SUMMARY OF BANK ACTIVITY - OPERATING ACCOUNT

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

Attach a copy of current month bank statement and bank reconciliation to this Summary of Bank Activity. A standard bank reconciliation form can be found at <http://www.justice.gov/ust/r20/index.htm>. If bank accounts other than the three required by the United States Trustee Program are necessary, permission must be obtained from the United States Trustee prior to opening the accounts. Additionally, use of less than the three required bank accounts must be approved by the United States Trustee.

NAME OF BANK: FNB Olathe BRANCH:

ACCOUNT NAME: Operating Account ACCOUNT NUMBER: 0139602

PURPOSE OF ACCOUNT: OPERATING

Ending Balance per Bank Statement	\$ <u>137,334.16</u>
Plus Total Amount of Outstanding Deposits	\$ _____
Minus Total Amount of Outstanding Checks and other debits	\$ <u>126.09 *</u>
Minus Service Charges	\$ _____
Ending Balance per Check Register	\$ <u>140,084.15**(a)</u>

*Debit cards are used by

**If Closing Balance is negative, provide explanation:

4C: TAXES PAID-OTHER

Amount	Payee	Purpose
--------	-------	---------

The following disbursements were paid in Cash (do not includes items reported as Petty Cash on Attachment 4D: (Check here if cash disbursements were authorized by United States Trustee)

Date	Amount	Payee	Purpose	Reason for Cash Disbursement
------	--------	-------	---------	------------------------------

TRANSFERS BETWEEN DEBTOR IN POSSESSION ACCOUNTS

“Total Amount of Outstanding Checks and other debits”, listed above, includes:

\$ _____	Transferred to Payroll Account
\$ _____	Transferred to Tax Account

(a) The total of this line on Attachment 4A, 4B and 4C plus the total of 4D must equal the amount reported as “Ending Balance” on Schedule of Receipts and Disbursements (Page MOR-2, Line 7).

ATTACHMENT 4B

MONTHLY SUMMARY OF BANK ACTIVITY - PAYROLL ACCOUNT

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

Attach a copy of current month bank statement and bank reconciliation to this Summary of Bank Activity. A standard bank reconciliation form can be found at <http://www.justice.gov/ust/r20/index.htm>.

NAME OF BANK: FNB Olathe BRANCH:

ACCOUNT NAME: Payroll Account ACCOUNT NUMBER: 0149527

PURPOSE OF ACCOUNT: PAYROLL **ACCOUNT CLOSED**

Ending Balance per Bank Statement	\$	<u>0.00*</u>
Plus Total Amount of Outstanding Deposits	\$	
Minus Total Amount of Outstanding Checks and other debits	\$	<u>0.00*</u>
Minus Service Charges	\$	
Ending Balance per Check Register	\$	<u>0.00**(a)</u>

***Debit cards must not be issued on this account.**

****If Closing Balance is negative, provide explanation:**

The following disbursements were paid by Cash: (Check here if cash disbursements were authorized by United States Trustee)

Date	Amount	Payee	Purpose	Reason for Cash Disbursement
<u> </u>	<u> </u>			
<u> </u>	<u> </u>			
<u> </u>	<u> </u>			

The following non-payroll disbursements were made from this account:

Date	Amount	Payee	Purpose	Reason for disbursement from this account
<u> </u>	<u> </u>	<u> </u>		
	<u> </u>	<u> </u>		
	<u> </u>	<u> </u>		
	<u> </u>	<u> </u>		

(a)The total of this line on Attachment 4A, 4B and 4C plus the total of 4D must equal the amount reported as "Ending Balance" on Schedule of Receipts and Disbursements (Page MOR-2, Line 7).

ATTACHMENT 4C

MONTHLY SUMMARY OF BANK ACTIVITY - TAX ACCOUNT

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

Attach a copy of current month bank statement and bank reconciliation to this Summary of Bank Activity. A standard bank reconciliation form can be found on the United States Trustee website, <http://www.justice.gov/ust/r20/index.htm>.

NAME OF BANK: _____

BRANCH: ACCOUNT CLOSED

ACCOUNT NAME: _____

ACCOUNT NUMBER:

PURPOSE OF ACCOUNT: TAX

Ending Balance per Bank Statement	\$	
Plus Total Amount of Outstanding Deposits	\$	
Minus Total Amount of Outstanding Checks and other debits	\$	_____*
Minus Service Charges	\$	
Ending Balance per Check Register	\$	_____**(a)

*Debit cards must not be issued on this account.

**If Closing Balance is negative, provide explanation:

The following disbursements were paid by Cash: (Check here if cash disbursements were authorized by United States Trustee)

Date	Amount	Payee	Purpose	Reason for Cash Disbursement
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	

The following non-tax disbursements were made from this account:

Date	Amount	Payee	Purpose	Reason for disbursement from this account
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	

(a)The total of this line on Attachment 4A, 4B and 4C plus the total of 4D must equal the amount reported as "Ending Balance" on Schedule of Receipts and Disbursements (Page MOR-2, Line 7).

ATTACHMENT 5C

CHECK REGISTER - TAX ACCOUNT

Name of Debtor: _____ Case Number: _____

Reporting Period beginning _____ Period ending _____

NAME OF BANK: _____ BRANCH: _____

ACCOUNT NAME: _____ ACCOUNT # _____

PURPOSE OF ACCOUNT: _____ TAX

Account for all disbursements, including voids, lost checks, stop payments, etc. In the alternative, a computer-generated check register can be attached to this report, provided all the information requested below is included.

<http://www.usdoj.gov/ust>.

<u>DATE</u>	<u>CHECK NUMBER</u>	<u>PAYEE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTAL				_____ (d)
SUMMARY OF TAXES PAID				
Payroll Taxes Paid				_____ (a)
Sales & Use Taxes Paid				_____ (b)
Other Taxes Paid				_____ (c)
TOTAL				_____ (d)

(a) This number is reported in the "Current Month" column of Schedule of Receipts and Disbursements (Page MOR-2, Line 5O).
 (b) This number is reported in the "Current Month" column of Schedule or Receipts and Disbursements (Page MOR-2, Line 5P).
 (c) This number is reported in the "Current Month" column of Schedule of Receipts and Disbursements (Page MOR-2, Line 5Q).
 (d) These two lines must be equal.

ATTACHMENT 4D

INVESTMENT ACCOUNTS AND PETTY CASH REPORT

INVESTMENT ACCOUNTS

Each savings and investment account, i.e. certificates of deposits, money market accounts, stocks and bonds, etc., should be listed separately. Attach copies of account statements.

Type of Negotiable

Instrument	Face Value	Purchase Price	Date of Purchase	Current Market Value
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
TOTAL				_____ (a)

PETTY CASH REPORT

The following Petty Cash Drawers/Accounts are maintained:

Location of Box/Account	(Column 2) Maximum Amount of Cash in Drawer/Acct.	(Column 3) Amount of Petty Cash On Hand At End of Month	(Column 4) Difference between (Column 2) and (Column 3)
_____	_____	_____	
_____	_____	_____	
TOTAL		\$ _____ (b)	

For any Petty Cash Disbursements over \$100 per transaction, attach copies of receipts. If there are no receipts, provide an explanation

TOTAL INVESTMENT ACCOUNTS AND PETTY CASH(a + b) \$ _____ (c)

(c)The total of this line on Attachment 4A, 4B and 4C plus the total of 4D must equal the amount reported as "Ending Balance" on Schedule of Receipts and Disbursements (Page MOR-2, Line 7).

ATTACHMENT 6

MONTHLY TAX REPORT

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

TAXES OWED AND DUE

Report all unpaid post-petition taxes including Federal and State withholding FICA, State sales tax, property tax, unemployment tax, State workmen's compensation, etc.

Name of Taxing Authority	Date Payment Due	Description	Amount	Date Last Tax Return Filed	Tax Return Period
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	
TOTAL			\$ _____		

MOR-15

ATTACHMENT 7

SUMMARY OF OFFICER OR OWNER COMPENSATION

SUMMARY OF PERSONNEL AND INSURANCE COVERAGES

Name of Debtor: Digital Systems, Inc.

Case Number: 11-20140-11-rdb

FOR THE REPORTING PERIOD BEGINNING February 1, 2012 and ending February 29, 2012

Report all forms of compensation received by or paid on behalf of the Officer or Owner during the month. Include car allowances, payments to retirement plans, loan repayments, payments of Officer/Owner's personal expenses, insurance premium payments, etc. Do not include reimbursement for business expenses Officer or Owner incurred and for which detailed receipts are maintained in the accounting records.

<u>Name of Officer or Owner</u>	<u>Title</u>	<u>Description</u>	<u>Amount Paid</u>
David Owen	CEO	Services	\$2,000.00

David Owen continues to provide services as the Debtor winds down at the hourly rate of \$2,000 per month.

PERSONNEL REPORT

	<u>Full Time</u>	<u>Part Time</u>
Number of employees at beginning of period	0	0
Number hired during the period		
Number terminated or resigned during period		
Number of employees on payroll at end of period	0	0

CONFIRMATION OF INSURANCE

List all policies of insurance in effect, including but not limited to workers' compensation, liability, fire, theft, comprehensive, vehicle, health and life. For the first report, attach a copy of the declaration sheet for each type of insurance. For subsequent reports, attach a certificate of insurance for any policy in which a change occurs during the month (new carrier, increased policy limits, renewal, etc.).

<u>Agent and/or Carrier</u>	<u>Phone Number</u>	<u>Policy Number</u>	<u>Coverage Type</u>	<u>Expiration Date</u>	<u>Date Premium Due</u>
CBIZ Insurance, Kathy Beamis	913-234-1918				
<u>CBIZ/Acuity Insurance Co.</u>		<u>X13725</u>	<u>General Liab</u>	<u>4/1/2012</u>	<u>4/1/2012</u>
<u>CBIZ/Nat'l Union Fire</u>		<u>01-146-63-00</u>	<u>D&O</u>	<u>9/30/10</u>	<u>1/1/18</u>

The following lapse in insurance coverage occurred this month:

<u>Policy Type</u>	<u>Date Lapsed</u>	<u>Date Reinstated</u>	<u>Reason for Lapse</u>

G Check here if U. S. Trustee has been listed as Certificate Holder for all insurance policies.

ATTACHMENT 8**SIGNIFICANT DEVELOPMENTS DURING REPORTING PERIOD**

Information to be provided on this page, includes, but is not limited to: (1) financial transactions that are not reported on this report, such as the sale of real estate (*attach closing statement*); (2) non-financial transactions, such as the substitution of assets or collateral; (3) modifications to loan agreements; (4) change in senior management, etc. Attach any relevant documents.

Disclosure Statement and Plan of Liquidation have been filed.

MOR-17

**DIGITAL SYSTEMS, INC P&L
STATEMENT**

2/29/2012

Ordinary Income/Expense		
Expense		
	0-60400 · Professional & Contract Service	
	0-60410 · Consulting	
	2-60410 · Consulting - Admin	2,000.00
	Total 0-60410 · Consulting	2,000.00
	Legal Fees	
	2-60430 · Legal Expense	4,056.00
	Total Legal Fees	4,056.00
	0-60470 · Outside Services	
	2-60470 · Outside Services - Admin	2,500.00
	Total 0-60470 · Outside Services	2,500.00
	0-60400 · Professional & Contract Service - Other	130.00
	Total 0-60400 · Professional & Contract Service	8,686.00
	0-60500 · Facilities & Maintenance Costs	
	2-60550 · Rent Building	750.00
	2-60590 · Utility Expense	248.49
	Total 0-60500 · Facilities & Maintenance Costs	998.49
	0-60800 · Telecommunications	
	6-60830 · Telephone Expense	91.7
	Total 0-60800 · Telecommunications	91.7
	0-61400 · Sales & Use; Property Taxes	
	2-61430 · Taxes - Corporate	-9,043.88
	Total 0-61400 · Sales & Use; Property Taxes	-9,043.88
	0-61900 · Other Office Expenses	
	2-61910 · Licenses/Permits	54.00
	Total 0-61900 · Other Office Expenses	54.00
	Total Expense	786.31
	Net Ordinary Income	-786.31
	Net Income	-786.31

MOR-18

DIGITAL SYSTEMS, INC BALANCE SHEET

2/29/2012

ASSETS

Current Assets

Checking/Savings

Cash Accounts

0-10070 · FNB Olathe Checking 013-960-2

140,084.15

Total Cash Accounts

140,084.15

Foreign Cash Accounts

0-10200 · YEN Bank of America 11407006

-3,465.15

0-10210 · Yen Currency Fluctuation

3,465.15

Total Foreign Cash Accounts

0

Total Checking/Savings

140,084.15

Accounts Receivable

Accounts Receivable

0-11000 · Accounts Receivable - Trade

247,880.90

0-11010 · Accounts Receivable - Dealers

23,719.75

0-11100 · Allowance for Doubtful Accounts

-100,456.68

Total Accounts Receivable

171,143.97

Total Accounts Receivable

171,143.97

Other Current Assets

Prepaid Expenses

0-13000 · Prepaid Expenses

7,650.00

0-13010 · Prepaid Insurance

-29

Total Prepaid Expenses

7,621.00

Other Current Assets

0-14000 · Deposits

-1,000.00

Total Other Current Assets

-1,000.00

Total Other Current Assets

6,621.00

Total Current Assets

317,849.12

TOTAL ASSETS

317,849.12

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

0-20000 · Accounts Payable

1,190,520.49

0-20100 · Accounts Payable - Chpt 11

4,941.02

Total Accounts Payable

1,195,461.51

Total Accounts Payable

1,195,461.51

Other Current Liabilities

Accrued Liabilities

Accrued Expenses

0-21000 · Accrued Expenses - Other

52,257.40

0-21010 · Accrued Property Taxes

26,686.29

0-21020 · Accrued Sales Tax

3,366.29

Total Accrued Expenses

82,309.98

Total Accrued Liabilities

82,309.98

Total Other Current Liabilities

82,309.98

Total Current Liabilities

1,277,771.49

Total Liabilities

1,277,771.49

Equity

Shareholders' Equity - CS

0-30000 · Bridge Warrant 2005 Proceeds

164,991.75

0-30010 · Stock Option Proceeds

52,650.00

0-30020 · Public Warrant Proceeds

769,171.09

0-30040 · Common Stock

36,343,227.14

0-30050 · Common Stock Restricted

1,560,000.00

0-30060 · Options Outstanding

2,076,270.47

0-30065 · Warrants

88,660.94

0-30070 · Offering Costs

-2,250,025.22

Total Shareholders' Equity - CS

38,804,946.17

Other Comprehensive Income

0-31000 · Deferred currency exchange

3,465.15

Total Other Comprehensive Income

3,465.15

0-32000 · Retained Deficit

-39,757,970.20

Net Income

-10,363.49

Total Equity

-959,922.37

TOTAL LIABILITIES & EQUITY

317,849.12

MOR-19

1:54 PM
03/09/12

ICOP DIGITAL, INC. Reconciliation Summary
0-10070 ■ FNB Oiathe Checking 013-960-2, Period Ending 02/29/2012

	<u>Feb 29, 12</u>
Beginning Balance	141,739.55
Cleared Transactions	
Checks and Payments	-10,480.19
Deposits and Credits	9,043.88
Total Cleared Transactions	<u>-1,436.31</u>
Cleared Balance	<u>140,303.24</u>
Uncleared Transactions	
Checks and Payments - 3 items	-219.09
Total Uncleared Transactions	<u>-219.09</u>
Register Balance as of 02/29/2012	<u>140,084.15</u>
New Transactions	
Checks and Payments - 2 items	-2,750.00
Total New Transactions	<u>-2,750.00</u>
Ending Balance	<u><u>137,334.15</u></u>

013461

ENTERPRISE BANK & TRUST
 PO Box 66940 • St. Louis, MO 63166
 Address Service Requested

STATEMENT DATE
 02/29/12
 ACCOUNT NUMBER
 5900139602



013461 0.6500 AT 0.374 TR00048

EBTR DIGITAL SYSTEMS INC
 DEBTOR IN POSSESSION
 OPERATING ACCOUNT
 15621 W 87TH ST PKWY STE 355
 LENEXA KS 66219-1435

8
 PREVIOUS STATEMENT BALANCE AS OF 01/31/12 *** CHECKING *** COMMERCIAL DDA KC CYCLE-030
 PLUS 1 DEPOSITS AND OTHER CREDITS 141,739.55
 LESS 10 CHECKS AND OTHER DEBITS 9,043.88
 CURRENT STATEMENT BALANCE AS OF 02/29/12 10,480.19
 NUMBER OF DAYS IN THIS STATEMENT PERIOD 29 140,303.24

*** CHECK TRANSACTIONS ***

SERIAL	DATE	AMOUNT	SERIAL	DATE	AMOUNT
1027	02/06	650.00	1031	02/16	167.21
1028	02/03	750.00	1032	02/24	4,056.00
1029	02/01	2,000.00	1033	02/28	54.00
1030	02/16	81.28			

*** CHECKING ACCOUNT TRANSACTIONS ***

DATE	DESCRIPTION	DEBITS	CREDITS
02/06	AC-ATT -Payment	91.70	
02/22	DEPOSIT		9,043.88 ✓
02/22	WT CBIZ BENEFITS & INSURANCE	130.00	
02/27	WT MARKETWIRE, INC.	2,500.00	

*** BALANCE BY DATE ***

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
01/31	141,739.55	02/01	139,739.55	02/03	138,989.55
02/16	137,999.36	02/22	146,913.24	02/24	142,857.24
02/28	140,303.24			02/27	138,247.85
					140,357.24

IF YOU HAVE QUESTIONS CONCERNING THIS STATEMENT, PLEASE
 CALL OUR CUSTOMER SERVICE CENTER AT (800)438-0378. THANK
 YOU FOR ALLOWING ENTERPRISE TO SERVE YOUR BANKING NEEDS.

EBTR-002-013461-001-120301 013461 X02
 66219143521

MEMBER FDIC

Account: 5900139602
Enterprise Bank & Trust

Period: 2/1/2012 To 2/29/2012

PAGE 2

DEPOSIT TICKET

DIGITAL SYSTEMS INC.
15621 W 87TH ST PKWY STE 355
LENEKA, KS 66219

DATE: 2/22/12

AMOUNT: 9043.88

First National Bank of Olathe

02/22/12 \$9043.88

DIGITAL SYSTEMS INC. 1032

15621 W 87TH ST PKWY STE 355
LENEKA, KS 66219

DATE: 2/24/12

PAY TO THE ORDER OF: Edmund & Muller, Inc.

AMOUNT: \$4,056.00

FOUR THOUSAND FIFTY SIX AND 00/100 DOLLARS

First National Bank of Olathe

1032 02/24/12 \$4056.00

DIGITAL SYSTEMS INC. 1027

15621 W 87TH ST PKWY STE 355
LENEKA, KS 66219

DATE: 1/30/12

PAY TO THE ORDER OF: U.S. Trustee

AMOUNT: \$650.00

SIX HUNDRED FIFTY AND 00/100 DOLLARS

First National Bank of Olathe

1027 02/06/12 \$650.00

DIGITAL SYSTEMS INC. 1033

15621 W 87TH ST PKWY STE 355
LENEKA, KS 66219

DATE: 2/1/12

PAY TO THE ORDER OF: City of Lenexa

AMOUNT: \$54.00

FIFTY FOUR AND 00/100 DOLLARS

First National Bank of Olathe

1033 02/28/12 \$54.00

DIGITAL SYSTEMS INC. 1028

15621 W 87TH ST PKWY STE 355
LENEKA, KS 66219

DATE: 2/1/12

PAY TO THE ORDER OF: Kincaid + Rees Bankway Prof Bldg

AMOUNT: \$750.00

SEVEN HUNDRED FIFTY AND 00/100 DOLLARS

First National Bank of Olathe

1028 02/03/12 \$750.00



EBTR-002-013461-001-001-120301 013461 X02

DIGITAL SYSTEMS INC. 15621 W 27TH ST. PRWY STE 355 LENOXA, KS 66219

1028

DATE: 2/1/12

PAY TO THE ORDER OF: KINCAID + Rees Tankway Coof Bldg \$750.00

SEVEN HUNDRED FIFTY AND 00/100 DOLLARS

First National Bank of Olathe

MEMO: 600 2012

1028 02/03/12 \$750.00

DIGITAL SYSTEMS INC. 15621 W 27TH ST. PRWY STE 355 LENOXA, KS 66219

1029

DATE: 2/1/12

PAY TO THE ORDER OF: Equivest, LLC \$2,000.00

TWO THOUSAND AND 00/100 DOLLARS

First National Bank of Olathe

MEMO: 600

1029 02/01/12 \$2000.00

DIGITAL SYSTEMS INC. 15621 W 27TH ST. PRWY STE 355 LENOXA, KS 66219

1030

DATE: 2/14/12

PAY TO THE ORDER OF: KC P+L \$81.28

EIGHTY ONE AND 28/100 DOLLARS

First National Bank of Olathe

MEMO: 3515-08-8885

1030 02/16/12 \$81.28

DIGITAL SYSTEMS INC. 15621 W 27TH ST. PRWY STE 355 LENOXA, KS 66219

1031

DATE: 2/14/12

PAY TO THE ORDER OF: Kansas Gas Service \$167.21

ONE HUNDRED SIXTY SEVEN AND 21/100 DOLLARS

First National Bank of Olathe

MEMO: 512242820 46135282

1031 02/16/12 \$167.21