

Instructions for Preparing Official [Form B425A](#) (Plan of Reorganization, SBRA Case)

These instructions explain how to complete the Official Form B425A Plan of Reorganization. This form plan is only for use in SBRA cases. For non-SBRA cases, parties are encouraged to use the court's Standard-Form Combined Plan and Disclosure Statement, which is posted on the court's website.

Background for Cases Filed Under Subchapter V

A. Description and History of Debtor's Business

In addition to the information required by 11 U.S.C. § 1190, Debtor should explain the circumstances that led to the filing, the extent to which those circumstances have changed, major events in the case, and how the Plan addresses the financial problem that led to the filing. The statement should be informative rather than argumentative.

B. Liquidation Analysis

This section requires a comparison of how much creditors will receive under the proposed Plan with the amount they would receive if the case were a Chapter 7 liquidation. Disclose the current value of assets and indicate whether assets are (1) encumbered by secured claims or (2) exempt. Calculate the estate's total value net of secured debt and exemptions. Compare this value to a hypothetical distribution to creditors from a chapter 7 estate, taking into account the costs of administering such an estate (e.g., chapter 7 trustee fees, fees of professionals employed by the trustee, transaction costs such as realtor, and auctioneer fees).

An example **Liquidation Analysis** is attached to this sheet.

C. Ability to Make Future Plan Payments and Operating without Further Reorganization

This section addresses the financial feasibility of the Plan. State how Debtor proposes to make payments under the Plan by providing a projection of disposable income, as defined by 11 U.S.C. § 1191(d). Debtor should reference Monthly Operating Reports, as well as Schedules I and J (which state income and expenses), and should explain any differences between the projection and the filed documents. If Debtor operates a business, Debtor should attach a profit and loss statement showing the net business income.

An example **Calculation of Projected Disposable Income** is attached to these instructions. If Debtor has real property investments, complete the **Investment Property Analysis** attached to these instructions as well.

Article 1: Summary

This article summarizes the Plan. Insert source(s) of payment for Plan, number and type of classes, and proposed percentage payment to general unsecured creditors.

Article 2: Classification of Claims and Interests

Use this article to identify the classes of claims being treated under the Plan.

2.01 Class 1 (Classified) Priority Claims include claims entitled to priority under § 507(a) (e.g., customer deposits and employee wage and benefit claims). The required treatment for such claims is specified at 11 U.S.C. § 1129(a)(9)(B). Set forth each type of priority claim treated in this Plan in a separate section. For example,

- 2.01(a) Employee Wage Claims (see 11 U.S.C. § 507(a)(4))
- 2.01(b) Customer Deposits (see 11 U.S.C. § 507(a)(7))

2.02 Class 2 Secured Claims include claims that are secured by an interest in debtor's property. The Plan should separate each secured creditor into a different class (e.g., Class 2.1 (Bank), Class 2.2 (Credit Union), Class 2.3 (Auto Lender)).

Each secured claim should be treated separately under the Plan.

2.03 Class 3 Nonpriority Unsecured Claims includes claims that are neither secured nor entitled to priority of payment.

2.04 Class 4 Equity Interests includes any interest of partners, shareholders, or members. These are ownership interests in Debtor and will not apply in an individual case.

Article 3: Treatment of Administrative Expense Claims, Priority Tax Claims, and Quarterly and Court Fees

3.01 Unclassified claims – Claims specified in 11 U.S.C. § 1123(a)(1) are not classified. These include: administrative expense claims (11 U.S.C. § 503(b)), “gap” period claims in involuntary cases (11 U.S.C. § 303), and priority tax claims (11 U.S.C. § 507(a)(8)).

3.02 Administrative expense claims – specify treatment of administrative expense claims allowed under 11 U.S.C. § 503(b), including professional fees (11 U.S.C. § 503(b)(2)), goods and services received by debtor within 20 days of petition (11 U.S.C. § 503(b)(9)). Under the SBRA, these claims should be treated in one of two ways:

Claims will be paid in full in cash on the effective date, or as otherwise agreed by the creditor; or

Claims will be paid over the life of the Plan. Specify timing of payment (e.g., monthly, quarterly), and amount. *This option should be used if the Plan is being “crammed down” on the creditor.* (11 U.S.C. § 1191(e)).

3.03 Priority tax claims – specify treatment of tax claims entitled to priority treatment under 11 U.S.C. § 507(a)(8), which must be paid in accordance with 11 U.S.C. § 1129(a)(9)(C).

3.04 Statutory fees – All court fees arising on or during the case must be paid on the effective date of the Plan.

3.05 Prospective quarterly fees – Cases filed under the SBRA do not incur United States trustee fees, so this provision should be omitted. See 28 U.S.C. § 1930(a)(6)(A)(amended).

Article 4: Treatment of Claims and Interests Under the Plan

4.01 Claims and interests shall be treated as follows under this Plan:

Class 1 Priority claims – specify treatment of priority claims, which are defined at 11 U.S.C. § 507(a) and include customer deposits, employee wage and benefit claims. The treatment required for these claims is specified at 11 U.S.C. § 1129(a)(9)(B) and includes deferred cash payments (consensual plan), or payment in full in cash on the effective date (non-consensual plan). Attaching a schedule showing the name of the creditor, the payment start date, and the amount of payment is strongly encouraged.

Class 2 Secured claim of – specify treatment of secured claims. Possible treatments include:

- Property to be surrendered
- Creditor's rights unchanged (e.g., paid per terms of promissory note)
- Debtor to make regular payments and pay arrears over time
- Debtor to value property under 11 U.S.C. § 506(a) and pay secured claim over time
- Debtor to value property and terminate lien
- Debtor to adjust terms and pay amount due over time

Remember to classify each secured claim in a different class even if the proposed treatment is the same. Attaching a schedule showing the name of the creditor, the payment start date, and the amount of payment is strongly encouraged.

Class 3 Non-priority unsecured creditors – specify proposed treatment, which should be consistent with Article 1. Generally, payment should be structured to pay a percentage of unsecured claims (percent plan) or a sum certain which pays claims pro-rata (pot plan). Add a convenience class if applicable. Attaching a schedule showing the name of the creditor, the payment start date, and the amount of payment is strongly encouraged.

Class 4 Equity security holders of the Debtor – specify proposed treatment for owners of the enterprise.

Article 5: Allowance and Disallowance of Claims

These provisions are self-explanatory.

Debtor will not pay disputed claims until the dispute is resolved. In case of a disputed claim, Debtor should securely hold funds that would otherwise be paid to disputed claimholders. Once the dispute is resolved, the funds can be paid to the claimholder, or distributed as otherwise provided. The Plan should specify whether funds attributable to disallowed claims will be retained by Debtor or will be distributed pro-rata to other creditors.

Article 6: Provisions for Executory Contracts and Unexpired Leases

The Plan should include a list of executory contracts and unexpired leases. It should state the proposed treatment of the executory contract or unexpired lease (e.g., assumed, assumed and assigned, or rejected), as well as the amount of any default to cure and the timing and manner of such cure.

Part (a) should be used for executory contracts or unexpired leases being assumed, or assumed and assigned.

Part (b) should be used for executory contracts or unexpired leases that are being rejected. Note that if an executory contract is being *rejected* under the Plan (or was rejected prior to confirmation), it is treated as breached on the petition date. Any claim for termination should be treated under Class 3, which covers non-priority unsecured creditors.

Article 7: Means of Implementation of the Plan

This provision calls for a narrative response describing how the Plan will operate. It should be supplemented with financial information from Debtor's **Monthly Operating Reports** indicating Debtor's profitability during the Chapter 11 process.

A properly drafted plan will also make reference to schedules attached to the Plan. The schedules include the **Calculation of Projected Disposable Income** schedule which addresses Debtor's ability to make ongoing payments under the proposed Plan. If Debtor has real property investments, Debtor should also complete the **Investment Property Analysis**. They also include the **Effective Date Feasibility** schedule, which addresses Debtor's ability to make the payments that must be made on the date the Plan is confirmed. An example **Effective Date Feasibility** schedule is attached.

Article 8: General Provisions

These provisions are self-explanatory.

In § 8.06 insert name of State for applicable law.

In § 8.07, if the Plan is dependent on a change to the governing corporate, partnership, or membership documents, those terms should be inserted in this section. These terms might include changes in voting, elections, directorship, management, debt structure and liquidation preferences.

In § 8.08, regarding retention of jurisdiction, insert the following:

The bankruptcy court may exercise jurisdiction over proceedings concerning:

- (i) whether Debtor is in material default of any Plan obligation;
- (ii) whether the time for performing any Plan obligation should be extended;
- (iii) adversary proceedings and contested matters pending as of the effective date or specifically contemplated in this Plan to be filed in this court;
- (iv) whether the case should be dismissed or converted to one under Chapter 7, or whether Debtor should be removed for cause;
- (v) any objections to claims;
- (vi) compromises of controversies under Fed. R. Bankr. P. 9019;
- (vii) compensation of professionals; and
- (viii) other questions regarding the interpretation and enforcement of the Plan.

Liquidation Analysis (Example)

What Creditors Would Receive if the Case Were Converted to a Chapter 7

Real Property #1: [Insert Address]

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amount of Exemption	Net Proceeds
	1 st				
	2 nd	[Add additional tables for additional real property]			
	3 rd				

Personal Property:

Description	Liquidation Value	Secured Claim	Amount of Exemption	Net Proceeds
Cash				
Automobile #1				
Automobile #2				
Household Furnishings				
Jewelry				
Equipment				
Stocks / Investments				
Other Personal Property				
TOTAL				

Net Proceeds of Real Property and Personal Property (above)	
Recovery from Preferences / Fraudulent Conveyances	[ADD]
Chapter 7 Administrative Claims	[SUBTRACT]
Chapter 11 Administrative Claims	[SUBTRACT]
Priority Claims	[SUBTRACT]
Chapter 7 Trustee Fees	[SUBTRACT]
Chapter 7 Trustee's Professionals	[SUBTRACT]
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS	

Estimated Amount of Unsecured Claims	
Percent Distribution to Unsecured Creditors Under Proposed Plan	%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis	%

Calculation of Projected Disposable Income (Example)

Income	Amount
Gross Employment Income	
Gross Business Income	
[OTHER INCOME - DESCRIBE]	
Positive Cash Flow on Investment Property (<i>see below for example Investment Property Analysis (example)</i>)	
A. Total Monthly Income	

Expenses	Amount
Includes Plan Payments on Secured Claims for Residence and Car	
Payroll Taxes and Related Withholdings	
Retirement Contributions (401k, IRA, PSP)	
Shelter Expenses (rent/mortgage, insurance, taxes, utilities) (Total Arrearages on Principal Residence are \$_____)	
Household Expenses (food)	
Transportation Expenses (car payments, insurance, fuel)	
Personal Expenses (e.g. recreation, clothing, laundry, medical)	
Alimony / Child Support	
Other Expenses	
Negative Cash Flow on Investment Property (<i>see below for example Investment Property Analysis (example)</i>)	
B. Total Monthly Expenses	

C. Projected Disposable Income (Line A - Line B)	
---------------------------------------------------------	--

Plan Payments	Amount
Plan Payments Not Included in Calculating Projected Disposable Income	
Administrative Claims	
Priority Claims	
General Unsecured Creditors	
[OTHER PLAN PAYMENTS - DESCRIBE]	

D. Total Plan Payments	
-------------------------------	--

E. Plan Feasibility (Line C - Line D) (Not feasible if less than zero)	
----------------------------------------------------------------------------------	--

Investment Property Analysis (example)

Properties with Positive Monthly Cash-Flow:

Real Property #1 Income: [Insert Address]

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 st				
	2 nd				
	3 rd				

[Add additional tables for additional real property]

Real Property #2 Income: [Insert Address]

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 st				
	2 nd				
	3 rd				

A. Total Positive Cash Flow	
------------------------------------	--

Properties with Negative Monthly Cash-Flow:

Real Property #3 Income: [Insert Address]

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 st				
	2 nd				
	3 rd				

Real Property #4 Income: [Insert Address]

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 st				
	2 nd				

3 rd

B. Total Negative Cash Flow	
------------------------------------	--

Effective Date Feasibility (example)

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		
Payments on Effective Date		
Unclassified Claims		
Administrative Expense Claims -- <i>(Include only if plan is being confirmed on consensual basis and Debtor proposes to make all payments on effective date)</i>		
Priority Claims		
Small Claims (Class 2(a))		
U.S. Trustee Fees		
B. Total Payments on Effective Date		
C. Net Cash on Effective Date (Line A - Line B) (Not feasible if less than zero)		