

UNITED STATES BANKRUPTCY COURT
DISTRICT OF Delaware

In re Baxano Surgical Inc

Case No. 14-12545
 Reporting Period: January 2015

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			
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a			
Schedule of Professional Fees Paid	MOR-1b			
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2			
Balance Sheet	MOR-3			
Status of Postpetition Taxes	MOR-4			
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4			
Listing of aged accounts payable	MOR-4			
Accounts Receivable Reconciliation and Aging	MOR-5			
Debtor Questionnaire	MOR-5			

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

John Palmer
Digitally signed by John Palmer
 DN: cn=John Palmer, o=Tamarack Associates, Inc., ou, email=jpalmer@tamarackassoc.com, c=US
 Date: 2015.02.12 17:21:30 -05'00'

2/12/15

 Date

 Signature of Authorized Individual*

 Date

John L Palmer, CTP

 Printed Name of Authorized Individual

Chief Restructuring 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.

Month	January		
	Operating Account	American Express	Total
Cash In			
Interest Income	717.99		
AR Cash In	1,137,825.01		
Cobra Cash In	1,152.00		
Fixed Asset Sales	41,210.00		
Proceeds from Sale	6,165,589.00		
Amendia Product Purchases	188,608.00		
DIP Borrowing	200,000.00		
Amex Payment Made to Keep Accts Open		45,622.12	
Total Cash In	7,735,102.00	45,622.12	7,780,724.12
Cash Out			
Salaries & Benefits	243,551.00		
Bank Fees	4,482.00		
Medical Insurance	12,513.00		
Travel - Car Allowance	3,673.00		
Employee Expense Reimburse	15,742.00		
ADP Fees	1,202.00		
Commissions	55,271.00		
Dist Commissions	249,923.00		
Termination Costs	27,934.00		
Subtotal - Personnal Costs	614,291.00	-	614,291.00
AP/Vendor Payments	138,038.96	-	
Sales Tax	36,312.48		
Software Licenses	22,000.00	1,600.00	
Fedex	20,000.00	19,061.67	
Rent	33,191.63		
Medical Device Tax	5,792.40		
Amendia Vendor Payments	185,378.17	3,229.83	
Product/Gen Liability Insurance	49,663.21		
Utilities	10,041.18		
Subtotal - Operating Costs	500,418.03	23,891.50	524,309.53

Total Operating and Personnel	1,114,709.03	23,891.50	1,138,600.53
Tamarack Associates	78,356.29		
Prepetition Secured Interest	192,154.52		
DIP Interest & Fees	16,256.95		
DIP Principle	300,000.00		
DIP Lender Legal Counsel	74,781.72		
Payment of Hercules Debt	6,036,515.52		
Stevens & Lee	162,000.00		
Investment Banker Expenses			
Utility Deposits			
Committee's Professionals			
Noticing Agent			
US Trustee Fees	6,500.00		
Subtotal Finance & Restructuring	6,866,565.00	-	6,866,565.00
TOTAL CASH OUT	7,981,274.03	23,891.50	8,005,165.53
CASH FLOW SUMMARY			
Cash Beginning of Month	317,427.00	(129,185.94)	
Cash In	7,735,102.00	45,622.12	
Cash Out	7,981,274.03	23,891.50	
Cash End of Month	71,254.97	(107,455.32)	
OTHER DISBURSEMENTS			
Distbursments presented above	8,005,165.53		
Sun Life Assurance Draw	149,993.41	Silicon Valley Bank	
Total Disbursement	8,155,158.94		

Balance Per Baxano Financials	71,940.10
Bank Balance	17,550.25
Deposits in Transit	106,120.03
Outstanding Checks	(51,730.18)
Other	-
Adjusted Balance	71,940.10
Check	-

Deposits in Transit

1/28/15	52,088.03
1/30/15	20,832.00
1/30/15	1,200.00
1/30/15	32,000.00

Checks Outstanding

1/26/15	(7,943.04)	AA45327
1/26/15	(6,500.00)	AA45331
1/26/15	(3,700.00)	AA45326
1/15/15	(3,534.20)	AA45318
7/15/14	(3,265.10)	AA44523
1/15/15	(2,595.01)	AA45266
9/24/14	(2,401.06)	AA44896
1/15/15	(2,368.20)	AA45300
1/15/15	(2,246.20)	AA45278
12/31/14	(2,040.70)	AA45228
1/15/15	(1,378.00)	AA45307
1/26/15	(1,127.60)	AA45328
1/15/15	(1,086.60)	AA45277
1/15/15	(1,080.00)	AA45259
11/12/14	(1,031.00)	AA45066
1/26/15	(986.75)	AA45319
12/18/14	(950.00)	AA45161
1/15/15	(934.80)	AA45258
1/26/15	(788.47)	AA45330
12/4/14	(671.00)	AA45108
12/18/14	(623.20)	AA45190
12/4/14	(599.00)	AA45107
1/26/15	(510.00)	AA45324
1/26/15	(500.00)	AA45329
1/15/15	(485.60)	AA45267
1/26/15	(450.71)	AA45325
1/26/15	(450.10)	AA45320

1/29/15	(407.81)	DA1256
1/26/15	(302.00)	AA45321
1/15/15	(262.20)	AA45310
1/15/15	(255.00)	AA45291
1/26/15	(127.50)	AA45323
12/18/14	(98.24)	AA45143
12/31/14	(31.09)	AA45233

* Names redacted. Can be provided to trustee upon request

Cash Receipts	January Cash Flow					Total
	First Citizens Operating	First Citizens Utility Escrow	Silicon Valley Lock Box Accounts	Silicon Valley Savings Account		
Cash Beginning of Period	317,427.00	-	250,256.98	120,129.27	150,154.19	838,770.84
Prepetition AmEx Balance			(83,563.82)			(83,563.82)
Amex Payment Made			45,622.12			45,622.12
Landlord Debt			(120,139.47)			(120,139.47)
Cash Available to Debtor	317,427.00	-	166,693.16	(10.20)	150,154.19	635,067.55
Cash In	-	6,500.00				6,500.00
Transfer from Operating						
AR Cash In	1,137,825.01					1,137,825.01
Cobra Cash In	1,152.00					1,152.00
Fixed Asset Sales	41,210.00					41,210.00
Proceeds from Sale	6,165,589.00					6,165,589.00
Amendia Purchases	188,608.00					188,608.00
Interest Earned	717.99	0.31	21.25	10.20		749.75
DIP Borrowing	200,000.00					200,000.00
Total Cash In	7,735,102.00	6,500.31	21.25	10.20	-	7,741,633.76
Cash Out	7,981,274.03		23,891.50		149,993.41	8,155,158.94
End of Month Cash	71,254.97	6,500.31	142,822.91	0.00	160.78	221,542.37

**Statement of Operations
January****Revenue**

Revenue	823,002.19
Cost of Goods	197,314.20
Net Revenue	625,687.99
Gross Margin	76%

Operating Expenses

Wages, Commissions, Benefits	434,840.81
Utilities	6,498.21
Travel & Entertainment	23,993.43
Insurance	149,601.26
Other G&A	17,305.08
Lease & Rental	41,791.67
Tax	-
Advertising	-
Shipping	-
Repair & Maintenance	9,082.12
Total Operating Expense	683,112.58

Net Operating Expense (57,424.59)

Other Expenses

Facility Relocation	-
Depreciation/Amortization	97,075.40
Interest Expense	1,770.84
Bad Debt Expense	-
Restructuring Expense	16,072,793.73
Total Other Expenses	16,171,639.97

Net Loss (16,229,064.56)

Assets	Opening Balance	11/30/14	12/31/14	1/31/15
Current assets:				
Cash and cash equivalents	489,973.20	606,941.33	445,800.79	335,865.97
Accounts receivable, net of allowances	2,611,523.78	2,373,777.90	2,108,633.32	1,812,792.74
Inventory	6,885,332.28	6,760,574.04	6,620,030.85	-
Prepaid expenses and other assets	751,440.63	561,906.86	499,055.57	443,811.57
Total current assets	10,738,269.89	10,303,200.13	9,673,520.53	2,592,470.28
Property and equipment, net	1,583,646.18	1,477,646.18	1,377,422.38	-
Intangible assets, net	14,435,091.68	14,352,685.31	14,270,278.94	-
Total assets	26,757,007.75	26,133,531.62	25,321,221.85	2,592,470.28
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable	-	134,345.86	365,460.87	13,165.98
Accrued Payroll	-	199,425.64	70,156.46	206,962.22
Accrued Interest	-	94,363.32	94,363.32	-
Accrued Taxes	-	16,116.64	52,794.51	12,955.95
Secured Debt	7,305,547.12	7,305,547.12	7,405,547.12	1,269,031.12
Total current liabilities	7,305,547.12	7,749,798.58	7,988,322.28	1,502,115.27
Pre Petition Liabilities				
PP Unsecured Creditors	21,243,952.60	21,243,952.60	21,221,298.72	21,221,298.72
PP Priority	251,564.29	251,564.29	251,564.29	251,564.29
PP Distributor Commissions *	320,689.37	320,689.37	13,480.00	-
PP Sales Taxes	84,706.00	57,448.74	-	-
Total Pre Petition Liabilities	21,900,912.26	21,873,655.00	21,486,343.01	21,472,863.01
Total Liabilities	29,206,459.38	29,623,453.58	29,474,665.29	22,974,978.28
Shareholders Equity	(2,449,451.63)	(3,489,921.96)	(4,153,443.44)	(20,382,508.00)
Changes in Equity		(1,040,470.33)	(663,521.48)	(16,229,064.56)

* Not included in unsecured claim

Status of Post Petition Taxes

All payroll taxes are held and filed directly by ADP following payroll

	Due	Amt Due	Paid	Amt Paid
Medical Device Tax				
November	12/15/14	8,956.00	12/15/14	8,956.00
December 1-15	12/31/14	10,069.85	12/31/14	10,069.85
December 16-31	1/15/15	7,226.86	1/15/15	7,885.86
January 1-15	1/31/15	5,792.40	1/30/15	5,792.40
January 16-31	2/15/15	7,226.86		
Sales Taxes				
November & Pre-Petition (*)	Due 12/21 or 1/21	64,609.00	12/19/14	43,156.40
December Sales	Due 1/20	24,114.81	1/20/15	45,567.41
January Sales	Due 2/20	12,955.95		
	Total Still Due	12,955.95		
Property Taxes				
Wake County	Due 1/5	35,073.00	1/5/15	35,073.00
Summary of Unpaid Post Petition Debts				
Accounts Payable				
November	All Due in Dec	134,346.00	throughout Dec	134,346.00
December	All Due in Jan	342,385.10	throughout Jan	342,385.10
January	All Due in Feb	13,165.98		
Wages Payable	Future Due	206,962.22		
PTO Paid Out		27,934.46		
FSA Paid Out		-		
Still Due		206,962.22		
Taxes Payable	Future Due	20,182.81		
Secured Debt	Future Due	1,269,031.12		
Other	Future Due	-		

(*) Balance is California for Q4, not due until 1/15

Accounts Receivable

Accounts Receivable Reconciliation and Aging

Beginning	3,424,291.22
Billed	841,984.43
Collected	1,137,825.01
Total AR Ending	3,128,450.64
	3,128,450.64
	-
AR Aging	-
Future Due	-
0-30	1,260,430.88
31-60	280,513.19
61-90	62,606.25
91+	1,524,900.32
Total AR	3,128,450.64
Bad Debt Reserve	(1,315,657.92)
Net	1,812,792.72

US Trustee Fee Reconciliation			
	Disbursements	US Trustee Fees Due	US Trustee Fees Paid
November Post Petition	519,176.15		
December	1,454,702.12		
Total 4th QTR 2014	1,973,878.27	6,500.00	6,500.00
January	8,155,158.94		
February			
March			
Total 1st QTR 2015	8,155,158.94		
Total Disbursements	10,129,037.21		