

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY

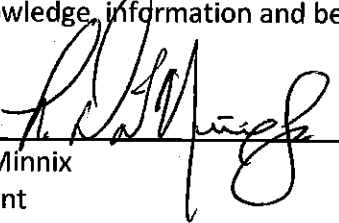
In Re:  
Dots, LLC, et al.<sup>1</sup>  
Debtors

Chapter 11  
Case Number: 14-11016 (DHS)  
Jointly Administered  
Hon. Donald H. Steckroth

**Monthly Operating Report**  
**For the Period May 4, 2014 through May 31, 2014**

Required Documents	Form No.	Documents Complete	Explanation Attached	Debtors' Statement
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 and Expenses Paid	MOR-1b	X		
Copies of bank statements Cash disbursements journals				
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Post-Petition Taxes	MOR-4			X
Summary of Unpaid Post-Petition Accounts Payable	MOR-4	X		
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 the information contained in this monthly operating report (including attached schedules) is true and correct to the best of my knowledge, information and belief.

  
David Minnix  
President  
Dots, LLC

6/25/14  
Date

**Notes:**

Includes IPC/Dots LLC Case No. 14-11017 (DHS) and Dots Gift LLC Case No. 14-11018 (DHS), non-operating Debtor entities. On February 28, 2014, the Debtors completed the court-approved sale of its inventory to a Gordon Brothers Retail Partners, LLC ("GB"). The Debtors also completed the court-approved assignment of certain unexpired leases of non-residential real property to Rainbow Southeast Leasing, Inc.; Duluth (Gwinnett) SSR LLC; Charlotte (Archdale) UY, LLC; Greenville (Woodruff) WMB, LLC; RPAI Southwest Management LLC; RPAI US Management LLC; RioCan Austin Southpark Meadows II Limited Partnership; and RioCan Grand Prairie Southwest Crossing Limited Partnership during the current reporting period. The financial information contained herein reflects the impact of the sale to the best of the Debtors' knowledge, pending final reconciliation and further adjustments.

The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee. All information contained herein is unaudited and is subject to future adjustment. Certain assumptions have been made as noted herein. The unaudited consolidated financial statements presented herein have been derived from the Debtors' books and records. Certain financial information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with US GAAP, and upon the application of such procedures, the Debtors believe that the financial information could be subject to further changes, and these changes could be material. Nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their Chapter 11 Proceedings (as defined herein), including, but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of Title 11 of the United States Code (the "Bankruptcy Code") and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.

Document Page 2 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-1**  
**Dots, LLC, et al.**<sup>1</sup>  
**Schedule of Cash Receipts and Disbursements**<sup>2</sup>  
**For the Period May 4, 2014 through May 31, 2014**

	<u>5/4/2014 - 5/31/2014</u>	<u>Cumulative Filing to Date</u>
<b><u>Receipts</u></b>		
Cash Sales	188,099	29,397,449
Inventory Liquidation Proceeds	-	25,929,437
Lease Sale Proceeds	600,000	2,000,000
GB Reimbursements	2,679,030	16,513,398
Other	64,767	253,280
<b>Total Receipts</b>	<b>3,531,897</b>	<b>74,093,564</b>
<b><u>Disbursements</u></b>		
Merchandise - Pre-petition	-	504,342
Merchandise - Post-petition	-	11,799,285
Post-petition AP Reserve	-	-
Non-Merchandise / Miscellaneous	-	-
Rent	-	2,803,355
Payroll	186,612	10,331,473
Sales Taxes	10,522	2,813,423
Cigna Med & Flex	264,615	1,369,413
CC Fees / Tax Distros / Other	-	20,240
Less: Checks Written	(857,160)	(17,752,931)
Plus: Checks Cleared	2,560,265	17,571,500
Post-Liquidation GB-Reimbursed Costs	2,200,355	16,581,225
Corporate/DC Occupancy Costs	7,760	810,389
<b>Total Operating Disbursements</b>	<b>4,538,754</b>	<b>50,690,059</b>
Paydown of DIP	600,000	19,529,437
Cash Interest	-	336,331
DIP Fees	1,229	412,927
Deposits	-	1,116,105
KEIP	-	-
Professional Fee Escrow	265,000	1,388,750
Morgan Lewis (Salus Counsel)	269,691	420,215
GRL (Lender Agent)	-	158,299
GUC Escrow	37,500	262,500
UST/Other Professionals	25,000	280,325
<b>Total Non-Operating Disbursements</b>	<b>1,198,420</b>	<b>23,904,888</b>
<b>Total Disbursements</b>	<b>5,737,174</b>	<b>74,594,947</b>
<b>Net Cash Flow</b>	<b>(2,205,277)</b>	<b>(501,383)</b>

<sup>1</sup> Includes IPC/Dots LLC and Dots Gift LLC, non-operating Debtor Entities.

<sup>2</sup> This consolidated statement of cash flows has been presented in a manner consistent with the Debtors' current external financial reporting and would be unduly burdensome for the Estate to produce in a different or modified format.

Document Page 3 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-1a**  
**Debtors Statement with respect to Bank Account Reconciliations, Bank Statements and Cash**  
**Disbursements Journal**  
**For the Period May 4, 2014 through May 31, 2014**

Bank Account Reconciliations & Cash Disbursement Journals

The Debtors affirm that bank reconciliations have been prepared for all open and active bank accounts to the Debtor's books as of May 31, 2014 without exception. The Debtors affirm that within its financial accounting systems, check registers and/or disbursement journals are maintained for each disbursement account.

Bank Statements

The Debtors affirm that bank statements for all open and active bank accounts are retained by the Debtors and will be available upon request. The list of bank accounts and balances are as follows:

Bank	Account Number	Balance 5/31/14
Bank of America	XXXXXX1986	-
BB&T Bank	XXXXXXXX4699	500
Charter One	XXXXXX3038	(1,328)
Chase	XXXXX1723	2,376
Fifth Third	XXXXXX8153	6,825
Fifth Third-ZBA (Compusafe)	XXXXXX8609	-
IBC Bank	XXXXXX5883	319,928
Key Bank	XX0122	-
M&T Bank	XXXXXX4623	185
PNC	XXXXXX5274	4,665
Santander – New England	XXXXXXXX9950	1,306
Santander – Mid Atlantic	XXXXXX8715	-
SunTrust	XXXXXXXX7725	275
TCF Bank	XXXXXX9895	-
TD Bank	XXXXXX6948	500
US Bank	XXXXX1007	6,903
Webster Bank	XXXXXXXX7672	115,199
Wells Fargo	XXXXXXXX5141	3,132
Woodforest Bank	XXXXXX0534	2,100
Apple Bank	XXXXXX4242	-
Best Bank	XXXXXX0813	541
Citibank	XXXXXX4093	229,210
Community Bank	XXXXXX1907	-
Harris Bank/ BMO Harris Bank National Association	XXXXXX8087	-
Lake City Bank	XXXXXX1412	-
Southbridge Savings Bank	XXXXXX7930	33,452
Washington Financial Bank	XXXXXX3244	-
Key Bank - Operating	XXXXXXXX0417	430,127
Key Bank - Main	XXXXXXXX6900	45,796

Document Page 4 of 10  
UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY

In Re:  
Dots, LLC, et al.<sup>i</sup>  
Debtors

Chapter 11  
Case Number: 14-11016 (DHS)  
Jointly Administered  
Hon. Donald H. Steckroth

Bank	Account Number	Balance 5/31/14
Key Bank - Disbursement	XXXXXXXX7671	-
Key Bank - Letter of Credit	XXXXXXXX8924	331,616
JP Morgan Chase - Medical	XXXXXX7372	359,441
JP Morgan Chase - Flex	XXXXXX7399	10,479
JP Morgan Chase - Commuter	XXX3124	-
Key Bank - Dots Gift	XXXXXXXX2492	1,440
Key Bank - GUC	XXXXXXXX1224	262,500
Key Bank - Utility Deposits	XXXXXXXX1174	161,172
Key Bank - Sales Tax	XXXXXXXX1216	934,058

Document Page 5 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-1b**  
**Schedule of Professional Fees and Expenses Paid**  
**For the Period May 4, 2014 through May 31, 2014<sup>3</sup>**

Professional	<u>Amounts Paid This Period</u>			<u>Cumulative Amounts Paid Since Petition Date</u>		
	Fees	Expenses	Total	Fees	Expenses	Total
Lowenstein Sandler LLP	130,656	9,344	<b>140,000</b>	547,903	17,097	<b>565,000</b>
PricewaterhouseCoopers LLP	17,739	31,869	<b>49,608</b>	401,402	59,456	<b>460,858</b>
Donlin Recano & Company	15,000	-	<b>15,000</b>	90,000	-	<b>90,000</b>
FTI Consulting, Inc.	-	-	-	90,419	237	<b>90,656</b>
Otterbourg Steindler Houston & Rosen PC	-	-	-	118,175	3,669	<b>121,844</b>
<b>Total Professional Fees and Expenses</b>	<b>163,395</b>	<b>41,213</b>	<b>204,608</b>	<b>1,247,899</b>	<b>80,459</b>	<b>1,328,358</b>

<sup>3</sup>During the current period, \$265,000 was transferred into the Professional Fee Escrow Account. In the current period, \$204,608 was distributed to professionals. The remainder was distributed in June 2014.

Document Page 6 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-2**  
**Dots, LLC, et al.**<sup>4</sup>  
**Statement of Operations**<sup>5</sup>  
**For the Period May 4, 2014 through May 31, 2014**

	<u>5/4/14 - 5/31/14</u>	<u>Cumulative Filing to Date</u>
Net Sales	-	25,340,982
COGS	-	15,853,593
<b>Gross Margin</b>	-	<b>9,487,389</b>
Shrink	-	578,223
DC Expenses	-	494,815
Payroll	48,827	6,897,808
Payroll Taxes and Benefits	(37,257)	1,391,102
Supplies	984	100,656
Repairs and Maintenance	40,596	157,732
Utilities	28,754	946,845
Trash Removal	-	99,989
Marketing	(5,420)	270,209
Security	-	45,740
Employee Activities	-	2,668
Travel & Entertainment	1,082	130,308
Employee Procurement	-	-
Purchased Services	47,515	312,561
Merchandising Costs	850	4,900
MIS Costs	-	-
Controllable Other	4,600	97,019
Rent	105,000	3,296,607
Rent Extras	(8,934)	974,223
Lease Expense	-	-
Insurance	29,543	114,986
Non-Controllable Other	7,186	83,206
Cash/Banking Fees	7,453	301,889
Overhead Allocation	-	-
Other Income	(194,044)	(1,349,094)
Other Expenses	-	357,758
Taxes	-	33,760
Interest Expense	(698,166)	461,053
Depreciation & Amortization	-	1,329,661
Reorganization Items	(2,771,862)	3,145,931
<b>Total Operating Expenses</b>	<b>(3,393,293)</b>	<b>20,280,555</b>
<b>Net (Loss)</b>	<b>3,393,293</b>	<b>(10,793,166)</b>

<sup>4</sup> Includes IPC/Dots LLC and Dots Gift LLC, non-operating Debtor Entities.

<sup>5</sup> This consolidated statement of income has been presented in a manner consistent with historical external financial reporting and would be unduly burdensome for the Estate to produce in a different or modified format.

Document Page 7 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-3**  
**Dots, LLC, et al.**<sup>6</sup>  
**Balance Sheet**<sup>7</sup>  
**As of May 31, 2014**

	<u>5/31/2014</u>
<b>ASSETS</b>	
Cash & Equivalents	\$ 4,790,503
Merchandise Inventory	-
Inventory Reserve	-
Prepaid Merchandise	246,165
Gordon Brothers Receivable	-
Other Current Assets	912,767
<b>Current Assets</b>	<b>5,949,435</b>
<b>Property &amp; Equipment, Net</b>	<b>15,050,571</b>
Goodwill	-
Intangible Assets	19,695,000
Other Assets	135,946
<b>Total Assets</b>	<b>\$ 40,830,952</b>
<b>LIABILITIES</b>	
DIP Financing	10,874,538
Merchandise Payables	2,420,273
Expense Payables	955,553
Accrued Expenses	566,101
Gordon Brothers Payable	-
<b>Current Liabilities</b>	<b>14,816,465</b>
Liabilities Subject to Compromise- Secured	17,100,818
Liabilities Subject to Compromise- Unsecured	38,001,096
<b>Long-Term Liabilities</b>	<b>55,101,914</b>
<b>Total Liabilities</b>	<b>69,918,379</b>
<b>MEMBERS' EQUITY</b>	
Stock	56,609,310
Retained Earnings	(85,696,745)
<b>Total Members' Equity</b>	<b>(29,087,436)</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$ 40,830,952</b>

<sup>6</sup> Includes IPC/Dots LLC and Dots Gift LLC, non-operating Debtor Entities.

<sup>7</sup> This consolidated balance sheet has been presented in a manner consistent with historical external financial reporting and would be unduly burdensome for the Estate to produce in a different or modified format.

Document Page 8 of 10  
UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY

---

In Re:

Dots, LLC, et al.<sup>i</sup>

Debtors

Chapter 11

Case Number: 14-11016 (DHS)

Jointly Administered

Hon. Donald H. Steckroth

---

**MOR-4**

**Debtors' Statement with respect to Status of Post-Petition Taxes  
As of May 31, 2014**

The Debtors have received approval to pay prepetition tax and fee obligations, including, without limitation, sales, use and excise taxes, franchise taxes, real and property taxes, and certain other taxes due in the normal course of business through certain First Day Motions. As such, the applicable taxes had been paid when due except for amounts that are in dispute, if any. The Debtors have filed their 2013 Federal and State income tax returns. All other post-petition tax obligations to the proper taxing authorities are current. No post-petition tax returns were required to be filed during the current period.



Document Page 9 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:

Dots, LLC, et al.<sup>i</sup>

Debtors

Chapter 11

Case Number: 14-11016 (DHS)

Jointly Administered

Hon. Donald H. Steckroth

**MOR-4 (cont.)**  
**Consolidated Summary of Unpaid Post-Petition Accounts Payable**  
**May 31, 2014**

**AP Aging - May 31, 2014**

	Age				
	0-30	31-60	61-90	91 & Over	TOTAL
Merchandise Payables	-	-	-	2,420,273	2,420,273
Expense Payables	764,443	191,111	-	-	955,553
	%	23%	6%	0%	72%
					100%

*\* The debtors are currently in the process of reconciling post-petition AP balances with vendors, which may or may not be in dispute.*

Document Page 10 of 10  
 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEW JERSEY

In Re:  
 Dots, LLC, et al.<sup>i</sup>  
 Debtors

Chapter 11  
 Case Number: 14-11016 (DHS)  
 Jointly Administered  
 Hon. Donald H. Steckroth

**MOR-5**  
**Consolidated Trade Accounts Receivable and Aging**  
**May 31, 2014**

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)	-	-	-

\* Note: credit card A/R has been included in "Cash & Equivalents" on the balance sheet.

**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 <sup>8</sup>	
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 post-petition tax returns been timely filed? If no, provide an explanation below.	N/A <sup>9</sup>	N/A <sup>9</sup>
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 <sup>10</sup>	

<sup>8</sup> On February 28, 2014, the Debtors completed the court-approved sale of its inventory to a Gordon Brothers Retail Partners, LLC. The Debtors also completed the court-approved assignment of certain unexpired leases of non-residential real property to Rainbow Southeast Leasing, Inc.; Duluth (Gwinnett) SSR LLC; Charlotte (Archdale) UY, LLC; Greenville (Woodruff) WMB, LLC; RPAI Southwest Management LLC; RPAI US Management LLC; RioCan Austin Southpark Meadows II Limited Partnership; and RioCan Grand Prairie Southwest Crossing Limited Partnership during the current reporting period. The financial information contained herein reflects the impact of the sale to the best of the Debtors' knowledge, pending final reconciliation and further adjustments.

<sup>9</sup> The Debtors are currently working with external tax advisors in order to file their 2013 Federal and State income tax returns. No post-petition tax returns were required to be filed during the current period.

<sup>10</sup> The Debtors opened a bank escrow accounts for utilities deposits as per the First Day Motions. Documentation related to these accounts will be provided by the Debtors upon request.