

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

In Re:
Dots, LLC, et al.¹
Debtors

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

**Monthly Operating Report
For the Period September 1, 2014 through September 30, 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.



Edward Bond
Director
Dots, LLC

Date 10/20/2014

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 Gordon Brothers Retail Partners, LLC ("GB"). During the period March through May, the Debtors completed the court-approved assignment and transfer 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. In addition, during the period March through June, the Debtors completed various sales of furniture and fixtures owed at corporate headquarters and store locations. 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.

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CASH FLOW

	9/1/2014 9/30/2014	Cumulative Filing to Date
<u>Receipts</u>		
Cash Sales	-	29,397,449
Inventory Liquidation Proceeds	-	25,929,437
Collection of GOB Sale Taxes	-	3,813,422
Lease Sale Proceeds	-	2,071,115
GB Reimbursements	-	17,539,635
Other	34,489	504,005
Total Receipts	34,489	79,255,063
<u>Disbursements</u>		
Merchandise - Pre-petition	-	504,342
Merchandise - Post-petition	-	11,799,285
Post-petition AP Reserve	-	-
Non-Merchandise / Miscellaneous	-	3,950,563
Rent	-	3,119,700
Payroll	-	10,472,090
Sales Taxes	-	6,626,845
Cigna Med & Flex	4,835	1,507,674
CC Fees / Tax Distros / Other	282,482	303,752
Less: Checks Written	-	(18,004,090)
Plus: Checks Cleared	-	18,044,224
Post-Liquidation GB-Reimbursed Costs	-	16,936,457
Corporate/DC Occupancy Costs	-	930,171
Total Operating Disbursements	287,317	56,191,012
Paydown of DIP	-	21,328,904
Cash Interest	78,720	1,034,213
DIP Fees	-	431,570
Deposits	-	1,116,105
KEIP	-	-
Professional Fees & Escrow Payments *	-	1,773,871
Morgan Lewis (Salus Counsel)	-	544,865
GRL (Lender Agent)	-	158,299
GUC Escrow	-	262,500
UST/Other Professionals *	7,500	68,679
Total Non-Operating Disbursements	86,220	26,719,006
Total Disbursements	373,537	82,910,018
Net Cash Flow	(339,049)	(3,654,955)

*Adjusted to reflect application of payments originally classified in UST/Other Professionals

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MOR-1a

**Debtors Statement with respect to Bank Account Reconciliations, Bank Statements and Cash Disbursements Journal
For the Period August 2, 2014 through August 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 July 5, 2014 without exception. The Debtors affirm that within its financial accounting records, 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:

Dots LLC Bank Accts

Bank	Account Number	9/30/2014
Citibank	XXXXXX4093	228,489
JP Morgan Chase - Flex	XXXXXX7399	834
JP Morgan Chase - Medical	XXXXXX7372	109,449
Key Bank - Dots Gift	XXXXXXXX2492	1,440
Key Bank - GUC	XXXXXXXX1224	262,500
Key Bank - Operating	XXXXXXXX0417	17,487
Key Bank - Sales Tax	XXXXXXXX1216	202,550
Key Bank - Utility Deposits	XXXXXXXX1174	160,883
Key Bank - Letter of Credit	XXXXXXXX8924	15,271
Cash escrow held outside sources		1,280,161

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Professional Fees Paid

Sept 2014

Professional	Amounts Paid This Period			Cumulative Amounts Paid Since Petition Date		
	Fees	Expenses	Total	Fees	Expenses	Total **
Lowenstein Sandler LLP	-	-	-	762,050	14,571	776,621
PricewaterhouseCoopers LLP	-	-	-	512,163	27,587	539,750
Donlin Recano & Company	-	-	-	145,000	-	145,000
FTI Consulting, Inc.	-	-	-	128,335	237	128,572
Otterbourg Steindler Houston & Rosen PC	-	-	-	180,259	3,669	183,928
Total Professional Fees and Expenses	-	-	-	1,727,807	46,064	1,773,871

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Dots, LLC Operating Results
Jan 21, 2014 - Sept 30, 2014

	9/1/2014 <u>9/30/2014</u>	<u>Filing to Date</u>
Net Sales	-	25,340,982
COGS	-	15,853,593
Gross Margin	-	9,487,389
Shrink	-	578,223
DC Expenses	-	494,815
Payroll	-	6,998,425
Payroll Taxes and Benefits	(14,301)	1,424,190
Supplies	-	100,656
Repairs and Maintenance	-	157,732
Utilities	-	973,987
Trash Removal	(228)	99,762
Marketing	-	270,209
Security	-	45,740
Employee Activities	-	2,668
Travel & Entertainment	-	130,308
Employee Procurement	-	-
Purchased Services	7,500	415,061
Merchandising Costs	-	4,900
MIS Costs	-	-
Controllable Other	(512)	96,525
Rent	-	3,408,181
Rent Extras	-	974,223
Lease Expense	-	-
Insurance	-	171,544
Non-Controllable Other	-	94,855
Cash/Banking Fees	1,232	305,291
Overhead Allocation	-	-
Other Income	-	(1,349,094)
Other Expenses	369,249	727,007
Taxes	(242)	33,518
Interest Expense	78,720	806,630
Depreciation & Amortization	-	1,329,661
Reorganization Items	-	34,292,254
Total Operating Expenses	441,418	52,587,270
Net Income (Loss)	(441,418)	(43,099,881)

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**Dots, LLC Balance Sheet
as of Month End**

	<u>9/30/2014</u>
ASSETS	
Cash & Equivalents	\$ 2,279,064
Merchandise Inventory	-
Inventory Reserve	-
Prepaid Merchandise	-
Gordon Brothers Receivable	-
Other Current Assets	3,649,022
Current Assets	<u>5,928,086</u>
Property & Equipment, Net	-
Goodwill	-
Intangible Assets	-
Other Assets	-
Total Assets	<u><u>\$ 5,928,086</u></u>
LIABILITIES	
DIP Financing	9,054,756
Merchandise Payables	2,420,273
Expense Payables	982,695
Accrued Expenses	82,687
Gordon Brothers Payable	-
Current Liabilities	<u>12,540,410</u>
Liabilities Subject to Compromise- Secured	17,100,818
Liabilities Subject to Compromise- Unsecured	37,683,381
Long-Term Liabilities	<u>54,784,199</u>
Total Liabilities	<u>67,324,609</u>
MEMBERS' EQUITY	
Stock	56,609,310
Retained Earnings	(118,005,832)
Total Members' Equity	<u>(61,396,523)</u>
Total Liabilities & Members' Equity	<u><u>\$ 5,928,086</u></u>

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MOR-4
Debtors' Statement with respect to Status of Post-Petition Taxes
As of September 30, 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.

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AP Aging - Sept 30, 2014

	Age				TOTAL
	0-30	31-60	61-90	91 & Over	
Merchandise Payables	-	-	-	2,420,273	2,420,273
Expense Payables	-	-	-	982,689	982,689
	%	0%	0%	0%	100%
				100%	100%

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ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Sept 30, 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
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.	N/A	N/A
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