

**UNITED STATES BANKRUPTCY COURT  
for the DISTRICT OF DELAWARE**

Hospitality Staffing Solutions Group, LLC<sup>1</sup>

Case No. 13-12741 (BLS)  
Reporting Period: Nov. 25, 2013 to Dec. 29, 2013

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

  
Signature of Authorized Individual\*

2-10-2014  
Date

JAMES WOODWARD  
Printed Name of Authorized Individual

CFD  
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.

<sup>1</sup> The following entities had no operations to report during the relevant time period: HSS Holding, LLC (Case No. 13-12740), Hospitality Staffing Solutions, LLC (Case No. 13-12742), IHS Staffing Services, LLC (Case No. 13-12743), IHS Hospitality Services, LLC (Case No. 13-12744), Hospitality Staffing Solutions of Louisiana, L.L.C. (Case No. 13-12745), Hospitality Staffing Solutions of Iowa, LLC (Case No. 13-12746), Hospitality Staffing Solutions of Connecticut, LLC (Case No. 13-12747), Hospitality Staffing Solutions of Indiana, LLC (Case No. 13-12748) and Hospitality Staffing Solutions of Illinois, LLC (Case No. 13-12749). As such, no monthly operating reports will be filed for these entities.

Hospitality Staffing Solutions Group, LLC  
Debtor

Case No. 13-12741 (BLS)

Reporting Period: Nov. 25, 2013-Dec. 28, 2013

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

	BANK ACCOUNTS				CURRENT MONTH		COMBATIVE FILING TO DATE	
	OPENING BALANCE	PAYROLL	PAY	OTHER	ACTUAL	PROJECTED	ACTUAL	PROJECTED
<b>CASH BEGINNING OF MONTH</b>	3,668,789	112,720	-1,735	0	3,779,753		475,722	
<b>RECEIPTS</b>								
CASH SALES								
ACCOUNTS RECEIVABLE				10,294,070	10,294,070		21,457,015	
LOANS AND ADVANCES							17,861	
SALE OF ASSETS								
OTHER (ATTACH LIST) Transfers	-889,183	7,760,000	3,230,000	-10,290,817	0		0	
TRANSFERS (FROM DIP ACCTS)							2,100,000	
<b>TOTAL RECEIPTS</b>	-889,183	7,760,000	3,230,000	-3,253	10,294,070		23,574,877	
<b>DISBURSEMENTS</b>								
NET PAYROLL	38,066	7,834,523			7,872,579		13,814,828	
PAYROLL TAXES			3,157,852		3,157,852		5,579,972	
SALES, USE, & OTHER TAXES								
INVENTORY PURCHASES								
SECURED/ RENTAL/ LEASES	67,688				67,688		116,782	
INSURANCE	744,757				744,757		1,315,739	
ADMINISTRATIVE	623,288	1,881	3,075	3,253	631,478		857,025	
SELLING	13,541				13,541		24,501	
OTHER (ATTACH LIST) Interest	159,760				159,760		239,582	
OWNER DRAW *								
TRANSFERS (TO DIP ACCTS)								
PROFESSIONAL FEES	685,587				685,587		1,340,587	
U.S. TRUSTEE QUARTERLY FEES								
COURT COSTS								
<b>TOTAL DISBURSEMENTS</b>	2,312,856	7,636,404	3,160,727	3,253	13,113,040		23,089,916	
<b>NET CASH FLOW</b>	665,930	226,316	67,538	0	960,783		960,783	
(RECEIPTS LESS DISBURSEMENTS)	-3,001,839	113,586	69,273	0	-2,818,970		485,061	
<b>CASH - END OF MONTH</b>	666,930	226,316	67,538	0	960,783		960,783	

\* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

**THE FOLLOWING SECTION MUST BE COMPLETED**

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)	
TOTAL DISBURSEMENTS	23,089,916
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	0
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	0
<b>TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES</b>	<b>23,089,916</b>



Hospitality Staffing Solutions Group, LLC  
 Debtor

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**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Approved	Payor	Number	Date	Check		Accrual Paid		Year to Date	
						Fees	Expenses	Fees	Expenses		
Conway MacKenzie	STM 10/27/13	36,716.53	HSS	Wire	10/28/2013	33,813	2,904	33,813	2,904	33,812.50	2,904.03
Conway MacKenzie	STM 11/3/13	56,749.54	HSS	Wire	11/4/2013	52,448	4,302	52,448	4,302	86,260.00	7,206.07
Conway MacKenzie	STM 11/10/13	64,168.24	HSS	Wire	11/10/2013	56,885	7,283	56,885	7,283	143,145.00	14,489.31
Conway MacKenzie	STM 11/17/13	54,030.27	HSS	Wire	11/21/2013	48,480	5,550	48,480	5,550	191,625.00	20,039.58
Conway MacKenzie	STM 11/24/13	43,872.56	HSS	Wire	11/24/2013	40,763	3,110	40,763	3,110	232,387.50	23,149.64
Conway MacKenzie	STM 12/1/13	55,000.00	HSS	Wire	11/29/2013	48,428	6,572	48,428	6,572	280,815.61	28,721.53
Conway MacKenzie	Retainer	55,000.00	HSS	Wire	12/16/2013	53,257	1,743	53,257	1,743	334,073.02	31,464.12
Conway MacKenzie	Retainer	55,000.00	HSS	Wire	12/13/2013	52,593	2,407	52,593	2,407	386,665.98	33,871.16
Conway MacKenzie	Retainer	50,000.00	HSS	Wire	12/20/2013	50,000	0	50,000	0	436,665.98	33,871.16
Conway MacKenzie	STM 12/15/13	34,814.54	HSS	Wire	12/27/2013	32,408	2,407	32,408	2,407	469,073.48	36,278.20
Saul Ewing	Applied to multiple invoices	70,000.00	HSS	Wire	10/28/2013	60,780	9,220	60,780	9,220	529,853.03	45,498.65
Saul Ewing	Applied to multiple invoices	50,000.00	HSS	Wire	11/1/2013	50,000	0	50,000	0	579,853.03	45,498.65
Saul Ewing	Applied to multiple invoices	50,000.00	HSS	Wire	11/8/2013	50,000	0	50,000	0	629,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/15/2013	50,000	0	50,000	0	679,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/22/2013	50,000	0	50,000	0	729,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/29/2013	50,000	0	50,000	0	779,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	12/5/2013	50,000	0	50,000	0	829,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	12/13/2013	50,000	0	50,000	0	879,853.03	45,498.65
Saul Ewing	Retainer	35,000.00	HSS	Wire	12/20/2013	35,000	0	35,000	0	914,853.03	45,498.65
Saul Ewing	Retainer	35,000.00	HSS	Wire	12/27/2013	35,000	0	35,000	0	949,853.03	45,498.65

Hospitality Staffing Solutions Group, LLC  
Debtor

Case No. 13-12741 (BLS)  
Reporting Period: Nov. 25, 2013-Dec. 29, 2013

**STATEMENT OF OPERATIONS**  
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	Period	Cumulative Billing Date
	\$	\$
Gross Revenues		
Less: Returns and Allowances		
Net Revenue	10,058,350	20,999,617
<b>COST OF GOODS SOLD</b>		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor	7,852,894	16,402,573
Add: Other Costs (attach schedule)	455,388	963,035
Less: Ending Inventory		
Cost of Goods Sold	8,308,282	17,365,608
Gross Profit	1,750,068	3,634,009
<b>OPERATING EXPENSES</b>		
Advertising	3,300	3,300
Auto and Truck Expense	41,990	80,608
Bad Debts	29,153	60,682
Contributions		
Employee Benefits Programs		
Insider Compensation*		
Insurance	83,479	158,769
Management Fees/Bonuses		
Office Expense	23,760	49,603
Pension & Profit-Sharing Plans		
Repairs and Maintenance	92,428	197,373
Rent and Lease Expense	68,423	144,497
Salaries/Commissions/Fees	953,041	1,741,701
Supplies		
Taxes - Payroll	54,994	110,322
Taxes - Real Estate		
Taxes - Other	18,738	18,373
Travel and Entertainment	71,519	171,017
Utilities	36,126	76,756
Other (attach schedule)	124,153	361,223
Total Operating Expenses Before Depreciation	1,601,104	3,174,224
Depreciation/Depletion/Amortization	317,628	670,043
Net Profit (Loss) Before Other Income & Expenses	-168,664	-210,258
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)		
Interest Expense	612,762	1,180,314
Other Expense (attach schedule)		
Net Profit (Loss) Before Reorganization Items	-781,426	-1,390,572
<b>REORGANIZATION ITEMS</b>		
Professional Fees	649,524	1,600,214
U. S. Trustee Quarterly Fees		
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)		
Gain (Loss) from Sale of Equipment		
Other Reorganization Expenses (attach schedule)		
Total Reorganization Expenses	649,524	1,600,214
Income Taxes		
Net Profit (Loss)	-1,430,950	-2,990,786

\*"Insider" is defined in 11 U.S.C. Section 101(31).

Hospitality Staffing Solutions Group, LLC  
Debtor

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STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF OTHER CATEGORY	Month	Cumulative Through Date
Other Assets		
Other Operational Expense		
Other Income		
Other Expenses		
Other Reorganization Expense		

Reorganization Items - Interest Earned on Accumulated Cash from Chapter 11:  
Interest earned on cash accumulated during the chapter 11 case, which would not have been earned but for the bankruptcy proceeding, should be reported as a reorganization item.

Respiratory Staffing Solutions Group, LLC  
Debtor

Case No. 13-12741 (BLS)  
Reporting Period: Nov. 29, 2013-Dec. 29, 2013

**BALANCE SHEET**

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AS OF THE END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
<b>CURRENT ASSETS</b>		
Unrestricted Cash and Equivalents	97,514.61	425,721.94
Restricted Cash and Cash Equivalents (see continuation sheet)		
Accounts Receivable (Net)	10,767,076.18	11,361,396.52
Notes Receivable	2,052,486.56	1,012,016.56
Inventories		
Prepaid Expenses	5,574,470.61	3,533,229.67
Professional Retainers		
Other Current Assets (attach schedule) <i>Note:</i> On the Petition Date, accrued revenue contained a 3-day accrual. On December 29, 2013, there is a complete week.	1,772,225.38	1,057,597.26
<b>TOTAL CURRENT ASSETS</b>	<b>10,261,973.34</b>	<b>30,880,631.95</b>
<b>PROPERTY AND EQUIPMENT</b>		
Real Property and Improvements	1,624,445.94	1,624,443.04
Machinery and Equipment	85,449.42	46,452.42
Furniture, Fixtures and Office Equipment	1,032,936.63	1,032,936.63
Leasehold Improvements		
Vehicles	28,775.00	28,775.00
Less Accumulated Depreciation	-1,816,246.59	-395,318.12
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>1,752,154.42</b>	<b>1,437,946.89</b>
<b>OTHER ASSETS</b>		
Loans to Insiders*		
Other Assets (attach schedule)	29,441,082.94	30,022,219.42
<b>TOTAL OTHER ASSETS</b>	<b>29,441,082.94</b>	<b>30,022,219.42</b>
<b>TOTAL ASSETS</b>	<b>51,455,110.70</b>	<b>61,340,818.26</b>

LIABILITIES AND OWNER EQUITY	BOOK VALUE AS OF THE END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
<b>LIABILITIES NOT SUBJECT TO COMPROMISE (Pre-petition)</b>		
Accounts Payable See MOR 3, List of retainers	-236,473.39	
Taxes Payable (refer to FORM MOR-4)		
Wages Payable	1,745,217.24	
Notes Payable	9,739,940.90	9,649,271.57
Rent / Leases - Building/Equipment		
Secured Debt / Adequate Protection Payments		
Professional Fees		
Amounts Due to Insiders*		
Other Postpetition Liabilities	2,240,030.00	
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>13,595,090.79</b>	<b>9,649,271.57</b>
<b>LIABILITIES SUBJECT TO COMPROMISE (Pre-petition)</b>		
Accounts Payable	1,078,234.36	1,709,802.67
Taxes Payable (refer to FORM MOR-4)		
Wages Payable		6,716,679.57
Notes Payable		
Rent / Leases - Building/Equipment		
Accrued Expenses	1,667,053.70	7,430,292.36
Professional Fees	746,332.57	702,587.36
Amounts Due to Insiders*		
Other Postpetition Liabilities (attach schedule)		
Secured Debt	13,212,499.80	13,312,499.80
Priority Debt		
Unsecured Debt	76,233,570.21	33,401,517.39
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>59,177,620.64</b>	<b>61,564,178.53</b>
<b>TOTAL LIABILITIES</b>	<b>72,846,214.43</b>	<b>71,014,138.52</b>
<b>OWNER EQUITY</b>		
Capital Stock	37,464,049.00	31,464,049.00
Additional Paid-in Capital	-742,526.00	-742,526.00
Partners' Capital Account		
Owner's Equity Account		
Retained Earnings - Pre-Petition	-54,312,543.56	-54,312,543.26
Retained Earnings - Postpetition	-2,090,787.47	
Adjustments to Owner Equity (attach schedule)	-443,192.60	-443,192.00
Postpetition Contributions (Distributions) (Draws) (attach schedule)		
<b>NET OWNER EQUITY</b>	<b>-21,424,059.73</b>	<b>(1,433,131) 2.26</b>
<b>TOTAL LIABILITIES AND OWNER EQUITY</b>	<b>51,455,110.70</b>	<b>61,340,818.26</b>

\*Insider\* is defined in 11 U.S.C. Section 101(31).





Hospitality Staffing Solutions Group, LLC  
Debtor

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**STATUS OF POSTPETITION TAXES**

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.  
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.  
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Retained	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
<b>Federal</b>						
Withholding						
FICA-Employee	119,648.97	127,589.00	119,648.97	12/29/2013	EFT	127,589.00
FICA-Employer	119,648.97	127,589.00	119,648.97	12/29/2013	EFT	127,589.00
Unemployment						
Income						
Other:	59,710.14	64,526.00	59,710.14	12/29/2013	EFT	64,526.00
<b>Total Federal Taxes</b>						
<b>State and Local</b>						
Withholding						
Sales						
Excise						
Unemployment						
Real Property						
Personal Property						
Other:						
<b>Total State and Local</b>						
<b>Total Taxes</b>						

**SUMMARY OF UNPAID POSTPETITION DEBTS**

Attach aged listing of accounts payable.

	Number of Days Past Due					Total
	Current	30-59	60-89	90-180	Over 90	
Accounts Payable	225,147.36	70,893.38	-2,980.50			293,060.24
Wages Payable						0.00
Taxes Payable						0.00
Rent/Leases-Building						0.00
Rent/Leases-Equipment						0.00
Secured Debt/Adequate Protection Payments						0.00
<b>Professional Fees</b>						0.00
Saul Ewing, LLP Main Escrow	-170,000.00	-234,690.47				-404,690.47
Conway MacKenzie Management Ser. LLC	-124,843.16	0.00				-124,843.16
Amounts Due to Insiders*						0.00
Other:						0.00
Other:						0.00
<b>Total Postpetition Debts</b>	<b>-69,695.80</b>	<b>-163,797.09</b>	<b>-2,980.50</b>	<b>0.00</b>	<b>0.00</b>	<b>-236,473.39</b>

Explain how and when the Debtor intends to pay any past-due postpetition debts.

\*"Insider" is defined in 11 U.S.C. Section 101(31).

Hospitality Staffing Solutions Group, LLC  
Debtor

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**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

Accounts Receivable Reconciliation		Amount
Total Accounts Receivable at the beginning of the reporting period		11,181,828
+ Amounts billed during the period		10,484,932
- Amounts collected during the period		-10,290,817
Total Accounts Receivable at the end of the reporting period		11,375,941
Accounts Receivable Aging		Amount
0 - 30 days old		9,915,033
31 - 60 days old		740,058
61 - 90 days old		276,902
91+ days old		424,458
Total Accounts Receivable		11,356,450
Amount considered uncollectible (Bad Debt)		-589,374
Accounts Receivable (Net)		10,767,076

**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.	X	
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