

UNITED STATES BANKRUPTCY COURT  
for the DISTRICT OF DELAWARE

Hospitality Liquidation II, LLC, f/w/a

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

Case No. 13-12741 (BLS)

Reporting Period: Dec. 30, 2013 to Jan. 26, 2014

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 committees appointed in the case.

REQUIRED DOCUMENTS	Petin 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\*

Date

Printed Name of Authorized Individual

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: Hospitality Liquidation I, LLC (f/w/a HSS Holding, LLC) (Case No. 13-12740), Hospitality Liquidation III, LLC (Hospitality Liquidation III, LLC) (f/w/a Hospitality Staffing Solutions, LLC) (Case No. 13-12742), Hospitality Liquidation IV, LLC (f/w/a HSS Staffing Services, LLC) (Case No. 13-12743), Hospitality Liquidation V, LLC (f/w/a HSS Hospitality Services, LLC) (Case No. 13-12744), Hospitality Liquidation VI, LLC (f/w/a Hospitality Staffing Solutions of Louisiana, L.L.C. (Case No. 13-12745), Hospitality Liquidation VII, LLC (f/w/a Hospitality Staffing Solutions of Iowa, LLC) (Case No. 13-12746), Hospitality Liquidation VIII, LLC (f/w/a Hospitality Staffing Solutions of Connecticut, LLC) (Case No. 13-12747), Hospitality Liquidation IX, LLC (f/w/a Hospitality Staffing Solutions of Indiana, LLC) (Case No. 13-12748) and Hospitality Liquidation X, LLC (f/w/a Hospitality Staffing Solutions of Illinois, LLC) (Case No. 13-12749). As such, no monthly operating reports will be filed for these entities.

Hospitality Liquidation II, LLC (f/k/a Hospitality Staffing Solutions Group, LLC)  
Debtor

Case No. 13-12741 (BLS)  
Reporting Period: Dec. 30, 2013 to Jan. 26, 2014

**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		CUMULATIVE YTD TO DATE	
	OTHER	CHASE	TAX	OTHER	ACTUAL	PROJECTED	ACTUAL	PROJECTED
CASH BEGINNING OF MONTH	586,930	226,316	67,538	0	960,783		960,783	
<b>RECEIPTS</b>								
CASH SALES								
ACCOUNTS RECEIVABLE				8,343,962	8,343,962		30,800,978	
LOANS AND ADVANCES							17,981	
SALE OF ASSETS								
OTHER (ATTACH LIST) Transfers	3,910,826	5,430,000		-8,340,626	0		0	
TRANSFERS (FROM DIP ACCTS)	1,005,155				1,005,155		3,105,155	
<b>TOTAL RECEIPTS</b>	<b>4,915,781</b>	<b>5,430,000</b>	<b>0</b>	<b>3,336</b>	<b>10,349,117</b>		<b>33,924,094</b>	
<b>DISBURSEMENTS</b>								
NET PAYROLL		5,104,070			5,104,070		19,203,758	
PAYROLL TAXES			67,538		67,538		5,647,510	
SALES, USE, & OTHER TAXES								
INVENTORY PURCHASES								
SECURED/ RENTAL/ LEASES	73,450				73,450		190,232	
INSURANCE	710,299				710,299		2,027,038	
ADMINISTRATIVE	673,850			3,336	677,186		1,534,211	
SELLING	21,250				21,250		45,651	
OTHER (ATTACH LIST) Interest	97,153				97,153		336,735	
OWNER DRAW *								
TRANSFERS (TO DIP ACCTS)								
PROFESSIONAL FEES	1,584,237				1,584,237		2,924,824	
U.S. TRUSTEE QUARTERLY FEES								
COURT COSTS								
<b>TOTAL DISBURSEMENTS</b>	<b>3,180,239</b>	<b>5,104,070</b>	<b>67,538</b>	<b>3,336</b>	<b>8,335,183</b>		<b>31,910,159</b>	
NET CASH FLOW	2,422,473	552,246	0	0	2,974,718		2,974,718	
(RECEIPTS LESS DISBURSEMENTS)	1,765,549	325,930	-67,538	0	2,013,935		2,013,935	
CASH - END OF MONTH	2,422,473	552,246	0	0	2,974,718		2,974,718	

\* 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	31,910,159
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>31,910,159</b>



Hospitality Liquidation II, LLC (f/k/a Hospitality Staffing Solutions Group, LLC) Case No. 13-12741 (BLS)  
 Debtor Reporting Period: Dec. 30, 2013 to Jan. 26, 2014

**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	Check		Amount Paid		Year-to-Date	
				Number	Date	Fees	Expenses	Fees	Expenses
Conway MacKenzie	STM 10/27/13	36,716.53	HSS	Wire	10/28/2013	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	86,260.00	7,206.07
Conway MacKenzie	STM 11/10/13	64,168.24	HSS	Wire	11/10/2013	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	191,625.00	20,039.58
Conway MacKenzie	STM 11/24/13	43,872.56	HSS	Wire	11/24/2013	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	280,815.61	29,721.53
Conway MacKenzie	Retainer	55,000.00	HSS	Wire	12/6/2013	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	386,666.98	33,871.16
Conway MacKenzie	Retainer	50,000.00	HSS	Wire	12/20/2013	50,000		436,666.98	33,871.16
Conway MacKenzie	STM 12/15/13	34,814.54	HSS	Wire	12/27/2013	32,408	2,407	469,073.48	36,278.20
Conway MacKenzie	STM 12/29/13	\$12,829.72	HSS	Wire	1/3/2014	\$8,360.00	4,470	477,433.48	40,747.92
Conway MacKenzie	STM 12/22/13	\$26,898.96	HSS	Wire	1/10/2014	\$24,715.00	2,184	502,148.48	42,931.88
Conway MacKenzie	STM 1/5/14	\$14,019.90	HSS	Wire	1/10/2014	\$13,745.00	275	515,893.48	43,206.78
Conway MacKenzie	STM 1/12/14	\$14,795.10	HSS	Wire	1/17/2014	\$14,505.00	290	530,398.48	43,496.88
Conway MacKenzie	STM 1/19/14	\$31,736.36	HSS	Wire	1/23/2014	\$28,582.50	3,154	558,980.98	46,650.74
Conway MacKenzie	STM 1/26/2014	\$31,242.36	HSS	Wire	1/23/2014	\$27,775.00	3,467	586,755.98	50,118.10
Saul Ewing	Applied to mult invoices	70,000.00	HSS	Wire	10/28/2013	60,780	9,220	529,853.03	45,498.65
Saul Ewing	Applied to mult invoices	50,000.00	HSS	Wire	11/1/2013	50,000		579,853.03	45,498.65
Saul Ewing	Applied to mult invoices	50,000.00	HSS	Wire	11/8/2013	50,000		629,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/15/2013	50,000		679,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/22/2013	50,000		729,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	11/29/2013	50,000		779,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	12/6/2013	50,000		829,853.03	45,498.65
Saul Ewing	Retainer	50,000.00	HSS	Wire	12/13/2013	50,000		879,853.03	45,498.65
Saul Ewing	Retainer	35,000.00	HSS	Wire	12/20/2013	35,000		914,853.03	45,498.65
Saul Ewing	Retainer	35,000.00	HSS	Wire	12/27/2013	35,000		949,853.03	45,498.65
Saul Ewing	Retainer	35,001.00	HSS	Wire	1/3/2014	35,001		984,854.03	45,498.65
Saul Ewing	Retainer	35,002.00	HSS	Wire	1/10/2014	35,002		1,019,856.03	45,498.65
Saul Ewing	Retainer	35,003.00	HSS	Wire	1/17/2014	35,003		1,054,859.03	45,498.65
Saul Ewing	Retainer	35,004.00	HSS	Wire	1/23/2014	35,004		1,089,863.03	45,498.65

Hospitality Liquidation II, LLC (f/w/a Hospitality Staffing Solutions Group, LLC)

Debtor

Case No. 13-12741 (BLS)

Reporting Period: Dec. 30, 2013 to Jan. 26, 2014

**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	Month	Cumulative Filing to Date
Gross Revenues	\$	\$
Less: Returns and Allowances		
Net Revenue	7,834,332	28,833,949
<b>COST OF GOODS SOLD</b>		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor	6,200,266	22,602,839
Add: Other Costs (attach schedule)	380,730	1,343,765
Less: Ending Inventory		
Cost of Goods Sold	6,580,997	23,946,605
Gross Profit	1,253,335	4,887,344
<b>OPERATING EXPENSES</b>		
Advertising	514	3,814
Auto and Truck Expense	30,901	111,509
Bad Debts	22,586	83,268
Contributions		
Employee Benefits Programs		
Insider Compensation*		
Insurance	142,768	301,537
Management Fees/Bonuses		
Office Expense	59,808	109,411
Pension & Profit-Sharing Plans		
Repairs and Maintenance		197,373
Rent and Lease Expense	69,291	213,788
Salaries/Commissions/Fees	637,766	2,379,467
Supplies		
Taxes - Payroll	61,259	171,581
Taxes - Real Estate		
Taxes - Other		18,373
Travel and Entertainment	91,260	262,277
Utilities	5,454	82,210
Other (attach schedule)	352,167	713,389
Total Operating Expenses Before Depreciation	1,473,773	4,647,997
Depreciation/Depletion/Amortization	304,641	974,684
Net Profit (Loss) Before Other Income & Expenses	-525,080	-735,337
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)		
Interest Expense	97,153	1,277,467
Other Expense (attach schedule)		
Net Profit (Loss) Before Reorganization Items	-622,232	-2,012,804
<b>REORGANIZATION ITEMS</b>		
Professional Fees	154,887	1,755,100
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	154,887	1,755,100
Income Taxes		
Net Profit (Loss)	-777,119	-3,767,904

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

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**STATEMENT OF OPERATIONS - continuation sheet**

BREAKDOWN OF OTHER CATEGORY	Month	Cumulative Filing to Date
<b>Other Costs</b>		
<b>Other Operational Expenses</b>		
<b>Other Income</b>		
<b>Other Expenses</b>		
<b>Other Reorganization Expenses</b>		

**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.

Hospitality Liquidation II, LLC (f/w/a Hospitality Staffing Solutions Group, LLC)  
Debtor

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**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 AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
<b>CURRENT ASSETS</b>		
Unrestricted Cash and Equivalents	2,107,209.08	475,721.94
Restricted Cash and Cash Equivalents (see continuation sheet)		
Accounts Receivable (Net)	9,811,139.61	11,561,396.52
Notes Receivable	2,052,686.56	2,632,686.56
Inventories		
Prepaid Expenses	5,910,971.37	5,533,229.67
Professional Retainers		
Other Current Assets (attach schedule)	1,232,956.30	1,057,597.26
<b>TOTAL CURRENT ASSETS</b>	<b>21,114,962.92</b>	<b>20,680,631.95</b>
<b>PROPERTY AND EQUIPMENT</b>		
Real Property and Improvements	1,643,668.79	1,634,843.94
Machinery and Equipment	86,849.42	86,849.42
Furniture, Fixtures and Office Equipment	809,064.24	1,032,936.63
Leasehold Improvements		
Vehicles	28,775.00	28,775.00
Less Accumulated Depreciation	-915,293.00	-493,418.12
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>1,653,064.45</b>	<b>1,877,986.89</b>
<b>OTHER ASSETS</b>		
Loans to Insiders*		
Other Assets (attach schedule)	29,169,885.74	30,022,219.42
<b>TOTAL OTHER ASSETS</b>	<b>29,169,885.74</b>	<b>30,022,219.42</b>
<b>TOTAL ASSETS</b>	<b>51,837,913.11</b>	<b>52,580,838.26</b>

LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
<b>LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)</b>		
Accounts Payable See MOR 3, List of retainers	-647,363.35	
Taxes Payable (refer to FORM MOR-4)		
Wages Payable	1,379,873.37	
Notes Payable	9,598,494.40	9,649,271.57
Rent / Leases - Building/Equipment		
Secured Debt / Adequate Protection Payments		
Professional Fees		
Amounts Due to Insiders*		
Other Postpetition Liabilities	3,245,155.11	
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>13,576,159.53</b>	<b>9,649,271.57</b>
<b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>		
Accounts Payable	2,490,826.67	1,769,902.82
Taxes Payable (refer to FORM MOR-4)		
Wages Payable		2,756,079.32
Notes Payable		
Rent / Leases - Building/Equipment		
Accrued Expenses	7,739,842.95	7,420,292.26
Professional Fees	786,232.57	702,587.36
Amounts Due to Insiders*		
Other Postpetition Liabilities (attach schedule)		
Secured Debt	13,312,499.80	13,312,499.80
Priority Debt		
Unsecured Debt	36,233,570.21	35,403,517.39
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>60,562,972.20</b>	<b>61,364,878.95</b>
<b>TOTAL LIABILITIES</b>	<b>74,139,131.73</b>	<b>71,014,150.52</b>
<b>OWNER EQUITY</b>		
Capital Stock	37,464,949.00	37,464,949.00
Additional Paid-In Capital	-742,526.00	-742,526.00
Partners' Capital Account		
Owner's Equity Account		
Retained Earnings - Pre-Petition	-54,312,543.26	-54,312,543.26
Retained Earnings - Postpetition	-3,767,906.36	
Adjustments to Owner Equity (attach schedule)	-843,192.00	-843,192.00
Postpetition Contributions (Distributions) (Draws) (attach schedule)		
<b>NET OWNER EQUITY</b>	<b>-22,201,216.62</b>	<b>-16,433,312.26</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>51,937,915.11</b>	<b>54,580,838.26</b>

\* "Insider" is defined in 11 U.S.C. Section 10(31).





Hospitality Liquidation II, LLC (f/w/a 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 Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
<b>Federal</b>						
Withholding						
FICA-Employee	127,589.00	135,614.00	127,589.00	12/29/2013	EFT	135,614.00
FICA-Employer	127,589.00	135,614.00	127,589.00	12/29/2013	EFT	135,614.00
Unemployment						
Income						
Other:	64,526.00	72,156.00	64,526.00	12/29/2013	EFT	72,156.00
<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	0-30	31-60	61-90	Over 90	
Accounts Payable						0.00
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
Professional Fees						0.00
Saul Ewing, LLP Main Escrow	-140,000.00	-185,000.00	-184,690.47			-509,690.47
Conway MacKenzie Management Ser. LLC	0.00	-137,672.88				-137,672.88
Amounts Due to Insiders*						0.00
Other:						0.00
Other:						0.00
<b>Total Postpetition Debts</b>	<b>-140,000.00</b>	<b>-322,672.88</b>	<b>-184,690.47</b>	<b>0.00</b>	<b>0.00</b>	<b>-647,363.35</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).

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### ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		Amount
Total Accounts Receivable at the beginning of the reporting period		11,375,941
+ 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		11,570,056
Accounts Receivable Aging		Amount
0 - 30 days old		9,187,958
31 - 60 days old		514,284
61 - 90 days old		241,527
91+ days old		248,969
Total Accounts Receivable		10,192,718
Amount considered uncollectible (Bad Debt)		-344,245
Accounts Receivable (Net)		9,848,474

### 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