

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re: Love Culture Inc.

Case No. 14-24508 (NLW)

Reporting Period: August 3, 2014 - August 30, 2014

MONTHLY OPERATING REPORT

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

9/22/14

Date

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 Debtor believes 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 Debtor's rights or an admission with respect to their Chapter 11 Proceedings (as defined herein), but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or recharacterization 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 the chapter 5 of the Bankruptcy Code or any other

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS ¹
MOR-1

	CURRENT MONTH August 3, 2014 - August 30, 2014	CUMULATIVE FILING TO DATE July 16, 2014 - August 30, 2014
CASH BEGINNING OF MONTH²	\$ 414,502.96	\$ (64,279.02)
RECEIPTS		
Cash Receipts from Sales	0.00	4,175,407.00
Cash Receipts from Asset Sales	6,782,119.70	6,782,119.70
Revolver Advances	4,267,667.92	9,912,275.83
Cash Collateral Advances	686,228.84	686,228.84
Other Cash Receipts	3,322,344.75	3,322,344.75
TOTAL RECEIPTS	\$ 15,058,361.21	\$ 24,878,376.12
DISBURSEMENTS		
Operating Disbursements		
Merchandise Vendor Payments	871,613.53	2,501,752.29
Salaries and Benefits	1,329,583.61	2,154,121.68
Occupancy	2,199,979.97	2,247,048.95
Taxes	499,379.15	1,154,213.71
Credit Card Deposit Transaction Fees	55,370.70	55,370.70
Wells Fargo Deposit Related Disbursements	16,391.89	210,856.03
Shipping	204,518.36	255,997.40
Insurance	0.00	94,931.62
Utilities	522.44	20,702.57
Marketing	0.00	0.00
Other Operating	107,120.71	129,109.61
Remittance to Agent	0.00	0.00
Finance Charges (excl. Loan Interest and Fees)	0.00	2,240.00
Total Operating Disbursements	\$ 5,284,480.36	\$ 8,826,344.56
Non-Operating Disbursements		
Daily Revolver Paydowns (cash sweep)	8,852,662.37	12,924,510.37
Revolver Interest and Fees	39,228.84	833,836.75
Professional Fees	74,321.04	107,233.86
Professional Fees - Escrow Payments	125,000.00	1,025,000.00
Deposits & Other	383,000.00	383,000.00
Total Non-Operating Disbursements	\$ 9,474,212.25	\$ 15,273,580.98
TOTAL DISBURSEMENTS	\$ 14,758,692.61	\$ 24,099,925.54
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)	\$ 299,668.60	\$ 778,450.58
CASH - END OF MONTH²	\$ 714,171.56	\$ 714,171.56

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES:

TOTAL DISBURSEMENTS	\$ 24,099,925.54
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	1,025,000.00
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	0.00
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 23,074,925.54

¹ This schedule of cash receipts and disbursements has been presented in a manner consistent with the Debtor's historical external financial reporting and would be unduly burdensome to produce in a different or modified format.

² Reflects cash in the Debtor's Wells Fargo Bank Concentration Account only (i.e. excludes cash in stores and Store Depository Accounts in transit to the Concentration Account).

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BANK RECONCILIATIONS
 Continuation Sheet for MOR-1

Bank Account Reconciliations & Cash Disbursement Journals

The Debtor affirms that bank account reconciliations have been prepared for all open and active bank accounts to the Debtor's books for the reporting period without exception. The Debtor affirm that within the financial accounting systems, check registers and / or disbursement journals are maintained for each disbursement account.

Bank Statements

The Debtor affirms that bank statements for all open and active bank accounts are retained by the Debtor and will be available upon request.

	As of August 30, 2014
BBCN Bank 253 N. Western Avenue Los Angeles, CA 90004 Checking Account Number:4360	2,760.30
BBCN Bank 1400 W. Redondo Beach Boulevard Gardena, CA 90247 Checking Account Number: 8271	2,443.57
BBCN Bank 1400 W. Redondo Beach Boulevard Gardena, CA 90247 Checking Account Number: 9189	1,251.80
Wells Fargo N.A. P.O. Box 63030 San Francisco, CA 63020 Concentration Account Number:5982	714,171.92
Wells Fargo N.A. P.O. Box 63030 San Francisco, CA 63020 Payroll Account Number:6014	-
Wells Fargo N.A. P.O. Box 63030 San Francisco, CA 63020 E-Commerce Deposit Account Number:106€	-
Wells Fargo N.A. P.O. Box 63030 San Francisco, CA 63020 Store Deposit Account Number:5990	198,022.93
Total	918,650.52

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SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID¹
Continuation Sheet for MOR-1

Professional	Amount Paid in Period			Cumulative Amounts Paid Since Petition Date		
	Fees	Expenses	Total	Fees	Expenses	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Note: the following amounts were disbursed into an escrow account for professional fees: Lowenstein Sandler - Debtor Counsel (\$400,000), PwC - Debtor Advisor (\$400,000), and Creditor Committee Professionals (\$225,000) for a total of \$1,025,000.

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STATEMENT OF OPERATIONS ¹
MOR-2

	CURRENT MONTH	CUMULATIVE
	August 3, 2014 -	FILING TO DATE
	August 30, 2014	July 16, 2014 -
		August 30, 2014
REVENUES		
Gross Sales	\$ -	\$ 3,965,259.55
Less: Returns and Allowances	-	206,158.22
Less: Discounts	-	131,760.67
Net Sales	\$ -	\$ 3,627,340.66
COST OF GOODS SOLD		
Cost of Goods Sold	147,201.31	1,974,847.27
Gross Profit	\$ (147,201.31)	\$ 1,652,493.39
OPERATING EXPENSES		
Salaries and Benefits	1,394,896.70	2,243,672.93
Occupancy Expense	2,083,389.03	3,522,649.69
Supplies	103,969.38	260,175.52
Utilities and Cleaning	182,088.70	431,929.58
Repairs and maintenance	92,196.38	127,601.35
Travel Expenses	1,980.55	4,816.70
Information Technology	237.82	25,109.84
Marketing expenses	7,271.72	28,339.75
Total Operating Expenses Before Depreciation	\$ 3,866,030.28	\$ 6,644,295.36
Depreciation and amortization	49,486,236.50	50,422,664.74
Net Profit (Loss) Before Other Income & Expenses	\$ (53,499,468.09)	\$ (55,414,466.71)
OTHER INCOME AND EXPENSES		
Interest Expense	7,204.59	55,341.36
Other Income	3,322,344.75	
Other Expense	449,948.23	475,716.04
Net Profit (Loss) Before Reorganization Items	\$ (50,634,276.16)	\$ (55,945,524.11)
REORGANIZATION ITEMS		
Professional Fees	687,374.68	1,688,406.04
U. S. Trustee Quarterly Fees	-	-
Total Reorganization Expenses	\$ 687,374.68	\$ 1,688,406.04
Income Taxes	-	-
Net Profit (Loss)	\$ (51,321,650.84)	\$ (57,633,930.15)

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BALANCE SHEET ¹
MOR-3

ASSETS	
CURRENT ASSETS	August 30, 2014
Cash and Equivalents	\$ 745,896.19
Accounts Receivable (Net)	8,251,551.36
Inventories	-
Due from Officer	-
Prepaid Expenses and Other Current Assets	638,432.05
Receivable from Lessor	-
TOTAL CURRENT ASSETS	\$ 9,635,879.60
NON-CURRENT ASSETS	
Property and Equipment, Net	-
Due from Officer	-
Other Assets	159,969.83
TOTAL NON-CURRENT ASSETS	\$ 159,969.83
TOTAL ASSETS	\$ 9,795,849.43

LIABILITIES AND OWNER EQUITY	
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)	
Accounts Payable	1,589,680.23
Accrued Expenses and Other Current Liabilities	476,351.74
DIP Financing	-
TOTAL POSTPETITION LIABILITIES	\$ 2,066,031.97
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)	
Secured Debt	6,312,000.00
Unsecured Debt	92,434,150.73
TOTAL PRE-PETITION LIABILITIES	\$ 98,746,150.73
TOTAL LIABILITIES	\$ 100,812,182.70
STOCKHOLDERS' EQUITY	
Common Stock	3,410,160.00
Additional Paid-In Capital	22,330,182.31
Retained Earnings	(116,756,675.58)
NET STOCKHOLDERS' EQUITY	\$ (91,016,333.27)
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 9,795,849.43

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STATUS OF POSTPETITION TAXES
MOR-4

The Debtor has 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 are currently working with external tax advisors in order to file 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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SUMMARY OF UNPAID POSTPETITION DEBTS
Continuation Sheet for MOR-4

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 90	
Accounts Payable	38,690.11	1,550,990.12	-	-	-	1,589,680.23
Accrued Expenses and Other Current Liabilities	476,351.74	-	-	-	-	476,351.74
Total Postpetition Debts	\$ 515,041.85	\$ 1,550,990.12	\$ -	\$ -	\$ -	\$ 2,066,031.97

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

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**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING
MOR-5**

Accounts Receivable Aging	Amount
0 - 30 days old	8,251,551.36
31 - 60 days old	-
61 - 90 days old	-
91+ days old	-
Total Accounts Receivable	\$ 8,251,551.36
Amount considered uncollectible (Bad Debt)	-
Accounts Receivable (Net)	\$ 8,251,551.36

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DEBTOR QUESTIONNAIRE
Continuation Sheet for MOR-5

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 ¹	
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 ²	N/A ²
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X ³	
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

¹ On August 1, 2014, the Debtor completed the court-approved sale of its inventory to the Great American Group.

² The Debtor is working with external tax advisors in order to file their 2013 Federal and State income tax returns. No postpetition tax returns were required to be filed during the current period.

³ The Debtor currently has pre- and post-petition amounts outstanding with its insurance carriers.