

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

Case No. 14-10318 (KJC)
Chapter 11

QUANTUM FOODS, LLC, *et al.*

Monthly Operating Report for the Reporting Period from
September 6, 2014 through October 3, 2014

Debtors' Address:
c/o FTI Consulting, Inc.
227 West Monroe Street, Suite 900
Chicago, Illinois 60606

WINSTON & STRAWN LLP
35 West Wacker Drive
Chicago, Illinois 60601

- and -

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801

(Counsel for Debtors and Debtors in Possession)

Reporting Period Operating Income / (Loss):
\$(39,440)

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re Quantum Foods, LLC, et al.
Debtor

Case No. 14-10318 (KJC)
Reporting Period: September 6, 2014 through October 3, 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 committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	Yes		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	Yes		
Schedule of Professional Fees Paid	MOR-1b	Yes		
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	Yes		
Balance Sheet	MOR-3	Yes		
Status of Postpetition Taxes	MOR-4	Yes		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4	Yes		
Listing of aged accounts payable	MOR-4a			
Accounts Receivable Reconciliation and Aging	MOR-5	Yes		
Debtor Questionnaire	MOR-5a	Yes		

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

Printed Name of Authorized Individual

Title of Authorized Individual / Date

Michael Buenzen, CFO
MICHAEL BUENZEN

11/10/14

*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.

Quantum Foods, LLC, et al.

Debtors-in-Possession

MOR - 1

Consolidating Schedule of Receipts and Disbursements to Date [1]

for February 18, 2014 to October 3, 2014

<i>In U.S. Dollars</i>	Quantum Foods, LLC	Quantum Foods 213-D, LLC	Quantum Culinary, LLC	GDC Logistics, LLC	Choice One Foods, LLC	Consolidated Quantum Foods, LLC, et al.
Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Receipts						
Trade Receipts	101,004,234	-	-	-	-	101,004,234
Other Receipts [2]	358,904	-	-	-	-	358,904
Net Asset Sale Proceeds [3]	8,237,414	-	-	-	-	8,237,414
Total Cash Receipts	109,600,552	-	-	-	-	109,600,552
Operating Disbursements						
Raw Materials (Meat)	-	(29,419,058)	(7,430,857)	-	-	(36,849,915)
Packaging & Spice	-	(4,052,527)	(1,043,362)	-	-	(5,095,889)
R&M / Supplies / Plant Services	(14,664)	(1,007,138)	(255,216)	-	-	(1,277,018)
Freight	(26,652)	(574,478)	(165,714)	-	-	(766,843)
Sales-Related, Commissions & Allowances	(560,402)	-	-	-	-	(560,402)
Payroll, Benefits & 401(k)	(1,681,942)	(7,815,394)	(1,800,951)	(1,277,488)	-	(12,575,775)
Insurance (Post-Petition)	(1,423,645)	-	-	-	-	(1,423,645)
Rent	-	(1,786,746)	(327,131)	-	-	(2,113,877)
Utilities	(447,563)	(721,823)	(150,074)	-	-	(1,319,461)
Crossroads Treatment LLC	(19,835)	(477,906)	(123,177)	-	-	(620,918)
Other SG&A	(130,622)	(294,706)	(71,477)	-	-	(496,804)
Capex	-	-	-	-	-	-
Capital Leases	-	(36,609)	(10,396)	-	-	(47,006)
Total Operating Disbursements	(4,305,324)	(46,186,386)	(11,378,355)	(1,277,488)	-	(63,147,553)
Non-Operating Disbursements						
Professional Services & Fees	(3,935,207)	-	-	-	-	(3,935,207)
US Trustee Fees	(101,425)	-	-	-	-	(101,425)
Customer Settlement	(1,645,023)	-	-	-	-	(1,645,023)
Facility Consolidation Costs	-	-	-	-	-	-
Total Non-Operating Disbursements	(5,681,655)	-	-	-	-	(5,681,655)
First Day Motion Disbursements						
Severance	(2,735)	(29,893)	(6,649)	(2,987)	-	(42,265)
Critical Vendors - Meat	(1,232,040)	-	-	-	-	(1,232,040)
Critical Vendors - Packaging, Spice & Other	(85,007)	-	-	-	-	(85,007)
Shippers / Warehousemen	(539,712)	-	-	-	-	(539,712)
Customer Programs	(1,214,129)	-	-	-	-	(1,214,129)
Wages & Benefits	(86,069)	(941,987)	(209,318)	(94,018)	-	(1,331,393)
Independent Contractors & Brokers	(141,863)	-	-	-	-	(141,863)
Utility Deposits - Adequate Assurance	(475,000)	-	-	-	-	(475,000)
Insurance (Prepetition)	(497,380)	-	-	-	-	(497,380)
Total First Day Motion Disbursements	(4,273,936)	(971,880)	(215,968)	(97,005)	-	(5,558,789)
Other Disbursements						
Letter of Credit (Cash Collateralization) [4]	(1,750,000)	-	-	-	-	(1,750,000)
Bank Charges & Fees	(55,886)	-	-	-	-	(55,886)
Total Other Disbursements	(1,805,886)	-	-	-	-	(1,805,886)
Total Disbursements	\$ (16,066,801)	\$ (47,158,266)	\$ (11,594,323)	\$ (1,374,493)	\$ -	\$ (76,193,884)
					Cash Loan Activity	
					Draws / Funding	76,247,542
					Repayments	(109,043,090)
					Net Cash Loan Increase / (Reduction)	(32,795,548)
					Subtotal	611,121
					Outstanding Payments [5]	485,804
					Ending Cash Balance	\$ 125,317

[1] The disbursement accounts which are part of the Debtors' cash management system are entirely in the name of Quantum Foods, LLC. For purposes of the disbursements illustrated above, certain operational disbursements have been allocated to the related legal entities based on production volume, while payroll and related disbursements have been allocated based on headcount. As all production activities had ceased as of the reporting period beginning June 14, 2014, all operational disbursements during that timeframe have been allocated to Quantum Foods, LLC.

[2] Primarily relates to refunds issued by raw material suppliers for prepetition credit balances, in addition to insurance-related refunds, utility provider refunds, healthcare plan administrator refunds and receipts from the sale of excess or obsolete inventory and pallets.

[3] Represents the net proceeds realized from the sale of substantially all owned and leased machinery and equipment, in addition to specific inventory and the Debtors' books and records (intellectual property). The net asset sale proceeds were credited directly as a repayment to the DIP loan balance.

[4] The balance relates to the establishment of a letter of credit ("LC") with the Debtors' primary raw material supplier, which was formally issued on April 10, 2014. The Debtors' were required to post cash collateral, through the issuance of the LC, in exchange for an additional credit line of \$2,500,000 with the supplier. Note that the supplier's prepetition claim had previously been satisfied by the Debtors, therefore, the cash collateral posted for the LC did not relate to any prepetition balances owed.

[5] Primarily various adjustments to vendor prepayments and other disbursements that remained unreconciled as of October 3, 2014.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 1a****Schedule of Bank Account Balances****as of October 3, 2014**

Case #	Debtor Entity	Bank Name	Account Type / Purpose	Bank Account Ending in:	Book Balance
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Concentration Account	3810	\$ 125,317
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Depository Account	3802	-
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Flexible Spending Account	3829	-
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	A/P Disbursement Account	0399	-
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Payroll Account	0461	-
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Utilities Adequate Assurance Account	2233	-
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	APA Deposit Escrow Account	2241	-
					\$ 125,317

[1] Represents the Debtors' adequate assurance deposit account for utility providers, which was opened on March 5, 2014. The account was subsequently funded on March 7, 2014 with a total adequate assurance deposit amount of \$423,000. Per the Bankruptcy Court Order, the Debtors were required to deposit a total of \$475,000 into a "Utility Deposit Account" to be held in escrow, for the purpose of providing each utility provider adequate assurance of payment of its post-petition utility services to the Debtors. Note that a specific utility provider requested a deposit of \$52,000 be sent directly to them, which was issued via check on March 7, 2014.

[2] Due to the nature and purpose of both the Utilities Adequate Assurance Account and APA Deposit Escrow Account, as well as the previously described check sent directly to a specific utility provider, the Debtors record the balances of those deposits as an asset on the balance sheet within the "Prepaid Expenses & Deposits" account. As such, no Book Balance has been listed within the schedule above, which is meant to detail the total "Cash" account balance per the balance sheet.

[3] Represents an escrow account established by the Debtors for the purpose of holding the Stalking Horse Bidder's purchase deposit. Per the Bankruptcy Court Order, and in accordance with both the Asset Purchase Agreement and the Bid Procedures, the Stalking Horse Bidder was authorized to provide a deposit equal to at least 10% of the proposed cash purchase price to be held in escrow. As such, the Debtors' established an account to hold the Stalking Horse Bidder's deposit on March 21, 2014, and the Stalking Horse Bidder's deposit of \$5,400,000 was subsequently received, and booked as a prepaid asset, on March 25, 2014.

Quantum Foods, LLC, et al.

Debtors-in-Possession

MOR - 1b

Schedule of Professional Fees and Expenses Paid
for September 6, 2014 to October 3, 2014

Payee	Period Covered	Amount Approved	Payor	Check / Wire		Amount Paid for Period		Filing to Date	
				Number	Date	Fees	Expenses	Fees	Expenses
FTI Consulting, Inc.	N/A	\$ -	N/A	N/A	N/A	\$ -	\$ -	\$ 1,524,844	\$ 21,060
Winston & Strawn LLP	N/A	-	N/A	N/A	N/A	-	-	750,876	17,079
Young Conaway Stargatt & Taylor, LLP	7/1/14 - 8/30/14	143,814	Quantum Foods, LLC	Multiple	9/19/14	138,323	5,491	595,866	28,461
City Capital Advisors, LLC	2/18/14 - 5/31/14	18,000	Quantum Foods, LLC	140911011784	9/11/14	18,000	-	120,000	2,244
BMC Group, Inc.	N/A	-	N/A	N/A	N/A	-	-	51,310	30,822
Triton Capital Partners, Ltd.	N/A	-	N/A	N/A	N/A	-	-	209,311	6,009
Richards, Layton & Finger, P.A.	N/A	-	N/A	N/A	N/A	-	-	475,735	8,944
Freeborn & Peters LLP	N/A	-	N/A	N/A	N/A	-	-	45,000	-
Womble Carlyle Sandridge & Rice, LLP	7/1/14 - 8/31/14	6,197	Quantum Foods, LLC	140919001408	9/19/14	5,855	342	45,785	1,859
Total		\$ 168,011				\$ 162,178	\$ 5,833	\$ 3,818,728	\$ 116,480

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 2
Consolidating Statement of Operations [1]
for September 6, 2014 to October 3, 2014

<i>In U.S. Dollars</i>	Quantum Foods, LLC	Quantum Foods 213-D, LLC	Quantum Culinary, LLC	GDC Logistics, LLC	Choice One Foods, LLC	Consolidated Quantum Foods, LLC, et al.
Sales - Produced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales - Non-Produced	-	-	-	-	-	-
Discounts & Allowances	-	-	-	-	-	-
Outbound Freight	-	-	-	-	-	-
Promo Allowances	-	-	-	-	-	-
Net Sales	-	-	-	-	-	-
Materials	-	-	-	-	-	-
Direct Labor	-	-	-	-	-	-
Manufacturing Overhead	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-
Total Cost of Sales	-	-	-	-	-	-
Gross Margin	-	-	-	-	-	-
Variable Contribution Margin	-	-	-	-	-	-
Selling Expenses	-	-	-	-	-	-
General & Administrative	39,440	-	-	-	-	39,440
Total SG&A Costs	39,440	-	-	-	-	39,440
Income from Operations	(39,440)	-	-	-	-	(39,440)
Asset Sales Gain / (Loss)	-	-	-	-	-	-
Reorganization Income / (Expense) [2]	206,078	-	-	-	-	206,078
Extraordinary Gain / (Loss)	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-
Interest Expense	(244,556)	-	-	-	-	(244,556)
Total Other Expenses	(38,478)	-	-	-	-	(38,478)
Net Income / (Loss)	(77,918)	-	-	-	-	(77,918)
EBITDA:						
<i>Net Income / (Loss)</i>	<i>(77,918)</i>	-	-	-	-	<i>(77,918)</i>
<i>Add: Interest Expense</i>	<i>244,556</i>	-	-	-	-	<i>244,556</i>
<i>Add: Depreciation Expense</i>	-	-	-	-	-	-
<i>Add: Reorganization Income / (Expense)</i>	<i>(206,078)</i>	-	-	-	-	<i>(206,078)</i>
<i>Add: Asset Sales Gain / (Loss)</i>	-	-	-	-	-	-
<i>Add: G&A Depreciation & Amortization</i>	-	-	-	-	-	-
EBITDA	\$ (39,440)	\$ -	\$ -	\$ -	\$ -	\$ (39,440)

[1] For book-keeping purposes, the Debtors' record operational activity through the use of "cost centers," which have been "mapped" to the related Debtor entity within the schedule set forth above. The Debtors maintain that the statement of operations is most accurately presented on a consolidated basis, and therefore, reserve all rights with respect to the activity and amounts shown at any specific Debtor-level.

[2] Primarily represents gains realized by the Debtors related to an adjustment to the allowance for bad debts, net of losses incurred resulting from expenses related to various case professionals, the write-off of certain trade receivables and direct loan charges.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 3
Consolidated Balance Sheet [1]
as of October 3, 2014

<i>In U.S. Dollars</i>	Quantum Foods, LLC	Quantum Foods 213-D, LLC	Quantum Culinary, LLC	GDC Logistics, LLC	Choice One Foods, LLC	Consolidated Quantum Foods, LLC, et al.
Cash	\$ 125,317	\$ -	\$ -	\$ -	\$ -	\$ 125,317
Accounts Receivable	780,903	-	-	-	-	780,903
Inventory (On-Hand)	-	-	-	-	-	-
Inventory In-Transit	-	-	-	-	-	-
Prepaid Expenses & Deposits	6,069,203	-	-	-	-	6,069,203
Total Current Assets	6,975,422	-	-	-	-	6,975,422
Property & Equipment (Net of Accumulated Depreciation)	-	-	-	-	-	-
Net Property and Equipment	-	-	-	-	-	-
Deferred Lease Costs (Net of Accumulated Amortization)	-	-	-	-	-	-
Due from Crossroads Treatment LLC	4,231,869	-	-	-	-	4,231,869
Due from Member	7,547,812	-	-	-	-	7,547,812
Loan Costs (Net of Accumulated Amortization)	4,167,483	-	-	-	-	4,167,483
Total Other Assets	15,947,164	-	-	-	-	15,947,164
TOTAL ASSETS	22,922,586	-	-	-	-	22,922,586
Liabilities Not Subject to Compromise						
Accounts Payable	5,645,161	-	-	-	-	5,645,161
Accrued Liabilities	6,802,966	-	-	-	-	6,802,966
DIP Loan	20,236,560	-	-	-	-	20,236,560
Deferred Rent	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	32,684,687	-	-	-	-	32,684,687
Liabilities Subject to Compromise						
Accounts Payable	19,479,841	-	-	-	-	19,479,841
Accrued Liabilities	2,251,617	-	-	-	-	2,251,617
Current Maturities of Long Term Debt	-	-	-	-	-	-
Current Maturities of Capital Lease Obligations	48,017	-	-	-	-	48,017
Deferred Rent	-	-	-	-	-	-
Long Term Capital Lease Obligations	-	-	-	-	-	-
Total Liabilities Subject to Compromise	21,779,475	-	-	-	-	21,779,475
TOTAL LIABILITIES	54,464,162	-	-	-	-	54,464,162
Common Stock & Additional Paid in Capital	9,174,655	-	-	-	-	9,174,655
Treasury Stock	(3,415,000)	-	-	-	-	(3,415,000)
Distributions	(44,159,906)	-	-	-	-	(44,159,906)
Retained Earnings	6,858,676	-	-	-	-	6,858,676
Total Equity	(31,541,575)	-	-	-	-	(31,541,575)
TOTAL LIABILITIES AND EQUITY	\$ 22,922,586	\$ -	\$ -	\$ -	\$ -	\$ 22,922,586

[1] As set forth above and explained with the Debtors' Schedules and Statements, balance sheet amounts are consolidated at the Quantum Foods, LLC level given the central role Quantum Foods, LLC plays with respect to all Debtor operations and related book-keeping vis-à-vis the other Debtors. Consequently, all balance sheet information shown for Quantum Foods, LLC respectively captures assets, liabilities and other information pertaining to the other four Debtors that are carried on, or reflected in, Quantum Foods, LLC's books and records in the ordinary course of business.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 4****Consolidated Status of Postpetition Taxes
for September 6, 2014 to October 3, 2014**

<i>In U.S. Dollars</i>	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability [1]
<u>Federal</u>						
Withholding	\$ -	\$ -	\$ -	N/A	N/A	\$ -
FICA - Employee	-	-	-	N/A	N/A	-
FICA - Employer	-	-	-	N/A	N/A	-
Unemployment	-	-	-	N/A	N/A	-
Income	-	-	-	N/A	N/A	-
Total Federal Taxes	-	-	-			-
<u>State and Local</u>						
Withholding	-	-	-	N/A	N/A	-
IL Sales & Use Tax [2]	-	-	-	N/A	N/A	-
Unemployment	-	-	-	N/A	N/A	-
IL Property Tax [3]	-	-	-	N/A	N/A	-
Total State and Local	-	-	-			-
Total Taxes	\$ -	\$ -	\$ -			\$ -

[1] These amounts represent withholdings to be paid to the applicable taxing authorities in the ordinary course of business.

[2] The Debtors pay these taxes as they come due and do not accrue any amounts with respect to them.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 4a****Consolidated Summary of Unpaid Postpetition Debts
as of October 3, 2014**

<i>In U.S. Dollars</i>	Number of Days Outstanding					
	0-30	31-45	46-60	61-75	Over 75	Total
Accounts Payable, Trade	\$ -	\$ -	\$ -	\$ -	\$ (5,915,730)	\$ (5,915,730)
Inventory Received Not Vouchered [1] [2]						(189,235)
Accounts Payable, Manual [1] [3]						459,804
						\$ (5,645,161)

[1] Inventory Received Not Vouchered and Accounts Payable, Manual are not aged.

[2] Represents the value of inventory received from various suppliers, for which a related invoice had not been received by the Debtors, as of period-end.

[3] Represents payables manually entered into the Debtors' financial reporting system. The net debit balance as of period-end reflects adjustments recorded to account for various vendor prepayments and payable accruals, for which the Debtors' had not received the related goods or services as of October 3, 2014.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 5
Consolidated Summary of Accounts Receivable
as of October 3, 2014

<i>In U.S. Dollars</i>	Number of Days Outstanding						Total
	Current	1-9	10-30	31-60	61-75	Over 75	
Trade Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,179,544	\$ 1,179,544
Allowance for Bad Debts [1]							(735,467)
Accounts Receivable, Other [1] [2]							336,826
							\$ 780,903

[1] Allowance for Bad Debts and Accounts Receivable, Other are not aged.

[2] Primarily represents non-trade receivables due from an affiliated, non-Debtor entity.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 5a****Debtors' Questionnaire****for September 6, 2014 to October 3, 2014**

	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 accounts(s). If an investment account has been opened, provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X