

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
February 18, 2014 through March 21, 2014

Debtors' Address:
c/o Quantum Foods, LLC
750 South Schmidt Road
Bolingbrook, Illinois 60440

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):
\$(2,648,789)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re Quantum Foods, LLC, et al.
Debtor

Case No. 14-10318 (KJC)
Reporting Period: February 18, 2014 through March 21, 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

Signature of Chief Financial Officer

Date


Printed Name of Authorized Individual

5/19/2014

Date
CRC
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

Quantum Foods, LLC, et al.

Debtors-in-Possession

MOR - 1

Consolidating Schedule of Receipts and Disbursements for Month [1]

for February 18, 2014 to March 21, 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	30,394,964					30,394,964
Other Receipts [2]	186,840					186,840
Total Cash Receipts	30,581,804	-	-	-	-	30,581,804
Operating Disbursements						
Raw Materials (Meat)	-	(15,883,209)	(4,102,526)	-	-	(19,985,734)
Packaging & Spice	-	(2,129,887)	(550,135)	-	-	(2,680,023)
R&M / Supplies / Plant Services	-	(397,434)	(102,654)	-	-	(500,088)
Freight	-	(47,933)	(12,381)	-	-	(60,314)
Sales-Related, Commissions & Allowances	(36,642)	-	-	-	-	(36,642)
Payroll, Benefits & 401(k)	(242,710)	(2,656,625)	(590,288)	(265,135)	-	(3,754,758)
Insurance (Post-Petition)	(249,053)	-	-	-	-	(249,053)
Rent	-	(438,528)	(113,269)	-	-	(551,797)
Utilities	-	(20,155)	(5,206)	-	-	(25,361)
Crossroads Treatment LLC	-	(164,937)	(42,602)	-	-	(207,540)
Other SG&A	-	(100,364)	(25,923)	-	-	(126,288)
Capex	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-
Total Operating Disbursements	(528,406)	(21,839,073)	(5,544,984)	(265,135)	-	(28,177,598)
Non-Operating Disbursements						
Professional Services & Fees	-	-	-	-	-	-
Asset Sale Proceeds	-	-	-	-	-	-
Excess Inventory Sales	-	-	-	-	-	-
Facility Consolidation Costs	-	-	-	-	-	-
Total Non-Operating Disbursements	-	-	-	-	-	-
First Day Motion Disbursements						
Severance	(2,283)	(24,985)	(5,552)	(2,494)	-	(35,313)
Critical Vendors - Meat	(756,319)	-	-	-	-	(756,319)
Critical Vendors - Packaging, Spice & Other	(44,382)	-	-	-	-	(44,382)
Shippers / Warehousemen	-	-	-	-	-	-
Customer Programs	(587,215)	-	-	-	-	(587,215)
Wages & Benefits	(85,240)	(933,003)	(207,308)	(93,115)	-	(1,318,666)
Independent Contractors & Brokers	(65,027)	-	-	-	-	(65,027)
Utility Deposits - Adequate Assurance	(475,000)	-	-	-	-	(475,000)
Insurance (Prepetition)	(470,865)	-	-	-	-	(470,865)
Total First Day Motion Disbursements	(2,486,330)	(957,988)	(212,860)	(95,609)	-	(3,752,787)
Loan-Related & Other Disbursements						
Bank Charges & Fees	(8,689)	-	-	-	-	(8,689)
Total Loan-Related & Other Disbursements	(8,689)	-	-	-	-	(8,689)
Total Disbursements	\$ (3,023,424)	\$ (22,797,061)	\$ (5,757,844)	\$ (360,743)	\$ -	\$ (31,939,073)
					Loan Activity	
					Draws / Funding	31,864,871
					Interest & Commitment Fees (Non-Cash)	530,598
					Fees & Other (Non-Cash)	10,105
					Repayments	(29,918,411)
					Net Loan Increase / (Reduction)	2,487,164
					Subtotal	1,129,894
					Unrecorded Wires [3]	562,131
					Ending Cash Balance	\$ 567,763

[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.

[2] Primarily relates to refunds issued by a raw material supplier for prepetition credit balances, in addition to receipts from the sale of excess or obsolete inventory.

[3] Primarily payments made to vendors during the period that were recorded in the Debtors' books and records following March 21, 2014.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 1a****Schedule of Bank Account Balances****as of March 21, 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	\$ 567,763
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Depository Account	3802	266,755
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	(329,530)
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Payroll Account	0461	(263,045)
14-10318 (KJC)	Quantum Foods, LLC	Union Bank	Utilities Adequate Assurance Account	2233	-
14-10318 (KJC)	Quantum Foods, LLC	N/A	Deposits in Transit	N/A	325,820
					\$ 567,763

[1] [2]

[3]

[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 the Utilities Adequate Assurance 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 the net balance of cash receipts in-transit and outstanding check float as of March 21, 2014, which are recorded as an asset on the Debtors' balance sheet within the "Cash" account.

Quantum Foods, LLC, et al.

Debtors-in-Possession

MOR - 1b

Schedule of Professional Fees and Expenses Paid [1]

for February 18, 2014 to March 21, 2014

Payee	Period Covered	Amount Approved	Payor	Check / Wire		Amount Paid for Period		Filing to Date	
				Number	Date	Fees	Expenses	Fees	Expenses
None		\$ -				\$ -	\$ -	\$ -	\$ -
		\$ -				\$ -	\$ -	\$ -	\$ -

[1] No disbursements related to case professional fees or expenses were made during the reporting period.

Quantum Foods, LLC, et al.

Debtors-in-Possession

MOR - 2

Consolidating Statement of Operations [1] [2]

for February 18, 2014 to March 21, 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	\$ -	\$ 16,195,696	\$ 16,621,519	\$ -	\$ -	\$ 32,817,216
Sales - Non-Produced	-	49,211	-	291	-	49,502
Discounts & Allowances	-	(42,031)	(642)	-	-	(42,674)
Outbound Freight	(17,812)	(248,824)	54,838	(12,347)	-	(224,145)
Promo Allowances	(12)	(427,497)	(476,467)	-	-	(903,975)
Net Sales	(17,823)	15,526,556	16,199,248	(12,056)	-	31,695,924
Materials	-	12,962,467	12,575,123	-	-	25,537,589
Direct Labor	-	1,741,710	471,916	90,588	-	2,304,214
Manufacturing Overhead	148,247	2,760,046	716,882	790,348	7,495	4,423,018
Depreciation Expense	-	370,210	87,697	-	1,101	459,008
Total Cost of Sales	148,247	17,834,433	13,851,618	880,935	8,596	32,723,830
Gross Margin	(166,070)	(2,307,878)	2,347,630	(892,992)	(8,596)	(1,027,906)
Variable Contribution Margin	(17,823)	822,379	3,152,209	(102,644)	-	3,854,121
Selling Expenses	353,418	66,480	78,507	-	-	498,405
General & Administrative	970,051	138,835	14,180	(612)	23	1,122,478
Total SG&A Costs	1,323,469	205,316	92,687	(612)	23	1,620,883
Income from Operations	(1,489,539)	(2,513,193)	2,254,943	(892,380)	(8,619)	(2,648,789)
Miscellaneous Income	(9,526)	(684)	-	-	-	(10,210)
Reorganization Income / (Expense)	182,029	-	-	-	-	182,029
Extraordinary Gain / (Loss)	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-
Interest Expense	(428,057)	-	-	-	-	(428,057)
Total Other Expenses	(255,555)	(684)	-	-	-	(256,239)
Net Income / (Loss)	(1,745,094)	(2,513,877)	2,254,943	(892,380)	(8,619)	(2,905,027)
EBITDA:						
<i>Net Income / (Loss)</i>	<i>(1,892,275)</i>	<i>(2,412,089)</i>	<i>2,273,594</i>	<i>(866,871)</i>	<i>(7,386)</i>	<i>(2,905,027)</i>
<i>Add: Interest Expense</i>	<i>428,057</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>428,057</i>
<i>Add: Depreciation Expense</i>	<i>-</i>	<i>370,210</i>	<i>87,697</i>	<i>-</i>	<i>1,101</i>	<i>459,008</i>
<i>Add: Reorganization Income / (Expense)</i>	<i>(182,029)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(182,029)</i>
<i>Add: G&A Depreciation & Amortization</i>	<i>-</i>	<i>95,369</i>	<i>134</i>	<i>-</i>	<i>-</i>	<i>95,503</i>
EBITDA	\$ (1,646,246)	\$ (1,946,509)	\$ 2,361,424	\$ (866,871)	\$ (6,285)	\$ (2,104,488)

[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] The Debtors' fiscal reporting period covered February 24, 2014 through March 21, 2014. Sales and expenses for the post-petition period prior to February 24, 2014 have been estimated.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 3
Consolidated Balance Sheet [1]
as of March 21, 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	\$ 567,763	\$ -	\$ -	\$ -	\$ -	\$ 567,763
Accounts Receivable	23,371,413	-	-	-	-	23,371,413
Inventory (On-Hand)	21,796,191	-	-	-	-	21,796,191
Inventory In-Transit	4,038,504	-	-	-	-	4,038,504
Prepaid Expenses & Deposits	2,025,222	-	-	-	-	2,025,222
Total Current Assets	51,799,092	-	-	-	-	51,799,092
Property & Equipment	93,147,949	-	-	-	-	93,147,949
Accumulated Depreciation	(64,037,269)	-	-	-	-	(64,037,269)
Net Property and Equipment	29,110,680	-	-	-	-	29,110,680
Deferred Lease Costs (Net of Accumulated Amortization)	487,108	-	-	-	-	487,108
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)	4,370,897	-	-	-	-	4,370,897
Total Other Assets	16,637,686	-	-	-	-	16,637,686
TOTAL ASSETS	97,547,458	-	-	-	-	97,547,458
Liabilities Not Subject to Compromise						
Accounts Payable	3,006,183	-	-	-	-	3,006,183
Accrued Liabilities	4,199,662	-	-	-	-	4,199,662
DIP Loan	52,789,097	-	-	-	-	52,789,097
Deferred Rent	33,200	-	-	-	-	33,200
Total Liabilities Not Subject to Compromise	60,028,142	-	-	-	-	60,028,142
Liabilities Subject to Compromise						
Accounts Payable	18,095,099	-	-	-	-	18,095,099
Accrued Liabilities	6,854,508	-	-	-	-	6,854,508
Current Maturities of Long Term Debt	-	-	-	-	-	-
Current Maturities of Capital Lease Obligations	3,856,097	-	-	-	-	3,856,097
Deferred Rent	6,930,185	-	-	-	-	6,930,185
Long Term Capital Lease Obligations	4,856,194	-	-	-	-	4,856,194
Total Liabilities Subject to Compromise	40,592,082	-	-	-	-	40,592,082
TOTAL LIABILITIES	100,620,224	-	-	-	-	100,620,224
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	35,327,485	-	-	-	-	35,327,485
Total Equity	(3,072,766)	-	-	-	-	(3,072,766)
TOTAL LIABILITIES AND EQUITY	\$ 97,547,458	\$ -	\$ -	\$ -	\$ -	\$ 97,547,458

[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 February 18, 2014 to March 21, 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	\$ 97,053	\$ 308,896	\$ (339,212)	Various	Various	\$ 66,737
FICA - Employee	79,845	253,441	(278,039)	Various	Various	55,247
FICA - Employer	79,845	253,441	(278,039)	Various	Various	55,247
Unemployment	4,584	10,858	(13,623)	Various	Various	1,819
Income	-	-	-	N/A	N/A	-
Total Federal Taxes	261,326	826,636	(908,913)			179,049
<u>State and Local</u>						
Withholding	48,298	152,746	(167,490)	Various	Various	33,554
IL Sales & Use Tax [2]	406	278	(684)	3/12/14	56866180	-
Unemployment	20,931	55,547	(65,653)	Various	Various	10,825
IL Property Tax	-	72,538	-	N/A	N/A	72,538
Total State and Local	69,635	281,110	(233,828)			116,917
Total Taxes	\$ 330,961	\$ 1,107,746	\$ (1,142,740)			\$ 295,966

[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 March 21, 2014**

<i>In U.S. Dollars</i>	Number of Days Outstanding					Total
	0-30	31-45	46-60	61-75	Over 75	
Accounts Payable, Trade	\$ (909,151)	\$ -	\$ -	\$ -	\$ -	\$ (909,151)
Inventory Received Not Vouchered [1] [2]						(1,851,467)
Accounts Payable, Manual [1] [3]						(245,564)
						\$ (3,006,183)

[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 subsequent to the period-end cut-off date. Such balances primarily relate to the timing of invoices issued by various service providers, in addition to miscellaneous other payable amounts.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 5
Consolidated Summary of Accounts Receivable
as of March 21, 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	\$ 14,709,661	\$ 6,131,183	\$ 2,347,524	\$ 1,327,939	\$ 11,868	\$ 53,987	\$ 24,582,161
Allowance for Bad Debts [1]							(1,949,101)
Accounts Receivable, Other [1] [2]							738,353
							\$ 23,371,413

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

[2] Primarily represents non-trade receivables related to a supplier quality claim, a vendor product recall issue and various balances due from an affiliated, non-Debtor entity.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 5a****Debtors' Questionnaire****for February 18, 2014 to March 21, 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. • <i>An account was opened for the adequate assurance deposits for utilities as required by Court order.</i>	X	