

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
July 11, 2015 through August 7, 2015

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):
\$(2,904)

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re Quantum Foods, LLC, et al.
Debtor

Case No. 14-10318 (KJC)
Reporting Period: July 11, 2015 through August 7, 2015

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.

MC Buenza, CRC
Signature of Debtor

10/15/15
Date

Signature of Joint Debtor

Date

MICHAEL BUENZA
Printed Name of Authorized Individual

CRO
Title of Authorized Individual / Date

*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 July 11, 2015 to August 7, 2015

| <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 | \$ 9,855 | \$ - | \$ - | \$ - | \$ - | \$ 9,855 |
| Cash Receipts | | | | | | |
| Trade Receipts | - | - | - | - | - | - |
| Other Receipts | - | - | - | - | - | - |
| Net Asset Sale Proceeds | - | - | - | - | - | - |
| Total Cash Receipts | - | - | - | - | - | - |
| Operating Disbursements | | | | | | |
| Raw Materials (Meat) | - | - | - | - | - | - |
| Packaging & Spice | - | - | - | - | - | - |
| R&M / Supplies / Plant Services | - | - | - | - | - | - |
| Freight | - | - | - | - | - | - |
| Sales-Related, Commissions & Allowances | - | - | - | - | - | - |
| Payroll, Benefits & 401(k) | - | - | - | - | - | - |
| Insurance (Post-Petition) | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - |
| Utilities | - | - | - | - | - | - |
| Crossroads Treatment LLC | - | - | - | - | - | - |
| Other SG&A | (10,427) | - | - | - | - | (10,427) |
| Capex | - | - | - | - | - | - |
| Capital Leases | - | - | - | - | - | - |
| Total Operating Disbursements | (10,427) | - | - | - | - | (10,427) |
| Non-Operating Disbursements | | | | | | |
| Professional Services & Fees | (569,762) | - | - | - | - | (569,762) |
| US Trustee Fees | (6,175) | - | - | - | - | (6,175) |
| Customer Settlement | - | - | - | - | - | - |
| Facility Consolidation Costs | - | - | - | - | - | - |
| Total Non-Operating Disbursements | (575,937) | - | - | - | - | (575,937) |
| First Day Motion Disbursements | | | | | | |
| Severance | - | - | - | - | - | - |
| Critical Vendors - Meat | - | - | - | - | - | - |
| Critical Vendors - Packaging, Spice & Other | - | - | - | - | - | - |
| Shippers / Warehousemen | - | - | - | - | - | - |
| Customer Programs | - | - | - | - | - | - |
| Wages & Benefits | - | - | - | - | - | - |
| Independent Contractors & Brokers | - | - | - | - | - | - |
| Utility Deposits - Adequate Assurance | - | - | - | - | - | - |
| Insurance (Prepetition) | - | - | - | - | - | - |
| Total First Day Motion Disbursements | - | - | - | - | - | - |
| Other Disbursements | | | | | | |
| Letter of Credit (Cash Collateralization) | - | - | - | - | - | - |
| Bank Charges & Fees | (2,904) | - | - | - | - | (2,904) |
| Total Other Disbursements | (2,904) | - | - | - | - | (2,904) |
| Total Disbursements | \$ (589,267) | \$ - | \$ - | \$ - | \$ - | \$ (589,267) |
| | | | | | | |
| | | | | | Cash Loan Activity | |
| | | | | | Draws / Funding | 465,000 |
| | | | | | Repayments | - |
| | | | | | Net Cash Loan Increase / (Reduction) | 465,000 |
| | | | | | | |
| | | | | | Subtotal | (114,412) |
| | | | | | <i>Freeborn & Peters LLP Contingent Fee Payment [2]</i> | 132,127 |
| | | | | | <i>Outstanding Payments [3]</i> | 6,175 |
| | | | | | Ending Cash Balance | \$ 23,891 |

[1] The disbursement accounts which are part of the Debtors' cash management system are entirely in the name of Quantum Foods, LLC. As all production activities had ceased as of the reporting period beginning June 14, 2014, all operational disbursements have been allocated to Quantum Foods, LLC.

[2] Reflects the contingent fee payment made to Freeborn & Peters LLP during the reporting period for its work in collecting preference claims settlement proceeds into the Preference Claims Escrow Account.

[3] Relates primarily to disbursements made during the current reporting period that were recorded to Cash in the Debtors' books and records during that period, however, cleared the Debtors' bank accounts during the subsequent reporting period.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 1
Consolidating Schedule of Receipts and Disbursements to Date [1]
for February 18, 2014 to August 7, 2015

| <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 | 101,468,165 | - | - | - | - | 101,468,165 |
| Other Receipts [2] | 921,055 | - | - | - | - | 921,055 |
| Net Asset Sale Proceeds [3] | 8,237,414 | - | - | - | - | 8,237,414 |
| Total Cash Receipts | 110,626,635 | - | - | - | - | 110,626,635 |
| Operating Disbursements | | | | | | |
| Raw Materials (Meat) | (60,000) | (29,419,058) | (7,430,857) | - | - | (36,909,915) |
| Packaging & Spice | (24,167) | (4,052,527) | (1,043,362) | - | - | (5,120,056) |
| 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 | (448,589) | (721,823) | (150,074) | - | - | (1,320,487) |
| Crossroads Treatment LLC | (19,835) | (477,906) | (123,177) | - | - | (620,918) |
| Other SG&A | (231,278) | (294,706) | (71,477) | - | - | (597,461) |
| Capex | - | - | - | - | - | - |
| Capital Leases | (36,609) | - | (10,396) | - | - | (47,006) |
| Total Operating Disbursements | (4,491,174) | (46,186,386) | (11,378,355) | (1,277,488) | - | (63,333,403) |
| Non-Operating Disbursements | | | | | | |
| Professional Services & Fees | (5,900,639) | - | - | - | - | (5,900,639) |
| US Trustee Fees | (131,650) | - | - | - | - | (131,650) |
| Customer Settlement | (1,645,023) | - | - | - | - | (1,645,023) |
| Facility Consolidation Costs | - | - | - | - | - | - |
| Total Non-Operating Disbursements | (7,677,312) | - | - | - | - | (7,677,312) |
| 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 | (89,222) | - | - | - | - | (89,222) |
| Total Other Disbursements | (1,839,222) | - | - | - | - | (1,839,222) |
| Total Disbursements | \$ (18,281,644) | \$ (47,158,266) | \$ (11,594,323) | \$ (1,374,493) | \$ - | \$ (78,408,726) |
| | | | | | | |
| | | | | Cash Loan Activity | | |
| | | | | Draws / Funding | 77,472,542 | |
| | | | | Repayments | (110,130,535) | |
| | | | | Other Reductions to Loan Balance [5] | (1,253,197) | |
| | | | | Net Cash Loan Increase / (Reduction) | (33,911,189) | |
| | | | | Subtotal | (1,693,281) | |
| | | | | <i>Other Reductions to Loan Balance [5]</i> | <i>1,253,197</i> | |
| | | | | <i>Freeborn & Peters LLP Contingent Fee Payments [6]</i> | <i>311,640</i> | |
| | | | | <i>Letter of Credit Collateral Account Reductions [7]</i> | <i>100,000</i> | |
| | | | | <i>Cross & Simon, LLC Fee Payments [8]</i> | <i>67,797</i> | |
| | | | | <i>Outstanding Payments [9]</i> | <i>(15,462)</i> | |
| | | | | Ending Cash Balance | \$ 23,891 | |

[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 and the release of funds from the Debtors' Utilities Adequate Assurance Account following final account reconciliations with various utility providers, in addition to asset Purchaser reimbursements related to previously paid utilities and property insurance expenses, insurance-related refunds, utility provider refunds, healthcare plan administrator refunds, miscellaneous bank credits and receipts from the sale of excess or obsolete inventory and pallets.

[3] Reflects 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 L.C. 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 L.C. did not relate to any prepetition balances owed.

[5] Reflects reductions to the DIP loan balance based upon payments made directly from third parties.

[6] Reflects the contingent fee payments made to Freeborn & Peters LLP during the reporting periods ended December 31, 2014, April 17, 2015 and August 7, 2015 for its work in collecting preference claims settlement proceeds into the Preference Claims Escrow Account.

[7] Reflects the withdrawal of \$100,000 from the Debtors' Letter of Credit Collateral Account, during the reporting period ended March 20, 2015, which was transacted as a direct repayment to the DIP loan balance.

[8] Reflects the interim and monthly period payments made to Cross & Simon, LLC during the reporting periods ended April 17, 2015 and July 10, 2015 for its work in collecting preference claims settlement proceeds into the Preference Claims Escrow Account.

[9] Primarily reflects various adjustments to vendor prepayments and other disbursements that remained unreconciled as of August 7, 2015.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 1a
Schedule of Bank Account Balances
as of August 7, 2015

| 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 | \$ 23,891 | |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | Depository Account | 3802 | - | |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | Flexible Spending Account | 3829 | - | [1] |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | A/P Disbursement Account | 0399 | - | |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | Payroll Account | 0461 | - | [2] |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | Utilities Adequate Assurance Account | 2233 | - | [3] [4] |
| 14-10318 (KJC) | Quantum Foods, LLC | Union Bank | APA Deposit Escrow Account | 2241 | - | [4] [5] |
| 14-10318 (KJC) | Quantum Foods, LLC | Bank of the West | Preference Claims Escrow Account | 2593 | - | [4] [6] |
| 14-10318 (KJC) | Quantum Foods, LLC | Citibank | Letter of Credit Collateral Account | 5814 | - | [4] [7] |
| | | | | | \$ 23,891 | |

[1] The account was closed on November 24, 2014.

[2] The account was closed on November 28, 2014.

[3] 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. Following final account reconciliations with various utility providers, a total of \$364,997.31 within the adequate assurance deposit account was released back to the Debtors during the reporting period ended October 31, 2014. The remaining balance of \$58,057.30 within the adequate assurance deposit account was released back to the Debtors during the reporting period ended November 28, 2014.

[4] Due to the nature and purpose of the Utilities Adequate Assurance Account, the APA Deposit Escrow Account, the Preference Claims Escrow Account and the Letter of Credit Collateral 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.

[5] 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.

[6] Represents an escrow account established by the Debtors for the purpose of holding funds collected in connection with the pursuit of preference claims actions on behalf of the Debtors' estates. The account was established on August 28, 2014, and is held in the care of BMC Group, Inc. The ending balance within the Preference Claims Escrow Account as of August 7, 2015 totaled \$1,039,521.05.

[7] Represents an account established by the Debtors for the purpose of cash collateralizing letters of credit issued by Citibank on the Debtors' behalf. The account was initially established during December 2013 and funded \$45,000, in relation to the Debtors' workers' compensation policy. Subsequently, an additional \$100,000 was funded into the account for additional product recall liability insurance the Debtors were required to maintain during the estate wind-down process. The ending balance within the Letter of Credit Collateral Account as of August 7, 2015 totaled \$45,757.21.

Quantum Foods, LLC, et al.**Debtors-in-Possession****MOR - 1b****Schedule of Professional Fees and Expenses Paid
for July 11, 2015 to August 7, 2015**

| Payee | Period Covered | Amount Approved | Payor | Check / Wire | | Amount Paid for Period | | Filing to Date | |
|--|-------------------|-------------------|--------------------|--------------|---------|------------------------|------------------|---------------------|-------------------|
| | | | | Number | Date | Fees | Expenses | Fees | Expenses |
| FTI Consulting, Inc. | 1/1/15 - 3/31/15 | \$ 82,905 | Quantum Foods, LLC | 150731018740 | 7/31/15 | \$ 82,857 | \$ 48 | \$ 1,761,765 | \$ 22,172 |
| Winston & Strawn LLP | 12/1/14 - 2/28/15 | 42,799 | Quantum Foods, LLC | 150731018738 | 7/31/15 | 42,735 | 65 | 998,373 | 21,435 |
| Young Conaway Stargatt & Taylor, LLP | 12/1/14 - 4/30/15 | 307,202 | Quantum Foods, LLC | Multiple | 7/31/15 | 292,987 | 14,215 | 1,525,572 | 53,781 |
| City Capital Advisors, LLC | N/A | - | N/A | N/A | N/A | - | - | 120,000 | 2,244 |
| BMC Group, Inc. | 4/1/15 - 5/1/15 | 3,519 | Quantum Foods, LLC | 150731018735 | 7/31/15 | 2,852 | 667 | 98,145 | 57,677 |
| 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 [1] | To Date | 132,127 | N/A | N/A | 7/31/15 | 132,127 | - | 356,053 | 586 |
| Cross & Simon, LLC [2] | N/A | - | N/A | N/A | N/A | - | - | 66,550 | 1,247 |
| Womble Carlyle Sandridge & Rice, LLP | 2/1/15 - 5/31/15 | 1,209 | Quantum Foods, LLC | 150731018734 | 7/31/15 | 1,209 | - | 49,910 | 2,131 |
| University Management Associates & Consultants Corp. | N/A | - | N/A | N/A | N/A | - | - | 62,997 | - |
| Total | | \$ 569,762 | | | | \$ 554,767 | \$ 14,995 | \$ 5,724,413 | \$ 176,227 |

[1] Reflects the contingent fee payment made to Freeborn & Peters LLP during the reporting period, which was executed directly from the Preference Claims Escrow Account. Similar contingent fee payments were made to Freeborn & Peters LLP during the reporting periods ended April 17, 2015 and December 31, 2014. The April 17, 2015 payment was executed directly from the Preference Claims Escrow Account, whereas the December 31, 2014 payment was not initiated by the Debtors, but rather funded via collections held in trust by Freeborn & Peters LLP in connection with its pursuit of preference actions on behalf of the Debtors' estates.

[2] Reflects payments made to Cross & Simon, LLC during the reporting periods ended July 10, 2015 and April 17, 2015, which were executed directly from the Preference Claims Escrow Account.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 2
Consolidating Statement of Operations [1]
for July 11, 2015 to August 7, 2015

| <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 | 2,904 | - | - | - | - | 2,904 |
| Total SG&A Costs | 2,904 | - | - | - | - | 2,904 |
| Income from Operations | (2,904) | - | - | - | - | (2,904) |
| Asset Sales Gain / (Loss) | - | - | - | - | - | - |
| Reorganization Income / (Expense) | (203,236) | - | - | - | - | (203,236) |
| Extraordinary Gain / (Loss) | - | - | - | - | - | - |
| Capital Lease Interest | - | - | - | - | - | - |
| Interest Expense | (253,213) | - | - | - | - | (253,213) |
| Total Other Expenses | (456,449) | - | - | - | - | (456,449) |
| Net Income / (Loss) | (459,353) | - | - | - | - | (459,353) |
| <u>EBITDA:</u> | | | | | | |
| <i>Net Income / (Loss)</i> | <i>(459,353)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(459,353)</i> |
| <i>Add: Interest Expense</i> | <i>253,213</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>253,213</i> |
| <i>Add: Depreciation Expense</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| <i>Add: Reorganization (Income) / Expense</i> | <i>203,236</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>203,236</i> |
| <i>Add: Asset Sales (Gain) / Loss</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| <i>Add: G&A Depreciation & Amortization</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| EBITDA | \$ (2,904) | \$ - | \$ - | \$ - | \$ - | \$ (2,904) |

[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 believe that the statement of operations is most accurately presented on a consolidated basis, and, in light thereof, reserve all rights with respect to the activity and amounts shown at any specific Debtor-level.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 3
Consolidated Balance Sheet [1]
as of August 7, 2015

| <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 | \$ 23,891 | \$ - | \$ - | \$ - | \$ - | \$ 23,891 |
| Accounts Receivable | 297,585 | - | - | - | - | 297,585 |
| Inventory (On-Hand) | - | - | - | - | - | - |
| Inventory In-Transit | - | - | - | - | - | - |
| Prepaid Expenses & Deposits | 6,486,715 | - | - | - | - | 6,486,715 |
| Total Current Assets | 6,808,190 | - | - | - | - | 6,808,190 |
| 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 | 22,755,354 | - | - | - | - | 22,755,354 |
| Liabilities Not Subject to Compromise | | | | | | |
| Accounts Payable | 5,566,516 | - | - | - | - | 5,566,516 |
| Accrued Liabilities | 7,711,200 | - | - | - | - | 7,711,200 |
| DIP Loan | 22,583,753 | - | - | - | - | 22,583,753 |
| Deferred Rent | - | - | - | - | - | - |
| Total Liabilities Not Subject to Compromise | 35,861,469 | - | - | - | - | 35,861,469 |
| 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 | 57,640,944 | - | - | - | - | 57,640,944 |
| 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 | 3,514,661 | - | - | - | - | 3,514,661 |
| Total Equity | (34,885,590) | - | - | - | - | (34,885,590) |
| TOTAL LIABILITIES AND EQUITY | \$ 22,755,354 | \$ - | \$ - | \$ - | \$ - | \$ 22,755,354 |

[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 July 11, 2015 to August 7, 2015**

| <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 August 7, 2015**

| <i>In U.S. Dollars</i> | Number of Days Outstanding | | | | | |
|--|-----------------------------------|--------------|--------------|--------------|----------------|----------------|
| | 0-30 | 31-45 | 46-60 | 61-75 | Over 75 | Total |
| Accounts Payable, Trade | \$ - | \$ - | \$ - | \$ - | \$ (5,837,085) | \$ (5,837,085) |
| Inventory Received Not Vouchered [1] [2] | | | | | | (189,235) |
| Accounts Payable, Manual [1] [3] | | | | | | 459,804 |
| | | | | | | \$ (5,566,516) |

[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 August 7, 2015.

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 5
Consolidated Summary of Accounts Receivable
as of August 7, 2015

| <i>In U.S. Dollars</i> | Number of Days Outstanding | | | | | | Total |
|------------------------------------|----------------------------|------|-------|-------|-------|------------|------------|
| | Current | 1-9 | 10-30 | 31-60 | 61-75 | Over 75 | |
| Trade Receivables | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 686,303 | \$ 686,303 |
| Allowance for Bad Debts [1] | | | | | | | (686,303) |
| Accounts Receivable, Other [1] [2] | | | | | | | 297,585 |
| | | | | | | | \$ 297,585 |

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

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

Quantum Foods, LLC, et al.
Debtors-in-Possession
MOR - 5a
Debtors' Questionnaire
for July 11, 2015 to August 7, 2015

| | 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. <ul style="list-style-type: none"> • <i>As noted in MOR-1 and MOR-1b, a disbursement of approximately \$132,000 was made from the Preference Claims Escrow Account on July 31, 2015, which related to the contingent fee payment made to Freeborn & Peters LLP, for its work in pursuing preference claims actions on behalf of the Debtors' estates.</i> | 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 |