

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In re Blitz U.S.A., Inc. et al.  
Debtor

Case No. 11-13603 (PJW)  
Reporting Period: February 1 - February 29, 2012

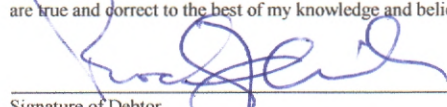
MONTHLY OPERATING REPORT

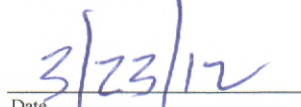
File with Court and submit copy to United States Trustee within 20 days after end of month.

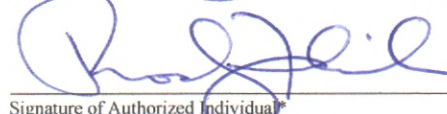
Submit copy of report to any official committee appointed in the case.

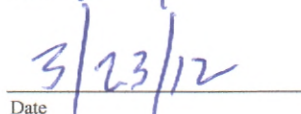
REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a		X	
Schedule of Professional Fees Paid	MOR-1b	X		
Copies of bank statements				
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 Authorized Individual

  
\_\_\_\_\_  
Date

Rocky Flick  
\_\_\_\_\_  
Printed Name of Authorized Individual

Chief Executive Officer  
\_\_\_\_\_  
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.



**Notes to the Monthly Operating Report**

**General:**

The following is the list of debtors that filed on November 9, 2011 and are included in the accompanying schedules (the "Debtors")

<b><u>Name</u></b>	<b><u>Case No.</u></b>
Blitz Acquisition Holdings, Inc.	11-13602
Blitz U.S.A., Inc.	11-13603
F3 Brands LLC	11-13604
LAM 2011 Holdings, LLC	11-13605
Blitz Acquisition, LLC	11-13606
Blitz RE Holdings, LLC	11-13607

**Notes to MOR 1-a**

Period beginning and ending cash balances may not necessarily match those reported in bank statements due to outstanding checks and deposits in transit (float)

Cash disbursement journals for individual bank accounts will be provided upon request

The Debtors have numerous bank statements and bank reconciliations, which will be provided upon request

**Notes to MOR-3**

Accounts Payable includes \$72,357 of freight not yet invoiced at the end of February 29, 2012

**Notes to MOR-4**

The Company is current on all post-petition taxes

The Company will provide a complete account of accounts payable aging by vendor upon request

**MOR 1 - Schedule of Cash Receipts and Disbursements**

	<u>February-12</u>			<u>Cumulative*</u>		
	<u>Blitz</u>	<u>F3</u>	<u>Consolidated*</u>	<u>Blitz</u>	<u>F3</u>	<u>Consolidated*</u>
<b>Cash Receipts</b>						
Collections	6,684,696	488,284	7,172,980	13,267,532	1,087,582	14,355,114
<b>Total Cash Receipts</b>	<b>\$ 6,684,696</b>	<b>\$ 488,284</b>	<b>\$ 7,172,980</b>	<b>\$ 13,267,532</b>	<b>\$ 1,087,582</b>	<b>\$ 14,355,114</b>
<b>Disbursements</b>						
Payroll & Taxes	452,386	303,263	755,648	1,204,770	985,502	2,190,271
Benefits	162,953	65,617	228,570	514,423	177,410	691,833
Raw Material	685,162	746,970	1,432,132	2,344,778	1,576,999	3,921,778
All Other	763,936	316,671	1,080,606	3,061,255	910,047	3,971,302
Note Payments	99,144	-	99,144	363,581	-	363,581
Professional Fees	620,994	-	620,994	170,356	25,000	195,356
Capital Purchases	-	1,515	1,515	361,078	28,769	389,847
<b>Total Disbursements</b>	<b>\$ 2,784,575</b>	<b>\$ 1,434,035</b>	<b>\$ 4,218,610</b>	<b>\$ 8,020,242</b>	<b>\$ 3,703,726</b>	<b>\$ 11,723,968</b>
Transfers In/(Out)	(819,165)	819,165	-	(2,909,003)	2,909,003	-
Change in Cash	<b>\$ 3,080,957</b>	<b>\$ (126,587)</b>	<b>\$ 2,954,370</b>	<b>\$ 2,338,287</b>	<b>\$ 292,859</b>	<b>\$ 2,631,146</b>

\* There were no receipts or disbursement of Blitz RE Holdings, LLC; Blitz Acquisition, LLC; Blitz Acquisition Holdings, Inc.; and LAM 2011 Holdings, LLC.

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**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		Petition-To-Date	
				Number	Date	Fees	Expenses	Fees	Expenses
Kurtzman Carson Consultants LLC <sup>(1)</sup>	11/9/11 - 12/31/11	51,778.64	Blitz U.S.A., Inc.	60530	2/16/2012	29,821.60	21,957.04	29,821.60	21,957.04
Richards Layton & Finger	11/9/11 - 11/30/11	209,999.99	Blitz U.S.A., Inc.	60522	2/2/2012	186,458.50	23,541.49	373,250.50	46,997.15
Richards Layton & Finger	12/2/11 - 12/31/11	210,247.66	Blitz U.S.A., Inc.	60531	2/16/2012	186,792.00	23,455.66	373,250.50	46,997.15
Zolfo Cooper, LLC	12/1/11 - 12/31/11	127,245.50	Blitz U.S.A., Inc.	0000092335	2/16/2012	124,650.40	2,595.10	238,551.06	6,978.43

Note:

(1) Includes \$16,794.80 paid out of the retainer account

**MOR 2 - 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	January-12	February-12			Cumulative*				
	Blitz	Blitz	F3	RE Holdings	Consolidated	Blitz	F3	RE Holdings	Consolidated
Gross Revenues	\$ 5,413,970	\$ 1,749,494	\$ 2,294,843	\$ -	\$ 4,044,337	\$ 14,154,085	\$ 8,452,358	\$ -	\$ 22,606,443
Less: Returns and Allowances	(714,334)	(138,621)	(178,220)	-	(316,841)	(1,729,475)	(721,780)	-	(2,451,255)
Net Revenue	\$ 4,699,636	\$ 1,610,873	\$ 2,116,623	\$ -	\$ 3,727,496	\$ 12,424,610	\$ 7,730,578	\$ -	\$ 20,155,188
<b>COST OF GOODS SOLD</b>									
Beginning Inventory									
Add: Purchases									
Add: Cost of Labor									
Add: Other Costs (attach schedule)									
Less: Ending Inventory									
Cost of Goods Sold	3,208,975	1,003,748	1,425,511	10,443	2,439,702	8,278,230	5,939,653	41,772	14,259,655
Gross Profit	1,490,661	607,125	691,112	(10,443)	1,287,794	4,146,380	1,790,925	(41,772)	5,895,533
<b>OPERATING EXPENSES</b>									
Administrative Labor	152,918	148,512	108,878	-	257,390	611,525	467,488	-	1,079,013
Vacation	10,713	11,089	8,465	-	19,554	44,477	28,436	-	72,913
Payroll Taxes	15,150	15,870	13,507	-	29,377	53,038	48,068	3,097	104,203
401 K Retirement Plan	11,477	10,875	9,151	-	20,026	46,541	38,091	-	84,632
Bonus Incentive	96,836	106,274	97,168	-	203,442	288,098	157,005	-	445,103
Life Insurance	5,705	-	-	-	0	5,705	-	-	5,705
Office Supplies	2,636	554	429	-	983	6,857	4,522	-	11,379
Postage	646	646	49	-	695	4,151	3,107	-	7,258
Admin Freight Services	120	232	55	-	287	332	132	-	464
Data Processing	9,930	(348)	22,911	-	22,563	35,197	44,021	-	79,218
Edi	629	1,087	-	-	1,087	2,395	1,420	-	3,815
Employee Incentives	-	-	589	-	589	2,770	2,167	-	4,937
Wellness Program Expense	-	535	1,210	-	1,745	535	1,075	-	1,610
Training	12	(652)	71	-	(581)	13,216	2,258	-	15,474
Donations	-	27,557	-	-	27,557	56,769	-	-	56,769
Telephone	10,674	14,601	667	-	15,268	45,944	6,253	-	52,197
Rent	1,000	1,000	-	-	1,000	4,000	-	-	4,000
Consulting Services	-	-	2,613	-	2,613	9,519	28,135	-	37,654
Legal Services	1,527	6,323	3,196	-	9,519	8,385	3,384	-	11,769
Accounting Services	4,192	-	-	-	0	24,606	-	-	24,606
Research & Development	49	158	9,142	-	9,300	9,859	29,018	-	38,877
Certification Testing	2,441	4,069	3,848	-	7,917	10,523	7,312	-	17,835
Taxes Other Than Payroll	12,212	11,733	5,005	3,551	20,289	69,594	26,280	7,554	103,428
Depreciation-Office Equipment	31,641	31,560	1,541	-	33,101	125,897	5,890	-	131,787
Industrial Insurance	256,418	256,418	11,007	-	267,425	1,014,607	44,732	-	1,059,339
Workers Comp Insurance	1,060	1,000	388	-	1,388	3,700	1,285	-	4,985
Dues & Subscriptions	784	59,376	3,089	-	62,465	93,196	6,267	-	99,463
Bad Debts	-	-	-	-	0	-	-	-	0
Group Insurance	36,715	36,715	30,188	-	66,903	146,860	105,041	-	251,901
Travel	3,764	6,645	6,244	-	12,889	34,006	42,470	-	76,476
Meals & Entertainment	4,635	569	1,323	-	1,892	8,781	7,821	-	16,602
Amort. Of Goodwill & Non Comp	254,745	257,827	-	1,093	258,920	1,028,743	-	4,767	1,033,510
Coop Advertising	212,206	105,367	60,088	-	165,455	569,633	245,228	-	814,861
Print/Advertising	1,331	438	1,543	-	1,981	2,444	28,441	-	30,885
National Trade Show Expense	-	375	-	-	375	375	4,245	-	4,620
Sales Commissions	67,041	-	23,530	-	23,530	143,905	89,962	-	233,867
Royalties	-	7,718	23,684	-	31,402	7,718	23,684	-	31,402
GST Tax	-	206	206	-	206	-	206	-	206
<b>OTHER INCOME AND EXPENSES</b>									
Rent Income	-	-	-	(39,979)	(39,979)	-	-	(159,914)	(159,914)
Interest Expense	108,366	97,614	1,642	2,286	101,542	405,706	8,396	13,408	427,510
Other Expense (attach schedule)	-	-	-	-	0	124,988	-	-	124,988
Net Profit (Loss) Before Reorganization Items	173,088	(614,612)	239,685	22,606	(352,321)	(918,215)	279,085	89,317	(549,813)
<b>REORGANIZATION ITEMS</b>									
Professional Fees	-	-	-	-	-	-	-	-	-
U. S. Trustee Quarterly Fees	-	-	9,425	-	9,425	-	9,425	-	9,425
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)	-	-	-	-	-	-	-	-	-
Gain (Loss) from Sale of Equipment	-	-	-	-	-	-	-	-	-
Restructuring Fees - Debtor	675,000	675,000	-	-	675,000	2,200,000	-	-	2,200,000
Total Reorganization Expenses	675,000	675,000	9,425	-	684,425	2,200,000	-	-	2,200,000
Income Taxes	-	-	-	-	-	-	-	-	-
Net Profit (Loss)	\$ (501,912)	\$ (1,289,612)	\$ 230,260	\$ 22,606	\$ (1,036,746)	\$ (3,118,215)	\$ 279,085	\$ 89,317	\$ (2,749,813)

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

**MOR 3 - BALANCE SHEET**  
For the Month Ending February 29, 2012

	Blitz	F3	RE Holdings	Consolidated
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash	6,267,203	297,976	-	6,565,179
Accounts Receivable	10,109,195	7,143,756	-	17,252,951
Due From Parent	201,229	-	-	201,229
Due From Blitz / F3	-	-	367,761	367,761
Investment In Sub	12,624,611	-	-	12,624,611
Inventory:				
Raw Material	545,909	1,673,651	-	2,219,560
Finished Goods	1,893,184	1,491,106	-	3,384,290
Reserve For Obsolete Inv.	(11,003)	(197,672)	-	(208,675)
Total Inventory	2,428,090	2,967,085	-	5,395,175
Prepaid Expenses	1,346,398	76,821	-	1,423,219
<b>Total Current Assets</b>	<b>32,976,726</b>	<b>10,485,638</b>	<b>367,761</b>	<b>43,830,125</b>
<b>Fixed Assets</b>	<b>22,741,029</b>	<b>10,133,853</b>	<b>-</b>	<b>32,874,882</b>
P/P Equipment	930,749	27,254	-	958,003
Less Res. For Depreciation	(15,648,807)	(4,520,586)	(556,948)	(20,726,341)
Land	-	-	50,000	50,000
Buildings	-	-	4,950,000	4,950,000
<b>Net Fixed Assets</b>	<b>8,022,971</b>	<b>5,640,521</b>	<b>4,443,052</b>	<b>18,106,544</b>
Deferred Financing Fees	1,233,447	-	79,249	1,312,696
Goodwill	33,945,725	-	-	33,945,725
Accumulated Amortization	(13,293,885)	-	(52,695)	(13,346,580)
<b>Total Assets</b>	<b>62,884,984</b>	<b>16,126,159</b>	<b>4,837,367</b>	<b>83,848,510</b>
<b>Liabilities:</b>				
<b>Pre-Petition Liabilities</b>				
Accounts Payable - Pre-Petition*	4,350,686	1,224,826	-	5,575,512
Current Portion Of Lt Debt	4,857,140	-	-	4,857,140
Working Capital N/P	14,251,780	-	-	14,251,780
Advancing Term Loan - A	802,636	-	-	802,636
Advancing Term Loan - B	1,939,556	-	-	1,939,556
Np-Blitz Acq Llc (Rph)	1,029,188	-	-	1,029,188
Np-Blitz Acq Llc (Lam)	1,500,000	-	-	1,500,000
Term Loan - Long Term	13,033,468	-	1,212,381	14,245,849
Due To RE Holdings - Pre Petition	264,444	35,099	-	299,543
Due To Parent - Pre-Petition	25,419,666	10,355,807	2,561,761	38,337,234
<b>Total Pre-Petition Liabilities</b>	<b>67,448,564</b>	<b>11,615,732</b>	<b>3,774,142</b>	<b>82,838,438</b>
<b>Post-Petition Liabilities</b>				
Accounts Payable - Post-Petition	523,321	485,336	-	1,008,657
Accrued Purchases	153,036	260,298	-	413,334
Accrued Liabilities	7,547,320	1,005,831	1,545	8,554,696
Due to RE Holdings - Post Petition	15,570	52,648	-	68,218
Due to Parent - Post Petition	-	2,268,850	-	2,268,850
<b>Total Post-Petition Liabilities</b>	<b>8,239,247</b>	<b>4,072,963</b>	<b>1,545</b>	<b>12,313,755</b>
<b>Total Liabilities</b>	<b>75,687,811</b>	<b>15,688,695</b>	<b>3,775,687</b>	<b>95,152,193</b>
<b>Equity:</b>				
Equity Blitz Acquisition, Llc	(7,860,283)	-	950,824	(6,909,459)
Current Year Profit	(4,942,544)	437,464	110,856	(4,394,224)
<b>Total Equity</b>	<b>(12,802,827)</b>	<b>437,464</b>	<b>1,061,680</b>	<b>(11,303,683)</b>
<b>Total Liabilities &amp; Equity</b>	<b>62,884,984</b>	<b>16,126,159</b>	<b>4,837,367</b>	<b>83,848,510</b>

\* Pre-Petition Accounts Payable Reconciliation (in '000s)

<b>1/31/12 Balance</b>	<b>5,039</b>	<b>1,212</b>
Pre-petition payments	(1)	(16)
New pre-petition invoices	92	4
Credits issued by F3	(652)	-
Prepaid Freight entry	-	67
Voids	-	-
Reverse Prior month freight	(128)	(42)
<b>2/29/2012 Balance</b>	<b>4,351</b>	<b>1,225</b>

**MOR 4 - ACCOUNTS PAYABLE AGING**

<b>Accounts Payable Aging</b>	<b>Blitz USA</b>	<b>F3 Brands</b>	<b>Consolidated</b>
Current	389,786	367,962	757,748
31 - 60 days old	8,349	64,415	72,763
61 - 90 days old	119,123	22,665	141,788
91+ days old	5,027,427	1,187,905	6,215,333
<b>Total Accounts Payable</b>	<b>5,544,685</b>	<b>1,642,946</b>	<b>7,187,632</b>

Credit Issued by F3	(675,820)		
Freight Costs Not Yet Invoiced	5,141	67,216	72,357
<b>Total</b>	<b>4,874,007</b>	<b>1,710,162</b>	<b>7,259,989</b>

*Balance Sheet Reconciliation*

Accounts Payable - Pre-Petition	4,350,686	1,224,826	5,575,512
Accounts Payable - Post-Petition	523,321	485,336	1,008,657
Total Accounts Payable	4,874,007	1,710,162	6,584,169

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

<b>Accounts Receivable Reconciliation</b>	<b>Blitz USA</b>	<b>F3 Brands</b>	<b>Consolidated</b>
Total Accounts Receivable at the beginning of the reporting period	15,971,001	6,103,079	22,074,080
+ Amounts billed during the period	1,248,971	1,555,120	2,804,092
- Amounts collected during the period	(6,684,696)	(488,284)	(7,172,980)
Total Accounts Receivable at the end of the reporting period	10,535,276	7,169,916	17,705,191
<b>Accounts Receivable Aging*</b>	<b>Blitz USA</b>	<b>F3 Brands</b>	<b>Consolidated</b>
Current	6,029,877	6,777,551	12,807,427
0 - 15 days old	2,656,869	152,073	2,808,942
16 - 30 days old	847,137	186,049	1,033,186
31 - 45 days old	416,689	24,787	441,476
46+ days old	584,703	29,457	614,160
Total Accounts Receivable	10,535,276	7,169,916	17,705,191
Amount considered uncollectible (Bad Debt)	(426,081)	(26,160)	(452,240)
Accounts Receivable (Net)	10,109,195	7,143,756	17,252,951

\*Accounts Receivable Aging is calculated on a due date basis.

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
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

Note:

(1) During the month of February, Blitz USA Inc. conducted an auction of excess equipment resulting in proceeds of \$47,300