**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF DELAWARE**

| | | |
|---|---|---|
| **In re:** | ) | **Chapter 11** |
| **ABLEST INC., et. al,**[1] | ) | |
| **Debtors.** | ) | **Case No.** 14-10717 (____) |

# DISCLOSURE STATEMENT FOR THE PREPACKAGED JOINT PLAN OF REORGANIZATION FOR ABLEST INC., et al. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: March 11, 2014

Anthony W. Clark (I.D. No. 2051)
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
One Rodney Square
P.O. Box 636
Wilmington, Delaware 19899-0636
T: (302) 651-3000
F: (302) 651-3001

– and –

Kenneth S. Ziman
Glenn S. Walter
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Four Times Square
New York, New York 10036-6522
T: (212) 735-3000
F: (212) 735-2000

– and –

Jeffrey N. Pomerantz
Debra Grassgreen
James E. O'Neill (I.D. No. 4042)
PACHULSKI STANG ZIEHL & JONES LLP
919 N. Market Street, 17th Floor
Wilmington, DE 19801
T: (302) 652-4100
F: (302) 652-4400

Proposed Counsel to Debtors and Debtors in Possession

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are set forth on Schedule 1 hereto.

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**Ablest Inc. and its debtor affiliates (collectively, the "Debtors" or the "Company")[2] are sending you this document and the accompanying materials (the "Disclosure Statement") because you are a creditor entitled to vote to approve the *Prepackaged Joint Plan of Reorganization for Ablest Inc., et al.*, dated March 11, 2014, as the same may be amended from time to time (the "Plan"). The Company is commencing this solicitation of your vote to approve the Plan (the "Solicitation") before the Company files voluntary cases under chapter 11 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code").**

**The Debtors have not commenced reorganization cases under chapter 11 of the Bankruptcy Code as of the date of this Disclosure Statement. If, however, the Debtors receive properly completed ballots indicating acceptances of the Plan, to meet the voting requirements prescribed by section 1126 of the Bankruptcy Code, the Debtors intend to file (but hereby expressly reserve the right not to file) with a United States Bankruptcy Court voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), and to seek, as promptly thereafter as practicable, Confirmation of the Plan. The Debtors reserve the right to commence the Chapter 11 Cases prior to the Voting Deadline and to complete the Solicitation during the pendency of the Chapter 11 Cases. Because the Chapter 11 Cases have not yet been commenced, this Disclosure Statement has not been approved by the Bankruptcy Court as containing "adequate information" within the meaning of section 1125(a) of the Bankruptcy Code. If the Debtors file the Chapter 11 Cases, they will seek an order of the Bankruptcy Court (a) approving this Disclosure Statement as having contained "adequate information," (b) approving the Solicitation as having been in compliance with section 1126(b) of the Bankruptcy Code, and (c) confirming the Plan. Notwithstanding anything to the contrary herein, the Debtors reserve the right to pursue Confirmation of the Plan through any alternative means.**

**THE VOTING DEADLINE IS 5:00 P.M. PREVAILING PACIFIC TIME ON MARCH 27, 2014**
**(UNLESS THE DEBTORS EXTEND THE VOTING DEADLINE).**
**TO BE COUNTED AS A VOTE TO ACCEPT OR REJECT THE PLAN, THE VOTING AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.**

[2] All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan. To the extent that a definition of a term in the text of this Disclosure Statement and the definition of such term in the Plan are inconsistent, the definition included in the Plan shall control and govern.

**IMPORTANT INFORMATION FOR YOU TO READ**

**THE COMPANY IS PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.**

**THIS DISCLOSURE STATEMENT HAS NOT BEEN NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.**

**THIS DISCLOSURE STATEMENT CONTAINS "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE VALUE OF THE PROPERTY DISTRIBUTED TO HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.**

**THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016. THE INSTRUMENTS DESCRIBED HEREIN WILL BE ISSUED TO CREDITORS WITHOUT REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SIMILAR FEDERAL, STATE OR LOCAL LAW, AND WILL INSTEAD RELY UPON THE EXEMPTIONS SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE, SECTION 4(A)(2) OF THE SECURITIES ACT OR REGULATION D PROMULGATED THEREUNDER AND/OR OTHER APPLICABLE EXEMPTIONS. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF ANY SECURITIES PURSUANT TO THE PLAN CONSULT THEIR OWN LEGAL**

**COUNSEL CONCERNING THE SECURITIES LAWS GOVERNING THE TRANSFERABILITY OF ANY SUCH SECURITIES.**

**NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURES CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.**

**THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, THIS DISCLOSURE STATEMENT SHALL CONSTITUTE A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO POTENTIAL CONTESTED MATTERS, POTENTIAL ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.**

**NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM OR EQUITY INTEREST IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. EXCEPT AS PROVIDED UNDER THE PLAN, THE DEBTORS OR THE REORGANIZED DEBTORS MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND CAUSES OF ACTION AND MAY OBJECT TO CLAIMS OR EQUITY INTERESTS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR EQUITY INTERESTS OR OBJECTIONS TO CLAIMS OR EQUITY INTERESTS ON THE TERMS SPECIFIED IN THE PLAN.**

**THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN CONTEMPLATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN AND CONTROL FOR ALL**

**PURPOSES. EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED, FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.**

**THE DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED (UNLESS EXPRESSLY DESCRIBED AS AUDITED HEREIN).**

**THE DEBTORS ARE GENERALLY MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF WHERE FEASIBLE, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DISCLOSURE STATEMENT WAS SENT. THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.**

**HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSES OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IMPORTANTLY, PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST IN A VOTING CLASS SHOULD REVIEW THE PLAN IN ITS ENTIRETY AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL IN ARTICLE IV HEREIN, "RISK FACTORS."**

**THE DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. (PREVAILING PACIFIC TIME) ON MARCH 27, 2014, UNLESS EXTENDED BY THE DEBTORS IN THEIR DISCRETION.**

**IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF EQUITY INTERESTS IN, THE DEBTORS WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

## SCHEDULES

SCHEDULE 1 – The Debtors

## EXHIBITS[3]

EXHIBIT A – Plan of Reorganization

EXHIBIT B – Organizational Chart of the Debtors

EXHIBIT C – The Reorganized Debtors' Financial Projections

EXHIBIT D – 2012 Audited Financial Statement

EXHIBIT E – 2013 Unaudited Financial Statement

EXHIBIT F – Liquidation Analysis

EXHIBIT G – Post-Emergence Capitalization Table

EXHIBIT H – DIP Term Sheet

EXHIBIT I – New Board Members – Biographical Information

EXHIBIT J – Disclosure Statement Supplemental Materials

THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH SCHEDULE AND EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.

[3] Disclosure Statement exhibits exclude schedules and exhibits thereto.

## ARTICLE I
## EXECUTIVE SUMMARY

Ablest Inc., a Delaware corporation ("Ablest"), New Koosharem Corporation, a California corporation and the indirect parent entity of Ablest (the "Parent"), Koosharem, LLC (f/k/a Koosharem Corporation), a California limited liability company, a wholly-owned subsidiary of the Parent, and the direct parent entity of Ablest (the "Borrower"), and each of the other debtors listed on Schedule 1 hereto (collectively, the "Debtors" or the "Company"), submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code in connection with the solicitation of votes on the *Prepackaged Joint Plan of Reorganization for Ablest Inc., et al*. dated March 11, 2014 (the "Plan"), which the Debtors intend to file with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). A copy of the Plan is attached hereto as **Exhibit A**.

This Executive Summary is being provided as an overview of the material items addressed in the Disclosure Statement and the Plan, which is qualified by reference to the entire Disclosure Statement and by the actual terms of the Plan (and including all exhibits attached hereto and to the Plan), and should not be relied upon for a comprehensive discussion of the Disclosure Statement and/or the Plan. Prior to soliciting votes on a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance or rejection of the plan of reorganization. As such, this Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code. This Disclosure Statement includes, without limitation, information about:

- the Debtors' prepetition operating and financial history;
- the events leading up to the solicitation of the Plan;
- the solicitation procedures for voting on the Plan;
- the Confirmation process and the voting procedures that Holders of Claims who are entitled to vote on the Plan must follow for their votes to be counted;
- the terms and provisions of the Plan, including certain effects of Confirmation of the Plan, certain risk factors relating to the Debtors or the Reorganized Debtors, the Plan and the securities to be issued under the Plan and the manner in which distributions will be made under the Plan; and
- the proposed organization, operations and financing of the Reorganized Debtors if the Plan is confirmed and becomes effective.

If, however, the Plan cannot be confirmed as to some or all of the Debtors, then, subject to the terms of the Lender RSA and the Backstop Agreement, in the Debtors' sole discretion, (a) the Plan may be revoked as to all of the Debtors or (b) the Debtors may revoke the Plan as to

any Debtor (and any such Debtor's Chapter 11 Case may be converted to a chapter 7 liquidation, continued or dismissed in the Debtors' sole discretion) and confirm the Plan as to the remaining Debtors to the extent required. The Debtors reserve the right to seek Confirmation of the Plan pursuant to the "cram down" provisions contained in section 1129(b) of the Bankruptcy Code with respect to any non-accepting Class of Claims.

As discussed in further detail herein, the Plan contemplates: (i) the exchange of approximately $456 million in aggregate principal amount of secured Claims under the Prepetition First Lien Credit Agreement (calculated as of September 30, 2013) for $365 million in cash and Subscription Rights allowing the Holders of Prepetition First Lien Loan Claims to Participate in the Rights Offering and (ii) the exchange of approximately $121 million in aggregate principal amount of secured Claims under the Prepetition Second Lien Credit Agreement (calculated as of September 30, 2013) for $12 million in cash and New Warrants for the purchase of New Common Stock of the Reorganized Parent. Unsecured claims will be Reinstated and paid subject to the terms and conditions thereof. All existing Equity Interests in the Parent will be cancelled. Certain of the Sorensen Parties will receive, in settlement of any and all claims such Sorensen Party may have, in each case, against the Debtors: (a) New Common Stock of the Reorganized Parent in consideration for contributing new assets to the Reorganized Parent under the terms of the DRV Purchase Agreement, (b) New Common Stock under the terms of the Restricted Stock Award Agreement, (c) New Common Stock in connection with the conversion of certain Related Party Notes under the terms of the Sorensen Support Agreement, and (d) an option to designate and purchase additional New Common Stock for Cash in an aggregate amount of $4 million under the terms of the Sorensen Support Agreement. Distributions under the plan will be funded through a $175 million Rights Offering of New Common Stock, a $50 million equity investment in Cash pursuant to the Backstop Agreement, and a new $350 million first lien term credit facility. Operations of the Company following the restructuring will be financed through a new secured asset based revolving credit facility in a principal amount up to $120 million.

In connection with developing the Plan, the Company reviewed its current business operations and compared its prospects as an ongoing business enterprise with the estimated recoveries in various liquidation scenarios. As a result, the Company concluded that the Company's enterprise value would be maximized by continuing to operate as a going concern. The Company believes that its businesses and assets have significant value that would not be realized in a liquidation, either in whole or in substantial part. Consistent with the liquidation analysis described herein, the value of the Company's assets would be considerably greater if the Company operates as a going concern instead of liquidating. Accordingly, the Company strongly recommends that you vote to accept the Plan if you are entitled to vote. As discussed in further detail below in Article I.C.4 of this Disclosure Statement, under certain circumstances, including, among other things, obtaining sufficient support from Lenders (as defined below), the restructuring defined herein may be completed out-of-court.

## A. AN OVERVIEW OF THE CHAPTER 11 PROCESS

Chapter 11 is the principal business reorganization Chapter of the Bankruptcy Code. Pursuant to chapter 11 of the Bankruptcy Code, a debtor may remain in possession of its assets

and business and attempt to reorganize its business for the benefit of such debtor, its creditors and other parties in interest.

The commencement of a reorganization case creates an estate comprising all the legal and equitable interests of a debtor in property as of the date the bankruptcy petition is filed. Sections 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession," unless the bankruptcy court orders the appointment of a trustee. The filing of a bankruptcy petition also triggers the automatic stay provisions of section 362 of the Bankruptcy Code which provide, among other things, for an automatic stay of all attempts to collect prepetition claims from a debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay generally remains in full force and effect until the effective date of a plan of reorganization, following Confirmation of such plan of reorganization.

The Bankruptcy Code provides that upon commencement of a chapter 11 bankruptcy case, the Office of the United States Trustee may appoint a committee of unsecured creditors and may, in its discretion, appoint additional committees of creditors or of equity interest holders if necessary to assure adequate representation.

Upon the commencement of a chapter 11 bankruptcy case, all creditors and equity interest holders have standing to be heard on any issue in the chapter 11 proceedings pursuant to section 1109(b) of the Bankruptcy Code.

The formulation and Confirmation of a plan of reorganization is the principal objective of a chapter 11 case. The plan of reorganization sets forth the means of satisfying the claims against and equity interests in the debtor.

A "prepackaged" plan of reorganization is one in which a debtor seeks approval of a plan of reorganization before filing for bankruptcy from those affected creditors who are entitled to vote. Because solicitation of acceptances takes place before the bankruptcy filing, the amount of time required for the bankruptcy case is often less than in conventional bankruptcy cases. Greater certainty of results and reduced costs are other benefits generally associated with prepackaged bankruptcy cases.

## B. SUMMARY OF THE PLAN

The Company, in consultation with its advisors, has been engaged since May 2013 in active and arm's-length negotiations with certain Holders of Prepetition First Lien Loan Claims and Prepetition Second Lien Loan Claims, including the Backstop Investors, on a prepackaged restructuring plan, including distributions under the Plan to Holders of Prepetition First Lien Loan Claims and Holders of Prepetition Second Lien Loan Claims, and the treatment of general unsecured claims. These negotiations resulted in prepetition agreements in principle with such Holders, and the Company believes that the prepackaged restructuring plan is the best restructuring alternative reasonably available to the Company. The Company has secured commitments for new equity investments aggregating $225 million, consisting of a commitment for an equity investment in Cash, to be consummated pursuant to the Rights Offering and the Backstop Commitment, on the terms set forth in the Plan and in the Backstop Agreement. The

Company has also engaged Credit Suisse to arrange a new $350 million secured term loan. The Company is also engaged in negotiations regarding a new secured asset based revolving credit facility in a principal amount up to $120 million, which will finance operations of the Company following the restructuring. The Company plans to utilize the proceeds of these investments and debt to fund obligations under the Plan as well as its working capital requirements.

The Plan represents a significant achievement for the Company and should greatly enhance the Company's ability to reorganize successfully and expeditiously through the addition of $225 million of new equity capital pursuant to the Rights Offering and the Backstop Commitment. The Plan will also provide an efficient restructuring through the prepackaged process, designed to minimize disruption to the Company's business endeavors, stabilize the Company's balance sheet, and provide a platform for renewed success. Through Confirmation of the Plan implementing the terms of the pre-packaged restructuring, the Company will restructure and substantially deleverage its balance sheet; reduce its cash interest expense to a level that is aligned with its expected future cash flows; and retain additional flexibility to invest in growth initiatives to maximize enterprise value. The Company also will improve its liquidity position from its operations during the forecasted period. For all of these reasons, the Company believes that it will have sufficient liquidity during the course of the Chapter 11 Cases and will be well-positioned going forward.

As of April 1, 2014, the Debtors will have outstanding secured debt in an aggregate amount, including accrued interest, of approximately $651 million. Upon emergence from chapter 11, the Reorganized Debtors expect to have outstanding term debt of approximately $350 million. The Reorganized Debtors also expect to have access to a new asset based revolving credit facility in a principal amount up to $120 million that will be used to finance operations. Accordingly, the Reorganized Debtors will have a significantly deleveraged and improved balance sheet and a more appropriate capital structure.

## C. PURPOSE AND EFFECT OF THE PLAN

### 1. Plan of Reorganization Under Chapter 11 of the Bankruptcy Code

The Debtors are reorganizing pursuant to chapter 11 of the Bankruptcy Code, which is the principal business reorganization chapter of the Bankruptcy Code. As a result, the Confirmation of the Plan means that the Reorganized Debtors will continue to operate their businesses going forward; the Debtors will **NOT** be liquidated or forced to go out of business. Additionally, as discussed in greater detail in Article III.L herein, titled "Binding Nature of the Plan," a bankruptcy court's Confirmation of a plan binds the debtor, any entity acquiring property under the plan, any holder of a claim or an equity interest in a debtor and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code to the terms and conditions of the confirmed plan, whether or not such Entity voted on the plan or affirmatively voted to reject the plan.

### 2. Summary of Solicitation Package and Voting Instructions

The following materials constitute the solicitation package (the "Solicitation Package"):

- a solicitation cover letter from the Company addressed to the voting creditor;
- the Ballot and instructions for completing the Ballot;
- the Lender RSA and an execution page for the same;[4]
- this Disclosure Statement with all exhibits; and
- the Plan with all exhibits, including, but not limited to, the Backstop Agreement, the Lender RSA, the Sorensen Support Agreement, the DRV Purchase Agreement, the Option Agreement, and the Stockholders Agreement, among others.

Holders of Prepetition First Lien Lender Claims will also receive the following:

- the Subscription Documents and instructions for completing the Subscription Documents; and
- the Stockholders Agreement.

In soliciting votes for the Plan pursuant to this Disclosure Statement from the Holders of Claims in Classes 4 and 5, the Solicitation Package, including the Ballot to be used by Holders of Claims in such Class to vote to accept or reject the Plan, will be posted by the Prepetition Agents on Intralinks. Any party who desires additional paper copies of these documents may request copies by writing to Ablest Ballot Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245 (the "Voting Agent").

The Voting Agent will, among other things, answer questions, provide additional copies of all Solicitation Package materials, and generally oversee the solicitation process.

Only the Holders of Claims in Classes 4 and 5 are entitled to vote to accept or reject the Plan. To be counted, Ballots cast by Holders must be received by the Voting Agent by 5:00 p.m. (prevailing Pacific Time) on March 27, 2014, the Voting Deadline. Voting instructions are attached to each Ballot.

Unless the Company, in its discretion, decides otherwise, any Ballot received after the Voting Deadline shall not be counted. The Voting Agent will process and tabulate received Ballots and will File a voting report as soon as practicable on or after the Petition Date.

For answers to any questions regarding solicitation procedures, parties may contact the Voting Agent with any questions related to the solicitation procedures applicable to their Claims and Equity Interests.

The Plan Supplement will be Filed by the Debtors no later than 10 days (unless otherwise ordered by the Bankruptcy Court) before the date fixed by the Bankruptcy Court to consider

[4] Holders of Claims under the First Lien Credit Agreement and under the Second Lien Credit Agreement are not required to sign the Lender RSA in order to submit a Ballot or participate in the Rights Offering.

Confirmation of the Plan. When Filed, the Plan Supplement will be available in both electronic and hard copy form. The Plan Supplement will be available online at www.kccllc.net/Ablest. Further details about how to access the Plan Supplement will be provided in the notice sent to all parties in interest regarding the Confirmation Hearing of the Plan.

**Any Ballot that is properly executed by the Holder of a Claim, but fails to clearly indicate an acceptance or rejection, or that indicates both an acceptance and a rejection of the Plan, shall not be counted.**

**Each Holder of a Claim in Class 4 or 5 must vote all of its Claims either to accept or reject the Plan and may not split its votes. By signing and returning a Ballot, each Holder of a Claim in Class 4 or 5 will certify to the Bankruptcy Court and the Company that no other Ballots with respect to such Claim or Equity Interest have been cast or, if any other Ballots have been cast with respect to such Claim or Equity Interest, such other Ballots are revoked.**

**All Ballots are accompanied by voting instructions. It is important to follow the specific instructions provided with the Ballot.**

**Each Eligible Participant who seeks to participate in the Rights Offering must execute and deliver the Stockholders Agreement in order to receive any New Common Stock through the Rights Offering.**

**The Company is relying on section 4(a)(2) of the Securities Act and similar exemptions from applicable "blue sky" laws with respect to the solicitation of the Rights Offering Securities. The Company is relying on certain exemptions from the Securities Act and equivalent state law registration requirements provided by section 1145(a)(1) of the Bankruptcy Code or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, to exempt the Solicitation and the issuance of new securities on account of treatment of Claims in connection with the Solicitation and the Plan from registration under the Securities Act and "blue sky" law.**

### 3. Financial Restructurings in Connection With the Plan

The Plan contemplates certain transactions, including, without limitation, the following transactions (described in greater detail in Article III herein):

- Each Holder of a Prepetition First Lien Loan Claim will receive (A) its Pro Rata share of $365 million in Cash; and (B) a Subscription Right to participate in its Pro Rata share of the Rights Offering.

- Each Holder of a Prepetition Second Lien Loan Claim will receive (A) its Pro Rata share of $12 million in Cash; and (B) its Pro Rata share of the New Warrants.

- The Holder of the SCIF Claim will receive, (A) Cash equal to the unpaid amount under the SCIF Settlement Agreement; or (B) such other treatment as to which the Debtors or Reorganized Debtors and the Holder of the SCIF Claim will have agreed upon in writing.

- The Holders of all other Claims and Equity Interests will receive the treatment summarized in Article III herein.

- The Consenting Equity Holder will cause SB Group Holdings, Inc. to contribute to the Reorganized Parent on the Effective Date all of the issued and outstanding capital stock of Decca Consulting, Inc., Decca Consulting Ltd., Resdin Industries, Inc. and Vaughan Business Solutions, Inc., and will cause Esperer Holdings, Inc. to contribute to the Reorganized Parent on the Effective Date certain transferred agreements, in exchange for New Common Stock on the terms set forth in the DRV Purchase Agreement.

- Certain of the Sorensen Parties will receive, in settlement of any and all claims such Sorensen Party may have, in each case, against the Debtors: (a) New Common Stock of the Reorganized Parent in consideration for contributing new assets to the Reorganized Parent under the terms of the DRV Purchase Agreement, (b) New Common Stock under the terms of the Restricted Stock Award Agreement, (c) New Common Stock in connection with the conversion of certain Related Party Notes under the terms of the Sorensen Support Agreement, and (d) an option to designate and purchase additional New Common Stock for Cash in an aggregate amount of $4 million under the terms of the Sorensen Support Agreement.

- The Consenting Equity Holder shall grant the Reorganized Parent on the Effective Date an option to purchase Butler America Inc. ("Butler America"), Butler America TCS, Inc. ("Butler America TCS"), Butler America Staffing LLC ("Butler America Staffing") and Butler Technical Services India (P) Ltd. ("Butler India" and, together with Butler America, Butler America TCS and Butler America Staffing, the "Butler Companies" and, each individually, a "Butler Company"), on the terms set forth in the Option Agreement.

Attached hereto as Exhibit C are the financial projections for the Reorganized Debtors. The projections account for the contribution of Decca Consulting, Inc., Decca Consulting Ltd., Resdin Industries, Inc. and Vaughan Business Solutions, Inc. Through implementation of the above transactions and the post-emergence business plan set forth in the Reorganized Debtors' Financial Projections attached hereto as Exhibit C, the Company believes that the Reorganized Debtors will emerge from this pre-packaged restructuring with a substantially deleveraged balance sheet, an improved liquidity position, reduced cash interest expenses to levels aligned with expected future cash flows, and additional flexibility to invest in growth initiatives.

(a) No Fractional Shares.

No fractional New Common Stock or Warrants to purchase fractional New Common Stock shall be issued or distributed under the Plan. Each Person entitled to receive any fractional New Common Stock or Warrants to purchase fractional New Common Stock shall receive the total number of whole New Common Stock or Warrants to purchase whole New Common Stock to which such Person is entitled. Whenever any distribution to a particular Person would otherwise call for distribution of fractional New Common Stock or Warrants to purchase

fractional New Common Stock, as applicable, the actual distribution of shares of such stock or shares of stock subject to such warrants shall be rounded down to the next lower whole number.

(b) Cancellation of Parent Equity Interests; Issuance of New Capital Stock.

On the Effective Date, the Parent Equity Interests will be cancelled, and Reorganized Parent will issue the New Common Stock and the New Warrants as set forth below.

(c) The Rights Offering and Backstop Commitment

Concurrently herewith, and as part of the transactions to be effectuated by the Plan, the Debtors are commencing a rights offering of New Common Stock to be offered to each Eligible Participant as of the Rights Offering Record Date. Pursuant to the Rights Offering, each Eligible Participant may subscribe for its Pro Rata share of New Common Stock for an aggregate purchase price in Cash equal to $175 million. Pursuant to the Backstop Agreement, each Backstop Investor has committed to (i) subscribe for its Backstop Proportion of all of the New Common Stock that is eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that is not subscribed for by such Prepetition First Lien Lenders and (ii) subscribe for its Backstop Proportion of additional New Common Stock for an aggregate purchase price in Cash equal to $50 million. The terms of the Rights Offering and Backstop Commitment are summarized in Article III.D.7 herein. The Debtors will also reimburse the expenses of the Backstop Investors and provide them with a customary indemnification, all as set forth in Section 6 of the Backstop Agreement. The Rights Offering Purchase Price will fund Cash payments required to be made under the Plan. To participate in the Rights Offering, each Eligible Participant will need to execute and deliver the Subscription Documents and Stockholders Agreement included in the Solicitation Package and return them pursuant to the instructions provided in the Solicitation Package.

(d) New Common Stock to Be Issued Under the Plan

On, or as soon as reasonably practicable after, the Effective Date, Reorganized Parent will issue New Common Stock pursuant to the Rights Offering to each of the Prepetition First Lien Lenders who (A) is an Eligible Participant, (B) has timely exercised its Subscription Rights as instructed in the Subscription Documents, (C) has timely tendered payment of the Rights Offering Purchase Price for that portion of the Subscription Rights sought to be exercised by each such Person, (D) has timely executed the Stockholders Agreement, and (E) has complied with any and all other requirements set forth in the Subscription Documents, by the Debtors, or by the Bankruptcy Court. Further information regarding the post-Effective Date potential ownership of Reorganized Parent and the dilutive effects of all of the issuances under the Plan is set forth in the capitalization table attached hereto as Exhibit G.

On, or as soon as reasonably practicable after, the Effective Date, Reorganized Parent will issue New Common Stock pursuant to the Backstop Agreement to each of the Backstop Investors who (A) has timely exercised the Backstop Agreement, (B) has timely tendered payment of the Rights Offering Purchase Price for that portion of the Backstop Proportion committed or agreed to by each Backstop Investor as set forth in the Backstop Agreement, (C) has timely executed the Stockholders Agreement, and (D) has complied with any and all other

requirements set forth in the Backstop Agreement, or by the Bankruptcy Court. Further information regarding the post-Effective Date potential ownership of Reorganized Parent and the dilutive effects of all of the issuances under the Plan is set forth in the capitalization table attached hereto as Exhibit G.

Additionally, on the Effective Date, then Reorganized Parent will issue to certain of the Sorensen Parties who have timely executed the Stockholders Agreement: (a) New Common Stock of the Reorganized Parent in consideration for contributing new assets to the Reorganized Parent under the terms of the DRV Purchase Agreement, (b) New Common Stock under the terms of the Restricted Stock Award Agreement, (c) New Common Stock in connection with the conversion of certain Related Party Notes under the terms of the Sorensen Support Agreement, and (d) an option to designate and purchase additional New Common Stock for Cash in an aggregate amount of $4 million under the terms of the Sorensen Support Agreement. Further information regarding the post-Effective Date potential ownership of Reorganized Parent and the dilutive effects of all of the issuances under the Plan is set forth in the capitalization table attached hereto as Exhibit G.

The percentage ownership represented by the New Common Stock issued pursuant to the Rights Offering, the Backstop Agreement, the DRV Purchase Agreement, the Restricted Stock Award, the Sorensen Support Agreement, and other equity grants described herein, will be subject to dilution as set forth in the capitalization table attached hereto as Exhibit G.

The New Common Stock will be issued under the Plan in reliance on section 1145 of the Bankruptcy Code and/or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, and without registration under the Securities Act or any similar federal, state or local law as set forth in greater detail in Article VI herein, titled "Exemptions From Securities Act Registration."

(e) New Warrants to Be Issued Under the Plan

On the Effective Date, Reorganized Parent will issue the New Warrants to Holders of Prepetition Second Lien Loan Claims. The New Warrants will have a term of five years, will be exercisable for New Common Stock, with an exercise price per share equal to a 35% premium to the price per share paid for the New Common Stock in the Rights Offering. The percentage ownership represented by the shares of New Common Stock issued to Holders of Prepetition Second Lien Loan Claims upon conversion of the New Warrants is subject to dilution as set forth in the capitalization table attached hereto as Exhibit G. The New Warrants will be issued in reliance on section 1145 of the Bankruptcy Code and/or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, in accordance with applicable bankruptcy law, and without registration under the Securities Act or any similar federal, state or local law as set forth in greater detail in Article VI herein, titled "Exemptions From Securities Act Registration."

Holders of Prepetition Second Lien Loan Claims should be aware that the value of the New Warrants is wholly dependent upon the future performance of the Debtors' business and the value of the capital stock of Reorganized Parent. There can be no assurance that the value of the capital stock of Reorganized Parent will ever exceed the exercise price per share of the New Warrants (at any exercise price per share that falls within the range described in this Disclosure

Statement), or that the New Warrants will be "in the money" at any time prior to their expiration. Further, neither the New Warrants nor the capital stock of Reorganized Parent issuable upon exercise of the New Warrants will be registered under the Securities Act at the time the New Warrants are issued. Accordingly, no public market will exist for the New Warrants or the capital stock of Reorganized Parent issuable upon exercise of the New Warrants, and a public market may never exist. As a result, the value of the New Warrants is uncertain and highly speculative.

(f) Management Incentive Plan for Management

On the Effective Date, Reorganized Parent will adopt and implement the Management Incentive Plan, which would, subject to certain terms and conditions, provide for, the issuance of up to 9.35% of the New Common Stock of the Reorganized Parent to key executives of the Company, of which up to 4% may be granted to executives upon the Effective Date, and at least 5.35% to be held for future grants to executives at the discretion of the New Board. The capitalization table attached hereto as Exhibit G sets forth the dilutive effects of all of the issuances under the Plan.

**4. Restructuring Transaction May be Consummated Out of Court**

Notwithstanding anything to the contrary in this Disclosure Statement, and as set forth in more detail in the Lender RSA, the restructuring described above in Article I.C.3 of this Disclosure Statement (the "Restructuring") may be completed out-of-court (the "Out-of-Court Restructuring") if sufficient support is obtained from Lenders (as defined below) in accordance with the terms and conditions set forth in the Lender RSA and other documents relating to the Restructuring (the "Restructuring Documents") and if all conditions precedent to the Out-of-Court Restructuring have been satisfied. The Out-of-Court Restructuring would be implemented prior to, and instead of, the commencement of the Chapter 11 Cases pursuant to applicable non-bankruptcy law. The Out-of-Court Restructuring would be implemented if all (or such lesser amount as agreed pursuant to the terms of the Lender RSA) Prepetition First Lien Lenders and all Prepetition Second Lien Lenders (collectively with the Prepetition First Lien Lenders, the "Lenders") consent to the Restructuring.

**5. Plan Overview**

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtors. For classification and treatment of Claims and Equity Interests, the Plan designates Classes of Claims and Classes of Equity Interests. These Classes and Plan treatments take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Equity Interests.

The following chart briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan. Amounts listed below are estimated.

In accordance with section 1122 of the Bankruptcy Code, the Plan provides for eleven Classes of Claims against and/or Equity Interests in the Debtors. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors. Therefore, except as expressly specified herein, all Claims against a particular Debtor are placed in Classes for each of the

Debtors (as designated by subclasses A through U for each of the twenty two Debtors). Class 9 Claims shall not have any subclasses and Class 10 Claims shall only have subclasses A through T for each of the twenty one Subsidiaries.

**THE PROJECTED RECOVERIES AND ESTIMATED CLAIMS SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS OR EQUITY INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN AND THE RISK FACTORS DESCRIBED IN ARTICLE IV BELOW. THE TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR A REVIEW OF THE PLAN AND DISCLOSURE STATEMENT IN THEIR ENTIRETY. FOR CERTAIN CLASSES OF CLAIMS, THE ACTUAL AMOUNT OF ALLOWED CLAIMS OR EQUITY INTERESTS COULD BE MATERIALLY DIFFERENT THAN THE ESTIMATED AMOUNTS SHOWN IN THE TABLE BELOW.**

| Class[5] | Type of Claim or Interest | Estimated Claim Amount (in millions) | Impairment | Entitled to Vote | Estimated Recovery Under Plan |
|---|---|---|---|---|---|
| 1 | Priority Claims | $140.6 | No | No | 100% |
| 2 | Other Secured Claims | $1.6 | No | No | 100% |
| 3 | Secured Tax Claims | $0 | No | No | 100% |
| 4 | Prepetition First Lien Loan Claims | $492.2 | Yes | Yes | 80% + Rights Offering[6] |
| 5 | Prepetition Second Lien Loan Claims | $158.8 | Yes | Yes | 10% + New Warrants[7] |

[5] This chart is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Projected Recoveries are based on midpoint valuation estimates of the Debtors. References should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors. This chart reflects the estimated claim amount and estimated recovery under the Plan for each class of claims on an aggregate basis for all Debtors. Amounts set forth herein exclude prepetition liabilities that Debtors intend to pay under First Day Motions, including unpaid wages, withheld and accrued payroll taxes, franchisee payments, and trade payables that come due during the case. Some amounts included in Class 1 – Priority Claims may be subject to filed liens.

[6] Cash recovery based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013. For value attributed to the New Common Stock issued pursuant to the Rights Offering and the Backstop Agreement, please see slide 11 of the Disclosure Statement Supplemental Materials, which provides an analysis of indicative recoveries under the Plan. The Disclosure Statement Supplemental Materials is attached hereto as Exhibit J.

[7] Cash recovery based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013. For value attributed to the Warrants issued pursuant to the Plan, please see slide 11 of the Disclosure Statement Supplemental Materials, which provides an analysis of indicative recoveries under the Plan. The Disclosure Statement Supplemental Materials is attached hereto as Exhibit J.

| Class[5] | Type of Claim or Interest | Estimated Claim Amount (in millions) | Impairment | Entitled to Vote | Estimated Recovery Under Plan |
|---|---|---|---|---|---|
| 6 | SCIF Claims | $22.5 | No | No | 100% |
| 7 | General Unsecured Claims | $32.6 | No | No | 100% |
| 8 | Prepetition Warrants | N/A | Yes | No | 0% |
| 9 | Equity Interests in Parent | N/A | Yes | No | 0% |
| 10 | Equity Interests in Subsidiaries | N/A | No | No | 100% |

### 6. Who may Vote on the Plan

Each Holder of an Allowed Claim in Classes 4 and 5 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims in Classes 4 and 5 shall be counted in determining whether acceptances have been received sufficient in number and amount to obtain Confirmation. An Impaired Class of Claims shall have accepted the Plan if: (a) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims or Equity Interests actually voting in such Class have voted to accept the Plan, and (b) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims or Equity Interests actually voting in such Class have voted to accept the Plan. Classes 1, 2, 3, 6, 7, and 10 are Unimpaired under the Plan, are each deemed to accept the Plan by operation of law, and are not entitled to vote on the Plan. Classes 8 and 9 are Impaired under the Plan, and deemed to reject the Plan by operation of law, and Holders of Claims in Classes 8 and 9 are not entitled to vote on the Plan. Without limiting the foregoing, in the event that any Class of Claims or Equity Interests entitled to vote on the Plan fails to accept the Plan as required by section 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtors reserve the right to seek Confirmation of the Plan over such rejection pursuant to section 1129(b) of the Bankruptcy Code.

### 7. Tabulation of Votes

**THE FOLLOWING IS IMPORTANT INFORMATION REGARDING VOTING THAT SHOULD BE READ CAREFULLY BY ALL HOLDERS OF CLAIMS IN VOTING CLASSES.**

- FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY EXECUTED, COMPLETED, DATED AND DELIVERED SUCH THAT IT IS **ACTUALLY RECEIVED** ON OR BEFORE **5:00 P.M. PREVAILING PACIFIC TIME ON MARCH 27, 2014** BY THE VOTING AGENT.

- A HOLDER OF A CLAIM MAY CAST ONLY ONE VOTE PER EACH CLAIM SO HELD. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLAIM, SUCH EARLIER BALLOTS ARE THEREBY SUPERSEDED AND REVOKED.

- ANY BALLOT THAT IS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED TOWARD CONFIRMATION OF THE PLAN UNLESS THE DEBTORS HAVE GRANTED AN EXTENSION OF THE VOTING DEADLINE IN WRITING WITH RESPECT TO SUCH BALLOT.

- ADDITIONALLY, THE FOLLOWING BALLOTS WILL NOT BE COUNTED:

  - any Ballot that the Debtors determine is illegible or contains insufficient information to permit the identification of the Holder of the Claim;

  - any Ballot cast by an entity that does not hold a Claim in a Class that is entitled to vote on the Plan;

  - any Ballot that (a) is properly completed, executed and timely filed, but does not indicate an acceptance or rejection of the Plan, or (b) indicates both an acceptance and rejection of the Plan, or (c) partially accepts and partially rejects the Plan;

  - any Ballot (other than courtesy copies of Ballots sent to the Voting Agent) sent to the Court, the Debtors, the Debtors' agents/representatives or the Debtors' financial or legal advisors;

  - any Ballot transmitted by facsimile, telecopy or electronic mail; OR

  - any unsigned Ballot.

**8. Confirmation of the Plan**

(a) Generally

"Confirmation" is the technical term for the Bankruptcy Court's approval of a plan of reorganization or liquidation. The timing, standards and factors considered by the Bankruptcy Court in deciding whether to confirm a plan of reorganization are discussed below.

(b) The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

Following commencement of the Chapter 11 Cases, the Company intends to promptly schedule a Confirmation Hearing and will provide notice of the Confirmation Hearing and of any deadline for filing objections (the "Confirmation Objection Deadline") to all necessary parties. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

### 9. Confirming and Consummating the Plan

It is a condition to Confirmation of the Plan that the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the Required Backstop Investors. Certain other conditions contained in the Plan must be satisfied or waived pursuant to the provisions of the Plan.

For further information, see Article IX of the Plan, entitled "Conditions Precedent to Confirmation and Consummation of the Plan."

### 10. Rules of Interpretation

The following rules for interpretation and construction shall apply to this Disclosure Statement: (1) capitalized terms used in the Disclosure Statement and not otherwise defined shall have the meaning ascribed to such terms in Article I.B of the Plan; (2) unless otherwise specified, any reference in this Disclosure Statement to a contract, instrument, release, indenture, or other agreement or document shall be a reference to such document in the particular form or substantially on such terms and conditions described; (3) unless otherwise specified, any reference in this Disclosure Statement to an existing document, schedule, or exhibit, whether or not filed, shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (4) any reference to an entity as a Holder of a Claim or Equity Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references in this Disclosure Statement to Articles are references to Articles of this Disclosure Statement; (6) unless otherwise specified, all references in this Disclosure Statement to exhibits are references to exhibits in this Disclosure Statement; (7) unless otherwise set forth in this Disclosure Statement, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (8) any term used in capitalized form in this Disclosure Statement that is not otherwise defined in this Disclosure Statement or the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

### 11. The Voting Record Date

**The Voting Record Date is March 20, 2014**. Only Holders of Allowed Claims in the Voting Classes on the Voting Record Date received the Solicitation Package and are allowed to vote to accept or reject the Plan.

### 12. Other Restructuring Documents

In addition to the Solicitation Package, Holders of Claims in the Voting Classes on the Voting Record Date will receive, after the commencement of the Chapter 11 Cases and as

ordered by the Bankruptcy Court, the following supplemental materials (the "Supplemental Materials"):

(i) a notice of the Confirmation Hearing approved by the Bankruptcy Court for transmission to Holders of Claims and other parties in interest; and

(ii) such other materials as the Bankruptcy Court may direct.

**13. Distribution of Notices to Holders of Claims and Equity Interests in Non-Voting Classes and Holders of Disputed Claims**

As set forth above, certain Holders of Claims and Equity Interests are **not** entitled to vote on the Plan. As a result, such parties have not received Solicitation Packages, will **not** receive Supplemental Materials and, instead, will receive the appropriate forms of notice, after the commencement of the Chapter 11 Cases, as follows:

- Unimpaired Claims and Equity Interests - Deemed to Accept. As noted above, Administrative Claims, DIP Facility Claims and Priority Tax Claims are unclassified and are not entitled to vote on the Plan, and Allowed Claims in Classes 1, 2, 3, 6, and 7, and Equity Interests in Class 10 are Unimpaired under the Plan and, therefore, are presumed to have accepted the Plan. As such, Holders of such Claims or Equity Interests will receive, in lieu of the Restructuring Documents, a "Non-Voting Status Notice With Respect to Unimpaired Classes Deemed to Accept the Plan" after the commencement of the Debtors' Chapter 11 Cases, which will contain instructions, among other things, on how to obtain a copy of the Plan and this Disclosure Statement, the Confirmation Objection Deadline and the Confirmation Hearing date and time.

- Impaired Claims – Deemed to Reject. Holders of Equity Interests in Classes 8 and 9 are Impaired and will not receive or retain any value on account of such Equity Interests, and such Holders are, therefore, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Accordingly, such Holders will receive, in lieu of the Restructuring Documents, a "Non-Voting Status Notice With Respect to Impaired Class Deemed to Reject the Plan" after the commencement of the Debtors' Chapter 11 Cases, which will contain instructions, among other things, on how to obtain a copy of the Plan and this Disclosure Statement, the Confirmation Objection Deadline and the Confirmation Hearing date and time.

- Contract and Lease Counterparties. Parties to certain of the Debtors' executory contracts and unexpired leases may not have Claims pending the disposition of their contracts or leases by assumption or rejection under the Plan. Such parties nevertheless will receive notice notifying them of the commencement of the Debtors' Chapter 11 Cases after such cases are filed, as well as notifying them of the projected disposition of their contracts and/or lease and the scheduled hearing to consider Confirmation of the Plan.

### 14. Filing of the Plan Supplement

The Debtors will file the Plan Supplement no later than 10 days before the Confirmation Hearing. The Debtors will transmit a copy of the Plan Supplement to the "Distribution List," as defined below. Additionally, parties may request (and obtain at the Debtors' expense) a copy of the Plan Supplement by: (a) calling the Voting Agent at 877-634-7178 (toll free) or 424-236-7224 (international callers); or (b) writing to Ablest Ballot Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245. Parties may obtain copies of documents filed in the Chapter 11 Cases at www.kccllc.net/Ablest. Parties may also obtain any documents filed in the Chapter 11 Cases for a fee via PACER at https://ecf.deb.uscourts.gov/.

As used herein, the term "Distribution List" means (a) the Office of the United States Trustee, (b) counsel for the Committee, if any is appointed, (c) counsel to the DIP Agent, (d) counsel to the Steering Committee, (e) counsel to the Consenting Equity Holder, (f) counsel to the Prepetition First Lien Agent, (g) counsel to the Prepetition Second Lien Agent, (h) the Securities and Exchange Commission, (i) the Internal Revenue Service, (j) all parties that, as of the filing of the Plan Supplement, have filed requests for notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002, and (k) any parties affected by an addition to Plan Schedules.

### 15. The Confirmation Hearing

**The Bankruptcy Court has not yet scheduled a Confirmation Hearing Date**. Once scheduled, the Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on such parties as the Bankruptcy Court may order. Moreover, the Plan may be modified or amended, if necessary, pursuant to section 1127 of the Bankruptcy Code, prior to, during or as a result of the Confirmation Hearing, without further notice to parties-in-interest.

### 16. The Deadline for Objecting to Confirmation of the Plan

**The Bankruptcy Court has not yet scheduled a Confirmation Objection Deadline**. Subject to order of the Bankruptcy Court, any objection to Confirmation of the Plan must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; (iii) state the name of the applicable Debtor, the name of the objecting party and the amount and nature of the Claim of such Entity in each applicable Chapter 11 Case or the amount of Equity Interests held by such Entity in each applicable Chapter 11 Case; (iv) state with particularity the legal and factual bases and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (v) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** no later than the Confirmation Objection Deadline by the parties set forth below (the "Notice Parties").

CONFIRMATION OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH HEREIN MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED WITHOUT FURTHER NOTICE. INSTRUCTIONS WITH RESPECT TO THE CONFIRMATION HEARING AND DEADLINES WITH

RESPECT TO CONFIRMATION WILL BE INCLUDED IN THE NOTICE OF CONFIRMATION HEARING TO BE APPROVED BY THE BANKRUPTCY COURT.

**17. Notice Parties**

(a) The Debtors, Ablest Inc., 3820 State Street, Santa Barbara, CA 93105 (Attn: D. Stephen Sorensen);

(b) Counsel to the Debtors, Pachulski Stang Ziehl & Jones, 10100 Santa Monica Boulevard, 13th Floor, Los Angeles, CA 90067-4100 (Attn: Jeffrey N. Pomerantz), and 150 California Street, 15th Floor, San Francisco, CA 94111 (Attn: Debra Grassgreen);

(c) Counsel to the Debtors, Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, NY 10036 (Attn: Kenneth S. Ziman), and 300 South Grand Avenue, Suite 3400, Los Angeles, CA 90071 (Attn: Glenn S. Walter);

(d) Counsel to the Steering Committee, Milbank, Tweed, Hadley & McCloy LLP, 601 South Figueroa Street, 30th Floor, Los Angeles, CA 90017 (Attn: Mark Shinderman and Brett Goldblatt), and Morris, Nichols, Arsht & Tunnell LLP, 1201 North Market Street, 16th Floor, P.O. Box 1347, Wilmington, DE 19899-1347 (Attn: Robert J. Dehney);

(e) Counsel to the Prepetition First Lien Agent, Katten Muchin Rosenman LLP, 515 S. Flower Street, Suite 1000, Los Angeles, CA 90071-2212 (Attn: William B. Freeman), and 575 Madison Avenue, New York, NY 10022-2585 (Attn: Karen B. Dine), and Cousins Chipman and Brown LLP, 1007 North Orange Street, Suite 1110, Wilmington, DE 19801 (Attn: Scott D. Cousins);

(f) Counsel to the Prepetition Second Lien Agent, Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036-6797 (Attn: Allan S. Brilliant and James O. Moore);

(g) Counsel to the Consenting Equity Holder, Cole, Schotz, Meisel, Forman & Leonard, P.A., 301 Commerce Street, Suite 1700, Fort Worth, TX 76102 (Attn: Michael D. Warner), and Court Plaza North, 25 Main Street, Hackensack, NJ 07601 (Attn: Adam J. Sklar);

(h) The Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, Delaware 19801.

**18. Effect of Confirmation of the Plan**

The Plan contains certain provisions relating to (a) the compromise and settlement of Claims and Equity Interests, (b) the release of the Released Parties by the Debtors and the Holders of Claims or Equity Interests, and each of their respective Related Persons, and (c) exculpation of certain parties.

THE PLAN SHALL BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NOTWITHSTANDING WHETHER OR NOT SUCH HOLDER (A) WILL RECEIVE OR RETAIN ANY PROPERTY OR INTEREST IN PROPERTY UNDER THE PLAN, (B) HAS FILED A PROOF OF CLAIM IN THE CHAPTER 11 CASES (IF ANY ARE FILED), OR (C) FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN OR VOTED TO REJECT THE PLAN.

## D. CONSUMMATION OF THE PLAN

It will be a condition to Confirmation of the Plan that all provisions, terms and conditions of the Plan are approved in the Confirmation Order unless otherwise satisfied or waived pursuant to the provisions of Article IX of the Plan. Following Confirmation, the Plan will be consummated on the Effective Date.

## E. RISK FACTORS

**PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM IN A VOTING CLASS HAS BEEN URGED TO CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IV HEREIN TITLED, "RISK FACTORS."**

# ARTICLE II
# BACKGROUND TO THE CHAPTER 11 CASES

## A. THE DEBTORS' CORPORATE HISTORY

Koosharem Corporation was incorporated in California in 1989. In 2000, Koosharem purchased the stock of Select Temporaries Inc., founded in Santa Barbara, California in 1985, and began doing business as "Select Staffing." The Company's executive offices are located at 3820 State Street, Santa Barbara, CA 93105, and its telephone number is (800) 688-6162. The Company operates under various names, including Select Staffing, Remedy Intelligent Staffing, RemX Financial Staffing, RemX IT Staffing, RemX OfficeStaff, RemX Scientific, RemX Engineering, Select Truckers Plus, Select Medical Staffing, SelectRemedy, Power Training Institute and Westaff.

On February 1, 2010, to create a new holding company structure, Koosharem Corporation entered into a merger agreement with New Koosharem Corporation, then a newly formed direct subsidiary of Koosharem Corporation, and New Koosharem Merger Sub, a newly formed direct subsidiary of New Koosharem Corporation. Pursuant to this merger agreement, New Koosharem Merger Sub was merged with and into Koosharem Corporation and all of the shares of capital stock of Koosharem Corporation were exchanged for shares of capital stock of New Koosharem Corporation. As a result, New Koosharem Corporation became the parent

entity of the reorganized group. Immediately following the merger, Koosharem Corporation converted into a California limited liability company, and was renamed Koosharem LLC.

## B. OVERVIEW OF THE DEBTORS' BUSINESS

The Company is a national provider of temporary staffing services in the United States and the largest provider of temporary staffing services in California. The Company provides clerical, light industrial, accounting and finance, and information technology employees on a temporary, temp-to-hire and project-by-project basis through a network of 312 offices in 48 states.

### 1. Business Operations and Sales

The Company is in the business of providing temporary employee and staffing services ranging from small- and medium-sized businesses to Fortune 1000 companies. During the fiscal year ended December 29, 2013, the Company placed approximately 300,000 temporary employees and provided staffing services to approximately 11,500 customers. In addition to helping companies increase the portion of their labor costs which is variable, the Company simplifies the talent supply chain for its customers by providing services supporting employment including recruiting, screening, orientation, payroll funding, payroll administration, benefits administration and legal compliance. The Company also has over 400 "onsite" customers where representatives reside onsite at the customer location and manage its outsourced workforce year-round.

Since its inception, the Company has grown both organically and through acquisitions from a single-office start-up into a large-scale enterprise that generated annual revenues of approximately $2 billion for the fiscal year ended December 29, 2013. From 2002 to 2012, its revenues grew at a CAGR of 19.9% compared to 4.4% for the staffing industry as a whole according to the American Staffing Association (Employment and Sales Survey, 1990-2014), an independent staffing industry publication.

The Company operates 167 company-owned offices across the United States and, in 2013, revenues from these offices were $1.57 billion which represented 77% of total revenue. In addition to the company-owned offices, the Company also has a franchising business with franchise agent offices in geographic locations generally not serviced by company-owned offices. Franchise agents have the exclusive contractual right to sell certain of the Company's services and to use its service marks, business names and systems in a specific geographical region. The franchise agent is generally responsible for establishing and maintaining an office and paying related administrative and operational expenses. The Company is the employer of record of the temporary employees and as such is responsible for paying all wages and all related taxes and insurance. The Company also manages customer accounts receivable generated by franchise licensees, thus providing a portion of the franchise agents' working capital. The Company typically receives approximately 30% of the gross margin generated by the franchise agent. Franchise offices have grown from 79 in 2008 to 145 in 2013. For 2013, franchise agents represented 23% of the Company's total revenue.

**2. Marketing and Development Strategy**

The Company offers its temporary staffing services in suburban and rural markets, referred to as "secondary markets," and in urban centers of certain "primary markets" in the United States. The Company currently has no foreign operations; however, following the Effective Date the Reorganized Company will have certain operations in western Canada through two Canadian entities, which will be acquired through the DRV Purchase Agreement.

In secondary markets, the Company targets primarily small to medium-sized customers, including divisions of Fortune 500 companies. The Company believes that, in many cases, such markets are less competitive and less costly to operate in than in the more central areas of primary markets, where a large number of staffing services companies frequently compete for business and occupancy costs are relatively high.

The Company markets its services to local and regional customers through its network of company-owned and franchise agent offices. New customers are generated by branch offices primarily through direct sales efforts and referrals. The Company has targeted marketing programs and a consultative sales process that includes telemarketing, e-mail marketing, and direct mail campaigns. Broader marketing efforts in regional markets are generally overseen by its national sales and marketing teams, which also market to national accounts primarily through a separate internal sales team. As a result of the Company's service offerings, the Company is able to cross-sell its services from one service category to another.

The Company believes that it offers customers high-quality service and a compelling value proposition because the Company is able to offer all of the following:

- a flexible, "just-in-time" talent supply chain;
- simplified talent acquisition and management through its recruiting and payrolling services;
- employment-related risk management including worker's compensation; and
- customized service.

In order to increase operating leverage in the Company's business, one of its strategies is to operate larger branch offices in contiguous geographic areas, referred to as the "Fortress Branch Model." Larger offices generally have capacity for a substantial volume of qualified temporary employees with the skills and experience necessary to meet the staffing requirements of its customer base. This in turn drives more demand for the Company's services and greater operating leverage in the local markets which the Company serves. In addition, the Company's branches operate on a dual customer focus or "Barbell Strategy." On one end of the barbell, the Company has anchor accounts and, on the other end, it has smaller, retail customers. Traditionally, each branch has between two and seven anchor accounts that bring recruiting traffic and revenue stability, and cover fixed costs. In addition, each branch has a number of smaller customers that generally provide higher gross margins and revenue diversification.

### 3. Competition and Risk Management

The temporary staffing industry in the United States is highly fragmented with over 17,000 firms operating approximately 35,000 offices (doing business for at least one year as of 2007, per the American Staffing Association). According to 2013 statistics from Staffing Industry Analysts, no single competitor has more than a 6.2% share of the temporary staffing market in the United States. The temporary staffing industry is highly competitive with few barriers to entry. The Company believes that the majority of temporary staffing companies are local, full-service or specialized operations with fewer than five offices. Within local markets, typically no single company has a dominant share of the market. The Company competes for qualified candidates, customers, and potential acquisition targets. Principal national competitors include Adecco SA, Kelly Services, Inc., Manpower, Inc., Express Personnel Services, Inc., and Spherion Corporation and its parent company Randstad North America.

The Company believes that excellent customer service, competitive pricing, and providing qualified candidates in a timely manner are the most important competitive factors in obtaining and retaining customers in the temporary staffing industry. Other important competitive factors include an understanding of, and an ability to timely meet, a customer's specific job requirements, delivering accurate and timely electronic labor and cost data, implementing effective safety and risk management solutions, and monitoring quality of job performance. The Company expects ongoing vigorous competition and pricing pressure from both national and local providers.

Workers' compensation costs make up one of the principal drivers of profitability in the temporary staffing industry, and the Company has devoted substantial resources to reducing these costs. The Company's risk management efforts use a two-pronged approach to reduce workers' compensation costs: 1) lowering work force injuries through better safety programs, and 2) decreasing average cost per claim through its innovative claims management process.

The Company employs 58 full-time staff members on its risk management team, including claims analysts, safety professionals, investigators, auditors, and underwriters. In addition, the Company has approximately 450 certified workers' compensation coordinators located in branch and on-site offices. Overall, the company-wide risk control network consists of well over 2,000 people.

### 4. Overview of Decca, Resdin and Vaughan Entities

Decca Consulting, Ltd., Decca Consulting, Inc., Resdin Industries Ltd. and Vaughan Business Solutions, Inc. (collectively, the "DRV Entities") are owned by SB Group Holdings, Inc., an entity affiliated with the Consenting Equity Holder. For the avoidance of doubt, the DRV Entities will not be debtors in any case commenced by the debtor entities listed on Schedule 1 hereto under the Bankruptcy Code in connection with the restructuring contemplated herein and in the Plan.

On the Effective Date, the DRV Entities will be contributed by SB Group Holdings, Inc. to the Reorganized Parent pursuant to the terms of the DRV Purchase Agreement attached to the Plan as Exhibit D. The representations, warranties and covenants of the parties to the DRV

Purchase Agreement will be made solely for the benefit of the parties thereto. In addition, such representations, warranties and covenants (a) will be made only for purposes of the DRV Purchase Agreement, (b) will be qualified by confidential disclosures made in the disclosure schedules to be delivered in connection with the DRV Purchase Agreement, (c) will be subject to materiality qualifications contained in the DRV Purchase Agreement that may differ from what may be viewed as material by investors, (d) will be made only as of the Effective Date of the restructuring, and (e) will be included in the DRV Purchase Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as fact. Accordingly, the DRV Purchase Agreement is included as an exhibit to this Disclosure Statement only to provide information regarding the terms of the DRV Purchase Agreement, and not to provide any other factual information regarding Decca Consulting, Ltd., Decca Consulting, Inc., Resdin Industries, Ltd., Vaughan Business Solutions, Inc. or their respective businesses. You should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of any actual state of facts or condition.

(a) Decca Consulting, Ltd. / Decca Consulting, Inc.

Decca Consulting, Ltd. ("Decca Ltd.") and Decca Consulting, Inc. ("Decca Inc.") contract with oil and gas production companies to provide consulting in the areas of drilling, completions, workovers and optimization, design and implementation, specialized fracking, pipeline construction and other matters relating to oil and gas production. Decca Ltd. is a Canadian company headquartered in Calgary, Alberta, and Decca Inc. is a Nevada corporation headquartered in Santa Barbara, California. The company was founded in 1983 and acquired by SB Group Holdings, Inc. in June 2011.

(b) Resdin Industries Ltd.

Resdin Industries Ltd. ("Resdin") is a Canadian company headquartered in Calgary, Alberta that contracts with midstream oil transport companies throughout western Canada to provide consulting in the areas of inspection, construction supervision and quality assurance for oil field-related construction. Resdin was founded in 1997 and acquired by SB Group Holdings, Inc. in January 2013.

(c) Vaughan Business Solutions, Inc.

Vaughan Business Solutions, Inc. ("Vaughan") provides drilling and completion consultants at oil and gas sites. Vaughan is a California corporation headquartered in Early, Texas. The company was founded in 1996 and acquired by SB Group Holdings, Inc. in September 2012.

## C. OVERVIEW OF THE PREPETITION CAPITAL STRUCTURE

### 1. Prepetition First Lien Loans

On July 12, 2007, the Company entered into the *First Lien Credit and Guaranty Agreement*, by and among the Borrower, the Prepetition Guarantors, as guarantors, the Prepetition First Lien Agent, as administrative and collateral agent, and the Prepetition First Lien Lenders party thereto, as amended by the *First Amendment to the First Lien Credit and Guaranty*

*Agreement*, dated December 8, 2009, the *Second Amendment to First Lien Credit and Guaranty Agreement*, dated March 15, 2010, the Letter Amendment to the *First Lien Credit and Guaranty Agreement*, dated March 31, 2010, the *Fourth Amendment of First Lien Credit and Guaranty Agreement*, dated April 15, 2010, and the *Fifth Amendment to First Lien Credit and Guaranty Agreement*, dated May 17, 2010 (the "First Lien Fifth Amendment"). The Company, the Prepetition Agents, the Prepetition First Lien Lenders, and the Prepetition Second Lien Lenders are also parties to that certain *Intercreditor Agreement*, dated July 12, 2007.

The Prepetition First Lien Credit Agreement provides for a term loan of $250 million, an accordion loan of up to $200 million, and a revolving loan commitment of up to $50 million. Interest on borrowings for the term loan and the revolving loan commitment is based on the banks' base rate plus an applicable margin from 2.75% to 3.25% per annum (depending on the leverage ratio), or the adjusted Eurodollar rate plus an applicable margin of 3.75% to 4.25% per annum (depending on the leverage ratio), at the Company's option, and is payable quarterly. As part of the First Lien Fifth Amendment, additional interest was added, payable as payment-in-kind, at a rate of 1.25% to 1.75% (depending on the leverage ratio). The scheduled maturity date for the revolving loan commitment was July 12, 2012, and the scheduled maturity date for the term loan is June 30, 2014. The outstanding aggregate principal amount at September 30, 2013 is approximately $456 million. The outstanding amount as of April 1, 2014, including accrued interest, will be approximately $492 million. Based on the current outstanding balance, interest payments are approximately $38.7 million annually. The Company ceased making interest payments on June 30, 2013.

The Prepetition Guarantors jointly and severally guaranteed, irrevocably and unconditionally, the due and punctual payment in full of all obligations under the Prepetition First Lien Credit Agreement when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise.

The Prepetition First Lien Loans are secured by liens on substantially all of the assets of the Company, but excluding certain limited exclusions as set forth in the Prepetition First Lien Credit Agreement and the accompanying *First Lien Pledge and Security Agreement*, dated as of July 12, 2007. This collateral specifically includes all right, title and interest of each Prepetition Guarantor and the Borrower in: (a) Accounts, (b) Chattel Paper, (c) Documents, (d) General Intangibles, (e) Goods, (f) Instruments, (g) Insurance, (h) Intellectual Property, (i) Investment Related Property, (j) Letter of Credit Rights, (k) Money, (l) Receivables and Receivable Records, (m) Commercial Tort Claims, (n) all Collateral Records, Collateral Support and Supporting Obligations related to any of the foregoing, and (o) all Proceeds, products, accessions, rents and profits of or in respect of any of the foregoing (each as defined in the *First Lien Pledge and Security Agreement*).

The Prepetition First Lien Credit Agreement contains covenants that limit the ability of the Company to, without prior approval from the Prepetition First Lien Lenders or as otherwise allowed under the Prepetition First Lien Credit Agreement, *inter alia*: create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any indebtedness; create, incur, assume, or permit to exist any lien on or with respect to any property or asset of any kind of the Company; enter into any agreement prohibiting the creation or assumption of any lien upon the Company's property or assets; make certain restricted payments;

make certain investments in any person; impose certain restrictions on distributions by subsidiaries; transfer or dispose of assets; and merge, consolidate or alter their line of business.

The Prepetition First Lien Credit Agreement contains customary events of default. Pursuant to the *Forbearance Agreement*, dated as of November 19, 2012 (the "First Forbearance Agreement"), the Prepetition First Lien Lenders agreed to forbear from exercising their rights and remedies, during the term of the First Forbearance Agreement, in connection with (a) certain past events which constituted events of default under the Prepetition First Lien Credit Agreement and (b) certain prospective events which would constitute events of default under the Prepetition First Lien Credit Agreement. The First Forbearance Agreement was extended as of May 6, 2013 and expired by its terms on May 31, 2013. Pursuant to the *Second Forbearance Agreement*, dated as of July 12, 2013 (the "Second Forbearance Agreement"), the Prepetition First Lien Lenders again agreed to forbear from exercising their rights and remedies, during the term of the Second Forbearance Agreement, in connection with (a) certain past events which constituted events of default under the Prepetition First Lien Credit Agreement and (b) certain prospective events which would constitute events of default under the Prepetition First Lien Credit Agreement. The Second Forbearance Agreement expired by its terms on August 9, 2013. Since the expiration of the Second Forbearance Agreement, the Prepetition First Lien Agent has been forbearing on a day-to-day basis and has reserved all of the rights and remedies available to it as a result of the existing events of default under the Prepetition First Lien Credit Agreement.

**2. Prepetition Second Lien Loans**

On July 12, 2007, the Company entered into the *Second Lien Credit and Guaranty Agreement*, dated July 12, 2007, by and among the Borrower, the Prepetition Guarantors, as guarantors, the Prepetition Second Lien Agent, as administrative and collateral agent, and the Prepetition Second Lien Lenders party thereto, as amended by the *Agency Assignment and Amendment Agreement* dated as of October 27, 2009, the *Second Amendment to Second Lien Credit and Guaranty Agreement*, dated December 10, 2009, the *Third Amendment to Second Lien Credit and Guaranty Agreement* dated as of March 15, 2010, the Letter Amendment to *Second Lien Credit and Guaranty Agreement* dated as of April 15, 2010, and the *Fifth Amendment to Second Credit and Guaranty Agreement* dated as of May 17, 2010 (the "Second Lien Fifth Amendment"). The Company, the Prepetition Agents, the Prepetition First Lien Lenders, and the Prepetition Second Lien Lenders are also parties to that certain *Intercreditor Agreement*, dated July 12, 2007.

The Prepetition Second Lien Credit Agreement provides for a term loan of $100 million. Interest accrues based on the adjusted Eurodollar rate plus 12.25% during the period through but excluding the date upon which the 2010 Term Loan Obligations (as defined below) are paid in full, and thereafter, interest accrues at the base rate plus 5.25% or 6.25% per annum (based on the leverage ratio) or the adjusted Eurodollar rate plus 6.25% or 7.25% per annum (based on the leverage ratio), at the Company's option, and is payable quarterly or on shorter intervals for loans bearing interest at an adjustment Eurodollar rate. As part of the Second Lien Fifth Amendment, through the date upon which the 2010 Term Loan Obligations are paid in full, 1.00% of the interest is payable in cash, and the remainder is payable as PIK. The scheduled maturity date is December 1, 2014. The outstanding aggregate principal amount at September 30, 2013 is approximately $121 million. The outstanding amount as of April 1, 2014, including accrued

interest, will be approximately $159 million. Based on the current outstanding balance, interest payments are approximately $13.9 million annually. The Company ceased making interest payments in July 2011. Since June 14, 2013, interest has been accruing at the default rate set forth in Section 2.7 of the Prepetition Second Lien Credit Agreement.

The Prepetition Guarantors jointly and severally guaranteed, irrevocably and unconditionally, the due and punctual payment in full of all obligations under the Prepetition Second Lien Credit Agreement when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise.

The Prepetition Second Lien Loans are secured by liens, as set forth in the Prepetition Second Lien Credit Agreement and the accompanying *Second Lien Parent Pledge and Security Agreement*, dated as of March 17, 2010, on the certain Pledged LLC Interests (as defined in the *Second Lien Parent Pledge and Security Agreement*) and all proceeds of or in respect of any of the foregoing.

The Prepetition Second Lien Credit Agreement contains covenants that limit the ability of the Company to, without prior approval from the Prepetition Second Lien Lenders or as otherwise allowed under the Prepetition Second Lien Credit Agreement, *inter alia*: create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any indebtedness; create, incur, assume, or permit to exist any lien on or with respect to any property or asset of any kind of the Company; enter into any agreement prohibiting the creation or assumption of any lien upon the Company's property or assets; make certain restricted payments; make certain investments in any person; impose certain restrictions on distributions by subsidiaries; transfer or dispose of assets; and merge, consolidate or alter their line of business.

The Prepetition Second Lien Credit Agreement contains customary events of default. Pursuant to the First Forbearance Agreement, the Prepetition Second Lien Lenders agreed to forbear from exercising their rights and remedies, during the term of the First Forbearance Agreement, in connection with (a) certain past events which constituted events of default under the Prepetition Second Lien Credit Agreement and (b) certain prospective events which would constitute events of default under the Prepetition Second Lien Credit Agreement. The First Forbearance Agreement was extended as of May 6, 2013 and expired by its terms on May 31, 2013. Pursuant to the Second Forbearance Agreement, the Prepetition Second Lien Lenders again agreed to forbear from exercising their rights and remedies, during the term of the Second Forbearance Agreement, in connection with (a) certain past events which constituted events of default under the Prepetition Second Lien Credit Agreement and (b) certain prospective events which would constitute events of default under the Prepetition Second Lien Credit Agreement. The Second Forbearance Agreement expired by its terms on August 9, 2013. Since the expiration of the Second Forbearance Agreement, the Prepetition Second Lien Agent has reserved all of the rights and remedies available to it as a result of the existing events of default under the Second Lien Credit Agreement. For the avoidance of doubt, the exercise of any and all such rights and remedies under the Second Lien Credit Agreement by the Prepetition Second Lien Agent remains subject to the applicable provisions of the Intercreditor Agreement.

### 3. Other Debt Financing

The Company has outstanding loans of lesser amounts that finance specific development projects.

Pursuant to the First Lien Fifth Amendment and the Second Lien Fifth Amendment, the Company entered into an additional term loan (the "2010 Term Loan", and the obligations thereunder, the "2010 Term Loan Obligations"). The 2010 Term Loan allowed the Company to obtain additional financing up to an aggregate of $45 million. Interest on the 2010 Term Loan was based on the base rate plus 10%, or the adjusted Eurodollar rate plus 11%, at the Company's option. The Company repaid the 2010 Term Loan on July 25, 2011, and there are no current outstanding 2010 Term Loan Obligations.

The Company also has several uncollateralized notes payable related to previous business acquisitions. Some of these notes are payable to persons currently employed by the Company, referred to as "Seller Notes". These Seller Notes have several interest rates ranging from 6.5% to 8.0% and have maturity dates ranging from 2010 through 2015. As of December 29, 2013, the aggregate outstanding principal amount for such Seller Notes is approximately $1.9 million. Holders of such Seller Notes will be treated as holders of Class 7 – General Unsecured Claims under the Plan; however, the balances of certain Seller Notes are disputed and accordingly remain subject to compromise.

Historically, the Debtors have sustained occasional working capital shortages during the normal course of their operations. In order to bridge these shortages, the Debtors have required access to a short-term lending source on competitive terms offering minimal administrative disruption to their business. To that end, the Debtors issued two one-year promissory notes with Fannich Investment Management Inc., a Delaware corporation solely owned by an offshore organization residing in New Zealand ("Fannich" and the "Fannich Note(s)", respectively). The most recent Fannich Note was issued on January 1, 2014.

Each Fannich Note provides stop-gap liquidity to the Debtors and functions as a line of credit. The Debtors can borrow up to $10 million annually, with all principal and interest due no later than calendar year-end. Interest is charged at the rate of 7% per annum, plus a .5% accommodation fee is charged on advances honored on less than 24 hours' notice. From time to time, the Debtors obtain working capital pursuant to the Fannich Note, typically in amounts ranging from $2 - $5 million on each occasion. Each advance is typically paid back within one-to-five business days, in full including accrued interest. As of February 21, 2014, the balance due on the Fannich Note was $3,763,000. The Debtors paid down the balance including all interest due prior to the Petition Date. The Debtors do not anticipate borrowing from Fannich on a post-petition basis.

The Fannich Notes were negotiated at arm's-length with the director of Fannich. Under the terms of the Fannich Notes, the Debtors paid commercially reasonable interest rates and had a ready solution when short term working capital issues arose.

The Company also incurs trade debt in the ordinary course of its business, and has been making payments with respect to such trade debt in the ordinary course. As of the Petition Date,

the Company estimated that its outstanding unsecured trade debt totaled approximately $12.4 million.

## D. EMPLOYMENT TAX OBLIGATIONS

In the ordinary course of its business, the Company collects and pays four different employment/payroll taxes. Some of these taxes are employee withholdings and others are employer taxes. Specifically, the Company collects and pays: (a) Federal Income Tax (employee withholding), (b) Social Security Tax (both employee withholding and employer taxes), (c) Medicare Tax (both employee withholding and employer taxes), and (d) State Income Tax (employee withholding) (collectively, the "Employment Tax Obligations"). In addition, the Company is liable for Federal unemployment tax ("FUTA") and State unemployment tax ("SUTA"). The Debtors estimate that as of the Petition Date, their deferred obligations total approximately $101.6 million of Federal Income Tax, Social Security Tax, and Medicare Taxes, $8.3 million FUTA, $11.6 million of SUTA, and $15.8 million in penalties. In addition, there is a contingent, disputed liability to the Employment Development Department for $4.4 million.

## E. EMPLOYEE AND RELATED PARTY TRANSACTIONS AND OBLIGATIONS

### 1. Variable Life Insurance Policy Program

For approximately 40 highly-compensated employees who do not participate in the Company's 401(k) plan, the Company offers a variable life insurance policy program. Each variable life insurance policy is issued through NY Life Insurance in the name of the eligible employee. Eligible employees make after-tax contributions to the policy, which invests in mutual funds. The Company matches contributions at the same rate as for the 401(k) plan—25 cents or 50 cents up to 4% of contributions depending on the length of services of the employee. The Company incurs $10,000 per month on account of the variable life insurance policy program matching component.

### 2. Health Reimbursement Accounts

The Company also provides 11 officers and Senior Vice-Presidents with health reimbursement accounts administered through Execucare. These executives are reimbursed by Execucare up to $3,600 per year for out-of-pocket medical expenses on a calendar year basis. Execucare invoices the Company for the amount of claims processed. On average, the Company pays Execucare $43,000 on an annual basis account of these health reimbursement accounts.

### 3. Related Party Letters of Credit

Certain of the Company's workers' compensation obligations are secured by letters of credit guaranteed by the Company's principal shareholder. The Company's principal shareholder has posted collateral in connection with these letters of credit. The Company has agreed to reimburse the principal shareholder solely for any fees and accrued interest charged in connection with such letters of credit. The Company has not agreed to provide any additional fees or interest to the principal shareholder in connection with such letters of credit. The Company recorded approximately $344,055 and $485,691 for the years ended December 29,

2013 and December 30, 2012, respectively, which is included in interest expense in the historical financial statements attached hereto as Exhibits D and E.

Additionally, certain third parties related to Company employees and officers have likewise guaranteed certain letters of credit securing the Company's workers' compensation obligations. In connection with these arrangements, the Company has agreed to pay such related parties fees based upon the face amount of these letters of credit, and to reimburse such parties for the fees and accrued interest charged in connection with these letters of credit. The Company has recorded interest of approximately $924,458 and $943,255 for the years ended December 29, 2013 and December 30, 2012, respectively. Further details regarding the fees, interest, and other expenses incurred by the Company in connection with these arrangements are provided in the historical financial statements attached hereto as Exhibits D and E.

On the Effective Date, the Company will recollateralize such letters of credit as set forth in greater detail in Schedule 2 to the Plan.

**4. Housing Equity Sharing Arrangements**

During 2007, the Company entered into equity sharing arrangements (each an "Equity Agreement") with the following executives with respect to their houses, which agreements are still in effect: (i) Paul and Allyson Sorensen, Trustees of the Paul and Allyson Sorensen Family Trust; (ii) Keith and Dolores Kislow; (iii) Mark McComb and Dawn McComb; and (iv) Robert and Lee Ann Olson, Trustees of the Olson Family Trust. Each Equity Agreement governs the equity interests in a limited liability company formed by the Company and applicable executive for the purpose of holding certain real property used as residences by such executive and his immediate family, and also provides for such executive to make lease payments to the Company for the use and occupancy of the residence.

The parties to each Equity Agreement are required to make certain periodic minimum capital contributions to the limited liability company to cover monthly mortgage payments, major improvements above $2,500 on each property, property taxes and insurance, and tax preparation fees. In the aggregate, the Company pays $42,204.89 per month on account of these Equity Agreements, excluding taxes, insurance, and repairs. As of December 29, 2013 and December 30, 2012, the Company's investment, net of impairment reserves, totaled approximately $0 and $465,000, respectively. On the maturity dates of the Equity Agreements, each house is scheduled to be transferred to the non-Company counterparty to such Equity Agreement. Further details regarding the Company's investment, the calculated impairment reserves, and the Equity Agreements are provided in the historical financial statements attached hereto as Exhibits D and E.

The Company and the Backstop Parties are currently evaluating the terms under which these equity arrangements may be terminated on the Effective Date, as part of the restructuring, in a manner that will terminate the Company's obligation to make additional payments under these arrangements, convey the subject houses to the respective executives subject to the remaining payment obligations on the house, and reimburse, on a grossed up basis, the executives for the tax amounts that become payable by such executives as a result of the termination of the equity sharing arrangements.

**5. Bonus Arrangements**

In the ordinary course of business and as a critical component of their wage and compensation structure, employees (including officers) are eligible to receive bonus and commissions based on established criteria. Bonuses are calculated based on a combination of percentages of branch gross margin goals and other specified criteria. Commissions are paid based on customer sales and earned upon realized sales receipts. On average, such accrued bonuses and commissions total approximately $1.4 million per month, and such accrued amounts are paid at the end of each month for the month prior (for example, bonuses and commissions accrued during the month of January will be made at the end of the month of February). The Company has historically paid accrued bonuses and commissions in the ordinary course.

**6. Plane Leases**

Until March 2012, the Company leased one Falcon 50 aircraft from G.E.C.C. and two Falcon 900B aircraft from related parties owned by the Sorensen Trust. However, in June 2012, the Falcon 50 was surrendered back to G.E.C.C. Thus, the Company is currently making payments on two aircraft. The leases are 'dry' leases, where the Company pays for virtually all aircraft maintenance, fuel, insurance and other carrying costs.

Pursuant to an Aircraft Dry Lease Agreement, the Company leases a Dassault-Breguet Model Mystere Falcon 900 aircraft from Kerry Acquisitions, LLC, a company indirectly wholly owned by the Sorensen Trust (Kerry is owned by Trishan Air, Inc. which is owned by the Sorensen Trust). The lease has a one-year term with automatic one-year renewals at the option of the lessor. Monthly lease payments from the Company to Kerry Acquisitions, LLC are $136,000. These monthly sublease payments are used to fund financing costs paid by Kerry Acquisitions, LLC, to a leasing company.

Pursuant to a Sublease Agreement entered into on May 19, 2008, the Company subleases a Dassault Falcon 900B aircraft from Trishan Air, LLC, a company wholly owned by the Sorensen Trust. The Company remits monthly payments of approximately $139,000 directly to Trishan Air, LLC.

Both aircraft are leased by Trishan Air, Inc., Trishan Air, LLC, or an affiliate of the Trishan entities. The monthly lease payments remitted by the Company to the Trishan entities are passed through the Trishan entities to the ultimate owners and lessors of the aircraft. Any claims arising under these lease and sublease agreements, including any claims arising from or relating to the termination of such agreements, will be paid by the Company in the ordinary course as a Class 7 – General Unsecured Claim.

**7. Office/ Residential Leases**

As of December 29, 2013, the Company leased 14 office spaces and residential property from affiliated entities of The Sorensen Trust. Three of the premises are used for office branches, one is a condominium used for recruiting events and IT data servers, one is a ski in/ski out house in Park City, Utah used personally and for client entertaining, and one is a Santa Barbara townhome used to house entry level employees. The total monthly rental obligations under these leases are approximately $260,000 per month, and the expiration dates for these leases range to

2018. For the years ended December 29, 2013 and December 30, 2012, rents of approximately $3,052,318 and $3,065,000, respectively, were paid to these affiliated entities. Certain of these leases will be modified as set forth in greater detail in the Lease Amendments attached to the Plan as Exhibit J.

**8. Services Provided Among Related Entities**

The Company has trade and other receivables from affiliates of the principal shareholder (unrelated to the business of the Company) which arose primarily out of (a) the placement of employees of the Company with such entities or (b) payments made by the Company to cover the costs of operations of such affiliates. None of the entities are currently using services of the Company, and the Company is not currently providing any payments to fund the operations of these entities. As part of the company's year-end review process of its accounts receivable, it has determined that the balance due from Trishan Air of approximately $10 million should be removed and written off, as this amount will be satisfied upon disposition of the related aircraft. Further, as part of the Company's year-end review of its accounts receivable, it has determined certain other balances totaling $914,500, not intended to be included in the assets of the ongoing operation, have been written off. Accordingly, the Company has scheduled that such balances, as set forth in more detail in Schedule 2 to the Plan, be written down to zero.

On the Effective Date, as part of the restructuring, any claims arising under or in connection with receivables owed by entities that are owned or controlled by the Consenting Equity Holder, or otherwise affiliated with the Company shall be treated as set forth in Schedule 2 to the Plan.

**9. Other Related Party Transactions**

The Company borrowed $1,000,000 in November 2009 from a relative of the Company's principal shareholder. Interest of 10% is payable in arrears monthly. The first interest payment was due on December 1, 2009, and the final payment for interest and principal was due January 15, 2010 and has not been paid or extended. As of December 29, 2013, the unpaid principal balance was $600,000. On the Effective Date, as part of the restructuring, any claims arising under or in connection with such note will be converted to New Common Stock as described on Exhibit G.

The Company borrowed $2,000,000 in November 2009 from Aurora Pacific Insurance, Inc., an insurance company controlled by the Company's principal shareholder. Interest of 10% is payable in arrears monthly. All principal and interest was due on March 15, 2010 and has not been paid. In June 2010, the note was transferred from Aurora Pacific Insurance, Inc. to Battle Mountain Specialty Insurance Company, another affiliated entity associated with a family member of the principal shareholder. Under the new agreement with Battle Mountain Specialty Insurance Company, the final payment was due December 1, 2010 and has not been paid or extended. On the Effective Date, as part of the restructuring, any claims arising under or in connection with such note will be converted to New Common Stock as described on Exhibit G.

From time to time, the Company makes advances to or payments on behalf of its principal shareholders. Certain amounts are recorded as notes receivables from shareholders.

The note from Par Alma, a limited liability company wholly owned by the Company's principal shareholder, carries an interest rate of 4.95%, and requires annual interest payments with all principal due on the maturity date of July 12, 2016. As of December 29, 2013 and December 30, 2012, the balance of the note receivable from Par Alma totaled approximately $47,245,000 and $47,245,000, respectively. Par Alma does not have any assets and the ability to collect amounts owed by Par Alma are uncertain. On the Effective Date, as part of the restructuring, any claims arising under or in connection with the note from Par Alma will be released, waived, and discharged.

The Company has provided certain financing and guaranteed certain obligations for staffing companies servicing government and commercial businesses. Further details regarding such financing payments and guarantee obligations made by the Company are set forth in the historical financial statements attached hereto as Exhibits D and E.

## F. LITIGATION CLAIMS AND SCIF SETTLEMENT

On May 20, 2009, the State Compensation Insurance Fund ("SCIF") filed an action against Select Personnel Service, Inc. ("SPS"), and other entities, entitled *State Compensation Insurance Fund v. Onvoi Business Solutions, Inc. et al.*, Case No. CGC 07-470352, in the Superior Court of the State of California, County of San Francisco (the "State Court Action"). SCIF alleged, among other things, fraud in connection with the submission of workers' compensation claims of SPS employees under the workers' compensation policies of other entities which paid lower premiums for such coverage than SPS otherwise would have independently.

On September 1, 2011, after a jury trial, the California Superior Court entered a judgment in favor of SCIF in the amount of $50,779,165 (the "SCIF Judgment"), which included a substantial award of prejudgment interest and $2,000,000 in punitive damages**.** Both SCIF and SPS appealed from the SCIF Judgment. SCIF's appeal sought to increase the SCIF Judgment by up to $300,000,000 based on a statutory damages multiplier.

On November 16, 2011, SCIF filed a Motion to Amend the Judgment ("Motion to Amend"). Pursuant to the Motion to Amend, SCIF was attempting to extend the judgment to parties who were not originally named in the State Court Lawsuit, including, but not limited to, SPS's parent company and its CEO.

On November 7, 2011, SCIF commenced a separate lawsuit against, *inter alia*, SPS, Koosharem, LLC, their CEO, and certain of their affiliates and related parties, in the United States District Court, Central District of California, in Los Angeles in a case entitled *State Compensation Fund v. Koosharem, LLC, et al.*, Case No. CV11-9233-MMM (Ex) (the "Federal Lawsuit"). In the Federal Lawsuit, SCIF contended that the defendants were liable under Civil RICO for essentially the same conduct that gave rise to the SCIF Judgment. SCIF also asserted certain state law fraudulent transfer claims.

During the course of the months that followed the filing of the Federal Lawsuit and the Motion to Amend, SCIF and the Company, among other things, entered into several forbearance agreements with respect to the Motion to Amend in the State Court Action, the Federal Court

Action and the Appeals, the last of which ended effective October 1, 2012. The Company and SCIF later agreed to settle the SCIF Judgment in a reduced amount of $25,000,000, which amount has been reduced to $22,900,000 as of December 29, 2013 by way of certain principal paydowns pursuant to the parties' settlement agreement.

The Company is also involved in various claims and litigation arising principally in the ordinary course of business. Such claims and litigation involve, among other issues, employer related litigation, contract, workers' compensation insurance and subrogation matters.

## G. EVENTS LEADING TO THE PROPOSAL OF PLAN AND POTENTIAL CHAPTER 11 FILING

Since unemployment rates and labor productivity both have a large impact on a firm's hiring rate, the staffing market is highly correlated with GDP growth and therefore strongly influenced by economic cycles. The economic slowdown that began in 2007 depressed demand for both permanent and temporary staffing. To cope with the economic downturn and the liquidity issues it was facing, the Company entered into a definitive agreement and plan of merger in December of 2009 with Atlas Acquisition Holding Corporation, a special purpose acquisition company, or SPAC, established in January of 2008. However, the agreement failed to receive approval from the SPAC shareholders in early 2010 and that entity was liquidated.

In light of the continuing economic turbulence and its liquidity position at that point, in May of 2010 the Company was not able to deliver audited financial statements to its Prepetition Secured Lenders for fiscal year 2009, as required under the terms of the Prepetition Secured Loan Agreements. Since that date the Company has been in default under the Prepetition Secured Loan Agreements and the Company has continued to suffer from the effects of the economic downturn. Accordingly, the Company and the Prepetition Secured Lenders began to work towards a resolution of the defaults which had already occurred and that were anticipated to occur in the near future, and to implement a comprehensive restructuring of the Company's debt.

### 1. Prepetition Forbearance Agreements

On November 19, 2012, the Company entered into the First Forbearance Agreement with two-thirds of its lenders under both Prepetition Secured Loans. The First Forbearance Agreement provided for a forbearance by the lenders under the Prepetition Secured Loans of their remedies under the applicable loan documents for a specified period of time in order for the Company to provide for the refinancing of its debt through the combination of debt financing and the sale of equity and assets. The First Forbearance Agreement provided for differing levels of debt payoffs based on the total value of the financing obtained. The First Forbearance Agreement was extended on May 6, 2013 and expired by its terms on May 31, 2013.

On July 12, 2013, the Company entered into the Second Forbearance Agreement with two-thirds of its lenders under both Prepetition Secured Loans. The Second Forbearance Agreement provided for a forbearance by the lenders under the Prepetition Secured Loans of their remedies under the applicable loan documents for a specified period of time in order for the Company to provide for the refinancing of its debt through the combination of debt financing

and the sale of equity and assets. The Second Forbearance Agreement provided for differing levels of debt payoffs based on the total value of the financing obtained. The Second Forbearance Agreement expired by its terms on August 9, 2013. Since the expiration of the Second Forbearance Agreement, the Prepetition Agents have been forbearing on a day-to-day basis and have reserved all of the rights and remedies available to them as a result of the existing events of default under the Prepetition First Lien Credit Agreement and the Prepetition Second Lien Credit Agreement, as applicable.

**2. Evaluation of Strategic Alternatives; Restructuring Preparations**

The Company began the process culminating in the current Plan in October of 2012. Through Goldman Sachs, its financial advisor, the Company contacted approximately 94 parties to explore potential acquisition scenarios. These parties included strategic buyers and financial sponsors, both domestic and international. Following this outreach, 46 of these parties signed non-disclosure agreements and were granted access to information about the Company. On January 24, 2013, six initial indications of interest were received. The Company chose not to proceed with three of these parties as two of them required exclusivity and the other did not provide a competitive bid from a valuation perspective. After January 24, 2013, during the due diligence stage, two additional parties entered the process after providing competitive bid indications.

On April 8, 2013, three second round indications were received from the five parties remaining in the process. The other two parties chose not to proceed after they determined that their bids would not be competitive. The Company presented the bids to the Lenders in May pursuant to the terms of the First Forbearance Agreement and continued to work with the parties to develop the bids following feedback from the Lenders.

By August, the sale process had narrowed to a single party ("Party A"). The Company determined, however, that the proposal advanced by Party A was uncertain and was not viable because, among other concerns:

- Party A refused to finalize certain key transaction terms without further significant due diligence, which Party A refused to complete without substantial expense reimbursement and the Company's agreement to deal exclusively with Party A;
- Party A's proposal contemplated a contemporaneous combination of the Company with one of its competitors, and Party A was unwilling to provide the Company with information relating to that combination or the conditionality associated with it; and
- Party A's proposal had failed to obtain support from the largest holders of the Company's debt.

Given the lack of viable purchasers, the Debtors were unable to complete a sale transaction which met the various criteria (including, among other things, meeting or exceeding the target sale price) set forth in the First Forbearance Agreement and the Second Forbearance Agreement. In July, 2013, a subset of Lenders advised the Company of their intent to develop a proposal for a standalone restructuring (the "Creditor-Led Plan"), which is outlined in the Plan.

Since September, 2013, the Company has worked to implement the Creditor-Led Plan through either an out of court workout or a pre-packaged chapter 11 plan. A minority of the prepetition lenders did not support the Creditor-Led Plan, and on December 16, 2013 commenced a lawsuit[8] against the Company's principal shareholder – D. Stephen Sorensen – alleging that Sorensen breached his fiduciary duty by proceeding with the Creditor-Led Plan in light of the alternative offers and threatened to commence involuntary bankruptcy proceedings against the Debtors pre-petition.

The Company also received a proposal on February 25, 2014 regarding a potential alternative transaction involving an acquisition of the Company by a publicly-traded special purpose acquisition corporation (the "SPAC Proposal"). The SPAC Proposal is described in detail on slides 12-13 of the Disclosure Statement Supplemental Materials. Although the SPAC Proposal includes a headline price and recoveries which purport to be higher than those provided by the Creditor-Led Plan, the Company's advisors have concluded that it is highly unlikely such recoveries would actually be achievable, for a number of reasons, including: a) the lack of creditor support for the SPAC Proposal, b) the likelihood that the SPAC Proposal cannot be consummated before September 30, 2014, c) the substantial diminution of recoveries available to creditors under the SPAC Proposal due to increasing liabilities and obligations during the delay in consummation of the transaction, and d) the material risks to closure of the transaction outlined in the SPAC Proposal. For these reasons, it is the opinion of the Debtors that the Creditor-Led Plan, as described in this Disclosure Statement, is preferable to this or any proposed alternative restructuring transaction.

## H. RESTRUCTURING SUPPORT AGREEMENT

### 1. Lender RSA[9]

The Company has entered into the Lender RSA with certain holders of outstanding Prepetition First Lien Loan Claims as well as certain holders of outstanding Prepetition Second Lien Loan Claims. Pursuant to the Lender RSA, each Participating Lender agreed to exercise all votes to which it is entitled subject to the Lender RSA to accept the Plan. A copy of the Lender RSA is attached to the Plan as Exhibit B thereto. Further information regarding certain termination events are set forth in the Lender RSA and in Article IV.A.10 below.

Nothing in the Lender RSA shall require the Companies or their affiliated entities or any of their respective directors or officers (in such person's capacity as a director or officer) to take any action, or to refrain from taking any action, to the extent that taking such action or refraining from taking such action would be inconsistent with such person's fiduciary obligations under applicable law.

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[8] *Bowery Opportunity Fund, L.P., et al v. Sorensen*, Case No. CV-19275(C.D. Cal) (the "Bowery Complaint"). The Company and D. Stephen Sorensen vigorously dispute the allegations in the Bowery Complaint.

[9] Capitalized terms used in this Article II.H.1 without other definitions have the meanings assigned to those terms in the Lender RSA.

### 2. Proposed DIP Financing and Use of Cash Collateral[10]

A critical goal of the Debtors' business stabilization efforts was to ensure the Debtors maintain sufficient liquidity to operate their businesses during the pendency of the Chapter 11 Cases. Therefore, the Debtors negotiated a term sheet with the DIP Lenders as to the terms of the proposed debtor-in-possession financing facility. The Debtors do not believe they would have been able to obtain postpetition financing or other financing accommodations from any prospective lender or group of lenders on more favorable terms and conditions than those contained in the DIP Facility and described below. Specifically, the Debtors are unable to obtain debtor-in-possession financing without providing senior priming liens. The DIP Facility was negotiated in good faith and at arm's length, extensively and diligently considered by the Debtors' management and submitted to the Parent board of directors for approval. The management of the Debtors believes that the proposed terms of the DIP Facility are fair and reasonable in light of current market conditions (particularly the lack of a ready market for any financing, including debtor-in-possession financing) and will be in the best interests of the Debtors' Estates.

On the Petition Date, the Debtors intend to file a motion seeking approval of the DIP Facility. In this motion, the Debtors will seek permission from the Court to enter into the DIP Facility among all Debtors, the DIP Agent and the other DIP Lenders. The DIP Facility will grant super-priority administrative claim status to the Debtors' obligations under the DIP Facility, and to grant first priority priming liens on substantially all of the properties and assets of Parent and the other Debtors, to secure those obligations. A copy of the DIP Term Sheet is attached hereto as Exhibit H.

As adequate protection of the interests of the Prepetition Agents, the Prepetition First Lien Lenders, and the Prepetition Second Lien Lenders in the prepetition collateral against any diminution in value of such interests, the Debtors propose to grant to the Prepetition First Lien Agent, for the benefit of itself and the Prepetition First Lien Lenders, the senior adequate protection lien and the senior superpriority claim. The Debtors also propose to grant to the Prepetition Second Lien Agent, for the benefit of itself and the Prepetition Second Lien Lenders, the junior adequate protection lien and the junior superpriority claim. All intercompany liens of the Debtors and other Obligors, if any (other than any liens securing the Prepetition Facilities), will be contractually subordinated to the DIP Facility and to the adequate protection on terms satisfactory to the DIP Lenders.

The financing to be provided under the DIP Facility and the use of Cash Collateral during the pendency of the Chapter 11 Cases will allow the Debtors to, among other things: (a) continue to operate their businesses in an orderly manner; (b) maintain their valuable relationships with vendors, shippers, suppliers, customers and employees; (c) pay various interest, fees and expenses under the DIP Facility; and (d) support the Debtors' working capital, general corporate and overall operational needs - all of which are necessary to preserve and maintain the going-concern value of the Debtors' businesses and, ultimately, help ensure a successful reorganization.

[10] Capitalized terms used herein and not otherwise defined in the Disclosure Statement or in the Plan shall have the meanings ascribed thereto in the DIP Term Sheet.

### 3. Employment of Advisors

To assist the Debtors in carrying out their duties as debtors in possession and to otherwise represent the Debtors' interests in the potential Chapter 11 Cases, the Debtors will file applications seeking authorization to retain and employ certain advisors, whose terms of retention will be subject to approval by the Bankruptcy Court including: (a) Alix Partners and certain of its affiliates as financial advisors to the Debtors; (b) Goldman Sachs and certain of its affiliates as investment banker to the Debtors; (c) Pachulski, Stang, Ziehl & Jones LLP as general insolvency co-counsel to the Debtors; (d) Skadden, Arps, Slate, Meagher, & Flom LLP as general insolvency co-counsel to the Debtors; and (e) FTI Consulting, Inc. as operational performance advisors to the Debtors.

### 4. First-Day Motions for Relief to Enable the Debtors to Continue Operating their Businesses

The Debtors intend to file the first-day motions listed below:[11]

(a) Joint Creditor Matrix Motion – Debtors' Motion for Entry of an Order Authorizing the Debtors to Prepare a Single List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each Debtor;

(b) Joint Administration Motion – Debtors' Motion for Order Directing Joint Administration of Related Chapter 11 Cases for Procedural Purposes Only;

(c) Utilities Motion – Motion of the Debtors for an Order Under Section 366 of the Bankruptcy Code (A) Prohibiting Utility Providers From Altering, Refusing or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment;

(d) Sales and Use Tax Motion – Motion of the Debtors for Entry of an Order (I) Authorizing, But Not Requiring, the Debtors to Remit and Pay Certain Prepetition Sales and Use and Similar Taxes in the Ordinary Course of Business, and (II) Authorizing Banks and Financial Institutions to Honor and Process Checks and Transfers Related Thereto;

(e) Customer Programs Motion – Motion for Entry of an Order Pursuant to Sections 105(a), 363(c), 1107(a), and 1108 of the Bankruptcy Code Authorizing the Debtors to Honor Prepetition Obligations to Customers and to Otherwise Continue Customer Practices and Programs in the Ordinary Course of Business;

(f) Claims Agent Retention Motion – Application of Debtors Pursuant to 28 U.S.C. § 156(c) and Local Rule 2002-1(f) for an Order Authorizing the Retention of

[11] This list is for illustrative purposes only. The Debtors reserve their rights not to file all of the motions listed below and/or to file additional motions and applications, in their discretion.

Kurtzman Carson Consultants LLC as Claims and Noticing Agent for the Debtors, Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. § 105(a) and LBR 2002-1(f);

(g) Cash Management Motion – Motion of Debtors for Order Under Sections 105, 363, 503(b), 1107 and 1108 of the Bankruptcy Code Authorizing (I) Maintenance of Existing Bank Accounts, (II) Continued Use of Existing Business Forms, (III) Continued Use of Existing Cash Management System, and (IV) Continued Performance of Intercompany Transactions and Providing Administrative Priority Status to Postpetition Intercompany Claims;

(h) Employee Benefits Motion – Debtors' Motion Pursuant to Bankruptcy Code Sections 105(a), 362, 363, and 507(a) for an Order Authorizing the Debtors to (I) Pay and/or Honor Prepetition Wages, Salaries, Employee Benefits, and Other Compensation; (II) Remit Withholding Obligations; (III) Maintain Employee Compensation and Benefits Programs and Pay Related Administrative Obligations; and (IV) Have Applicable Banks and Other Financial Institutions Receive, Process, Honor, and Pay Certain Checks Presented for Payment and Honor Certain Fund Transfer Requests;

(i) Insurance Premium Financing Motion – Motion of the Debtors for Order Under Sections 105, 361, 362, 363, 364 1107 and 1108 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 6003: (A) Authorizing the Debtors to (I) Maintain and Renew Existing Insurance Policies; (II) Continue Insurance Premium Financing Programs, (III) Pay Insurance Premium Financing Obligations Arising Thereunder, and (B) Authorizing Financial Institutions to Honor All Obligations Related Thereto;

(j) Critical Vendors Motion – Motion of Debtors Pursuant to Sections 105(a) and 363 of Bankruptcy Code for Order Authorizing (I) Debtors to Pay Prepetition Claims of Unimpaired Creditors Not Covered in Other First Day Motions in the Ordinary Course of Business and (II) Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers;

(k) DIP Financing/Cash Collateral Motion – Debtors' Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Interim Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e) and 507, (II) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (III) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, 364 and 507, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001;

(l) Employment Application for Administrative Agent – Application of the Debtors Pursuant to 11 U.S.C. § 327(a) and Fed. R. Bankr. P. 2014 for Authorization to Employ and Retain Kurtzman Carson Consultants LLC as Administrative Agent, Nunc Pro Tunc to the Petition Date;

(m) Employment Applications for Professionals;

(n) Motion of Debtors for an Order Authorizing the Debtors to (I) Assume the Restructuring Support Agreement with Certain Secured Lenders, (II) Pay and Reimburse Related Fees and Expenses, and (III) Assume the Sorensen Support Agreement;

(o) Motion of Debtors for Order Authorizing (I) Assumption of Backstop Agreement, (II) Payment of Related Fees and Expenses, and (III) Indemnification of Backstop Parties; and

(p) Motion for Entry of an Order (A) Scheduling Combined Hearing to Consider Aprpoval of Disclosure Statement and Prepackaged Plan; (B) Establishing Deadline for Objections to the Plan and Disclosure Statement; (C) Approving Solicitation Procedures; and (D) Granting Related Relief.

These motions, if granted, will enable the Debtors, among other things, to;

- pay prepetition obligations to vendors in respect of prepetition obligations so that sales may continue in the ordinary course of business;
- determine adequate assurance for future utility service and establish procedures for utility providers to object to such assurance;
- pay prepetition insurance obligations and to continue insurance coverage;
- maintain customer care programs;
- maintain existing bank accounts, continue operation of their existing cash management system;
- continue to operate and satisfy trade claims in the ordinary course of business; and
- remit and pay certain prepetition taxes and fees.

## I. REORGANIZATION STRATEGY

### 1. Enhancing the Debtors' Business Operations

With the assistance of their advisors, the Debtors have been focused on developing and executing a reorganization strategy to (a) maximize the value of their Estates, (b) address the factors that led to the bankruptcy filing, and (c) enable the Debtors to emerge from chapter 11 a stronger, more viable company. Specifically, this reorganization strategy is primarily (though not exclusively) focused on restructuring the Debtors' balance sheet and emerging from chapter 11 with a long-term capital structure conducive to future profitability.

### 2. Appropriate Capital Structure, Conversion of Debt and Rights Offering

As of April 1, 2014, the Debtors will have outstanding debt in an aggregate amount, including accrued interest, of approximately $651 million. Upon emergence from chapter 11, the Reorganized Debtors expect to have outstanding debt in an aggregate principal amount of approximately $350 million. Accordingly, the Reorganized Debtors will have a significantly deleveraged and improved balance sheet and a more appropriate capital structure. These improvements will result from (i) the conversion of approximately $492 million in the aggregate principal amount of Prepetition First Lien Loan Claims (calculated as of April 1, 2014) into $365 million in Cash and Subscription Rights for New Common Stock of Reorganized Parent, (ii) the conversion of approximately $159 million in the aggregate principal amount of Prepetition Second Lien Loan Claims (calculated as of April 1, 2014) into $12 million in Cash and New Warrants, and (iii) the issuance and sale for $225 million in Cash of New Common Stock of Reorganized Parent in the Rights Offering and pursuant to the Backstop Agreement. In addition to the reduction of leverage of the Reorganized Debtors upon emergence from chapter 11, the Reorganized Debtors also expect to benefit from an annual decrease in total credit facility interest expense obligations of approximately $30 million, subject to Article IV.A.11 hereof, which sets forth certain risk factors relating to pricing, commitments, and other issues relating to the Reorganized Debtors' proposed exit financing.

## J. EXCLUSIVE PERIOD FOR FILING A PLAN AND SOLICITING VOTES

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief. If a debtor files a plan within this exclusive period, then the debtor has the exclusive right for 180 days from the Petition Date to solicit acceptances to the plan. During these exclusive periods, no other party in interest may file a competing plan of reorganization; however, a court may extend these periods upon request of a party in interest and "for cause."

## K. SUMMARY OF THE RIGHTS OFFERING AND BACKSTOP COMMITMENT

As described below, the Debtors intend to offer all Eligible Participants the opportunity to participate in the Rights Offering. However, it is possible that the Debtors will be unable to obtain sufficient commitments from the Eligible Participants to purchase all of the Rights Offering Securities for the full Rights Offering Purchase Price. Accordingly, to ensure the successful consummation of the Rights Offering, and the receipt by the Company of the Rights Offering Purchase Price in Cash, subject to entry of the Backstop Agreement Assumption Order by the Bankruptcy Court, the Backstop Investors have agreed to "backstop" the Rights Offering and purchase any and all of the shares of New Common Stock that are not subscribed for upon the subscription expiration date. The Backstop Investors are those certain parties who are signatories to the Backstop Agreement, their respective affiliates, or any permitted assignee under the Backstop Agreement.

In consideration for entry into the Backstop Agreement, the Debtors have agreed, pursuant to Section 6 of the Backstop Agreement, to indemnify the Backstop Investors (and their respective successors and assigns, their respective affiliates, and the officers, directors, managing

directors, employees, agents, members, partners, managers, advisors, controlling persons, attorneys, investment bankers and financial advisors of any of the foregoing (each, an "Indemnified Person")) from and against any and all losses, claims, damages and liabilities and reasonable fees and expenses, joint or several, to which any such Indemnified Person may become subject arising out of or in connection with (i) any third party claim, challenge, litigation, investigation or proceeding with respect to the Rights Offering or the Backstop Agreement, (ii) any breach by the Company of the Backstop Agreement, or (iii) or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, and to reimburse each Indemnified Person upon demand for any legal or other costs and expenses incurred in connection with investigating or defending, participating or testifying in any of the foregoing; provided, however, that the foregoing indemnity will not, as to any Indemnified Person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court to have been incurred as a direct result of the willful misconduct, bad faith or gross negligence of such Indemnified Person. The Debtors have committed to seek approval of the Rights Offering and Backstop Agreement by filing motions to approve these transactions, after they commence their Chapter 11 Cases. The Debtors will also seek approval of the procedures described below with respect to the Rights Offering.

(i) Rights Offering Record Date: March 20, 2014.

(ii) Issuance of Rights: Each Eligible Participant may subscribe to buy its Pro Rata share of the Rights Offering Securities. Each Rights Offering Purchaser that pays its share of the Rights Offering Purchase Price will receive Rights Offering Securities in the proportion that such Rights' Offering Purchaser's purchase price bears to the entire Rights Offering Purchase Price.

(iii) Rights Offering Purchase Price: Means $175.0 million in Cash for the Rights Offering Securities. When used with respect to a particular Rights Offering Purchaser, an amount of Cash equal to $175.0 million of the Rights Offering Purchase Price multiplied by such Rights Offering Purchaser's subscribed-for portion of the Rights Offering Securities.

(iv) Backstop Commitment: Each Backstop Investor will commit to fund: (a) an amount of Cash equal to $50.0 million multiplied by such Backstop Investor's Backstop Proportion; and (b) an amount of Cash equal to the Rights Offering Purchase Price of all of the Rights Offering Securities that are eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that are not subscribed for by such Prepetition First Lien Lenders multiplied by such Backstop Investor's Backstop Proportion.

(iv) Stockholders Agreement: Each Rights Offering Purchaser and Backstop Investor must execute the Stockholders Agreement prior to receiving any Rights Offering Securities or New Common Stock.

(v) No Assignment; No Oversubscription Rights: Except as set forth in the Backstop Agreement, the Subscription Rights cannot be assigned by the Eligible Participants, and no Eligible Participant will have oversubscription rights. Any impermissible assignment or attempted assignment will be null and void. Once an Eligible Participant has exercised any of its Subscription Rights by properly executing and delivering Subscription Documents to the Debtors or other Entity specified in the Subscription Documents, such exercise may only be revoked, rescinded or annulled in the sole discretion of the Debtors or Reorganized Debtors or as provided in the Backstop Agreement.

(vi) Validity of Exercise of Subscription Rights: All questions concerning the timeliness, validity, form, and eligibility of any exercise, or purported exercise, of Subscription Rights shall be determined by the Debtors. The Debtors, in their discretion reasonably exercised in good faith, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as they may determine, or reject the purported exercise of any Subscription Rights. The Subscription Documents shall be deemed not to have been received or accepted until all irregularities have been waived or cured within such time as the Debtors determine in their discretion reasonably exercised in good faith. The Debtors will use commercially reasonable efforts to give written notice to any Eligible Participant regarding any defect or irregularity in connection with any purported exercise of Subscription Rights by such Person and may permit such defect or irregularity to be cured within such time as they may determine in good faith to be appropriate; provided, however, that neither the Debtors, Reorganized Debtors, nor any of their Related Persons shall incur any liability for giving, or failing to give, such notification and opportunity to cure.

## L. SUMMARY OF CERTAIN EMPLOYMENT AGREEMENTS

The Plan provides that the Company will enter into a three-year employment contract with D. Stephen Sorensen, providing for $650,000 annual salary. Mr. Sorensen will be eligible for performance bonuses not to exceed 200% of the annual salary on the basis of actual performance relative to specific, pre-determined performance goals developed by the compensation committee appointed by the New Board within the first three months of each calendar year, which goals shall be the same as goals for other senior executives. Mr. Sorensen will also be eligible for retention payments during the three-year term of $500,000 annually. Mr. Sorensen will be entitled to receive certain restricted stock, severance payments, other stock options and other benefits as set forth in the Employment Agreement attached as Exhibit H to the Plan.

On the Effective Date of the restructuring, Reorganized Parent will commit to retain certain current employees of the Debtors who are related to the principal shareholder as employees of the Debtors or one or more of their subsidiaries, and to receive annual salaries in the aggregate annual amount of approximately $340,000, until the earlier of (i) the third

anniversary of the Effective Date and (ii) the occurrence of certain liquidity events. In order to remain employed under this arrangement, each such person must continue to provide substantially the same or greater services to Reorganized Parent and its subsidiaries that have been provided prior to the Effective Date.

## M. SUMMARY OF THE EQUITY CAPITALIZATION OF REORGANIZED PARENT

The post-emergence equity capitalization of Reorganized Parent on a pro forma basis is set forth in Exhibit G hereto. Exhibit G gives effect to the transactions contemplated by the Plan, including the initial distributions of New Common Stock pursuant to the Rights Offering, the Backstop Agreement, the DRV Purchase Agreement, and the Sorensen Support Agreement. Exhibit G also sets forth the dilution effected by all of the issuances under the Plan, including the exercise of New Warrants under the Plan, the issuance of New Common Stock under the Management Incentive Plan. The share numbers set forth in Exhibit G are provided for illustrative purposes only, and such numbers may be adjusted proportionally based upon changes to the assumed share issue price.

## N. SUMMARY OF POST-EMERGENCE FINANCING OF REORGANIZED DEBTORS

### 1. Post-Emergence Term Loan Agreement

The Debtors have engaged Credit Suisse AG to arrange a senior secured term loan facility in an aggregate principal amount of up to $350 million with a maturity date of six years from closing. Obligations under this facility will be guaranteed by each of the Debtors other than the Borrower (other than immaterial entities), in addition to certain other entities (together with the Borrower, the "loan parties"). This facility will be secured by a first priority lien on substantially all assets (subject to customary exceptions) of the loan parties that are not secured by a first priority lien under the Post-Emergence ABL Loan Agreement, along with a second priority lien on substantially all assets of the loan parties that are secured by a first priority lien under the Post-Emergence ABL Loan Agreement.

This facility shall be subject to customary conditions and contain customary representations, warranties, covenants and events of default for facilities of this type. The facility shall also contain customary expense reimbursement and indemnification provisions and shall be governed by New York law. The interest rates under this facility will be, at the option of the Borrower, adjusted LIBOR plus an additional percentage at a market rate, or ABR plus an additional percentage at a market rate. In addition, loans under this facility may be issued at an original issue discount.

This financing is not committed. There are no assurances that this financing will be consummated or, if consummated, that actual terms will not be less favorable than those disclosed herein or assumed in the projection. Please see the risk factor outlined in Article IV.A.11.

### 2. Post-Emergence ABL Loan Agreement

The Debtors have engaged Royal Bank of Canada to arrange an asset-based revolving credit facility in an aggregate principal amount of $120 million with a maturity date of five years from closing. This facility will also provide for the issuance of letters of credit and for swingline borrowing. Obligations under this facility will be guaranteed by each of the loan parties other than the borrowers thereunder. This facility will be secured by a first priority lien on substantially all accounts, inventory, chattel paper, deposit accounts and certain other assets relating to the foregoing (subject to customary exceptions) of the loan parties, along with a second priority lien on substantially all assets of the loan parties that are secured by a first priority lien under the Post-Emergence Term Loan Agreement.

This facility shall contain customary representations, warranties, covenants and events of default for facilities of this type. The facility shall also contain customary expense reimbursement and indemnification provisions and shall be governed by New York law. The interest rates under this facility will be, at the option of the Borrower, adjusted LIBOR plus an additional percentage at a market rate pegged to excess availability under the facility, or ABR plus an additional percentage at a market rate pegged to excess availability under the facility. In addition to other fees customary for facilities of this type, unused borrowing availability will be subject to an unused line fee at a market rate.

This financing is not committed. There are no assurances that this financing will be consummated or, if consummated, that actual terms will not be less favorable than those disclosed herein or assumed in the projection. Please see the risk factor outlined in Article IV.A.11.

## ARTICLE III
## SUMMARY OF THE PLAN

**THIS ARTICLE III IS INTENDED ONLY TO PROVIDE A SUMMARY OF THE MATERIAL TERMS OF THE PLAN AND IS QUALIFIED BY REFERENCE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN AND SHOULD NOT BE RELIED ON FOR A COMPREHENSIVE DISCUSSION OF THE PLAN. TO THE EXTENT THERE ARE ANY INCONSISTENCIES OR CONFLICTS BETWEEN THIS ARTICLE III AND THE PLAN, THE TERMS AND CONDITIONS SET FORTH IN THE PLAN SHALL CONTROL AND GOVERN**

## A. ADMINISTRATIVE, DIP FACILITY AND PRIORITY TAX CLAIMS

### 1. Administrative Claims

Subject to sub-paragraph (a) below, on the later of the Effective Date or the date on which an Administrative Claim becomes an Allowed Administrative Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim

either (i) payment in full in Cash for the unpaid portion of such Allowed Administrative Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that Administrative Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtors or Reorganized Debtors in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

(a) Professional Compensation and Reimbursement Claims

*Professional Fee Claims*. Professionals or other Entities asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Reorganized Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Professional Fee Claim; provided that the Reorganized Debtors will pay Professionals in the ordinary course of business for any work performed after the Effective Date, including those fees and expenses incurred by Professionals in connection with the implementation and consummation of the Plan, in each case without further application or notice to or order of the Bankruptcy Court; provided, further, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professionals Order. Objections to any Professional Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 60 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of the Professional Fee Claim.

*Professional Fee Escrow Account*. On the Effective Date, the Debtors shall establish the Professional Fee Escrow Account and fund such account with Cash equal to the Professional Fee Reserve Amount. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Each Holder of an Allowed Professional Fee Claim will be paid by the Reorganized Debtors in Cash from the Professional Fee Escrow Account within five (5) Business Days of entry of the order approving such Allowed Professional Fee Claim. If the Professional Fee Escrow Account is depleted, each Holder of an Allowed Professional Fee Claim will be paid the full amount of such Allowed Professional Fee Claim by the Reorganized Debtors in Cash within five (5) Business Days of entry of the order approving such Allowed Professional Fee Claim. All amounts remaining in the Professional Fee Escrow Account after all Allowed Professional Fee Claims have been paid in full shall revert to the Debtors and be distributed pursuant to the Plan.

*Professional Fee Reserve Amount*. Prior to the Effective Date, the Professionals have provided good faith estimates of their Professional Fee Claims through the Effective Date for the purpose of determining the amount held in the Professional Fee Escrow Account and have deliver such estimates to the Debtors. If a Professional has not provided such an estimate, the Debtors may, in their reasonable discretion, estimate the Professional Fee Claims of such Professional for the purpose of determining the amount held in the Professional Fee Escrow Account.

*Transaction Expenses, DIP Agent Fees and Expenses, DIP Lenders' Fees and Expenses.* The Transaction Expenses and the reasonable fees and expenses, including the reasonable fees and expenses of attorneys or financial advisors, incurred by the Backstop Investors, the Prepetition Agents, the DIP Agent's, the DIP Lenders' and the Steering Committee members' professionals will be paid as administrative expenses as set forth in any applicable orders entered by the Bankruptcy Court or in the ordinary course or pursuant to the Backstop Agreement or the Lender RSA, as the case may be. Nothing herein shall require any professionals, including the Prepetition First Lien Agent Professionals, the Prepetition Second Lien Agent Professionals, other parties entitled to be paid its Transaction Expenses, DIP Agent fees and expenses, DIP Lenders' fees and expenses, or Prepetition Agents' fees and expenses, to file an application with, or otherwise seek approval of, the Bankruptcy Court as a condition precedent to the payment of such fees and expenses.

**2. DIP Facility Claims**

Unless otherwise agreed to by the DIP Lenders, the Allowed DIP Facility Claims will be indefeasibly paid and satisfied in full in Cash on the Effective Date in full satisfaction, settlement, discharge and release of, and in exchange for, such DIP Facility Claims in accordance with any applicable order entered by the Bankruptcy Court. Upon indefeasible payment and satisfaction in full of all Allowed DIP Facility Claims, the DIP Facility Secured Loan Agreement as well as all related and ancillary documents thereto, and all Liens and security interests granted to secure the DIP Facility Claims, will be immediately terminated, extinguished and released, and the DIP Agent will promptly execute and deliver to the Reorganized Debtors, at the Reorganized Debtors' sole cost and expense, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Reorganized Debtors. Notwithstanding the above, any indemnity provisions contained in any agreement or related document in connection with the DIP Facility will survive such termination, release and satisfaction in the manner and to the extent set forth therein.

**3. Priority Tax Claims**

On or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or prior to the Effective Date will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtors or Reorganized Debtors: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; or (b) such other less favorable treatment as agreed to in writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that such parties may further agree for the payment of such Allowed Priority Tax Claim at a later date. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree or order converting or dismissing the Chapter 11 Cases provided, however, that the Debtors may prepay any or all such Claims at any time, without premium or penalty.

**B. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**1. Summary**

The Plan is a single plan of reorganization for the jointly administered Chapter 11 Cases, but does not constitute a substantive consolidation of the Debtors' Estates. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors. Therefore, except as expressly specified herein, all Claims against a particular Debtor are placed in Classes for each of the Debtors (as designated by subclasses A through V for each of the twenty two Debtors). Class 9 Claims shall not have any subclasses and Class 10 Claims shall only have subclasses A through U for each of the twenty one Subsidiaries. All Claims and Equity Interests, except Administrative Claims, DIP Facility Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, DIP Facility Claims and Priority Tax Claims have not been classified as described in Article III.B of the Plan.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including, without limitation, voting, Confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled prior to the Effective Date.

**Summary of Classification and Treatment of Classified Claims and Equity Interests**

| Class | Claim | Status | Voting Rights |
|---|---|---|---|
| 1 | Priority Claims | Unimpaired | Deemed to Accept |
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Secured Tax Claims | Unimpaired | Deemed to Accept |
| 4 | Prepetition First Lien Loan Claims | Impaired | Entitled to Vote |
| 5 | Prepetition Second Lien Loan Claims | Impaired | Entitled to Vote |
| 6 | SCIF Claims | Unimpaired | Deemed to Accept |
| 7 | General Unsecured Claims | Unimpaired | Deemed to Accept |
| 8 | Prepetition Warrants | Impaired | Deemed to Reject |
| 9 | Equity Interests in Parent | Impaired | Deemed to Reject |
| 10 | Equity Interests in Subsidiaries | Unimpaired | Deemed to Accept |

**2. Classification and Treatment of Claims and Equity Interests**

(a) Class 1 - Priority Claims

- *Classification*: Class 1 consists of the Priority Claims.
- *Treatment*: The legal, equitable and contractual rights of the Holders of Class 1 Claims are unaltered by the Plan. With respect to each Class 1 Claim that becomes due and payable prior to the Effective Date, on or as

soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 1 Claim is an Allowed Class 1 Claim on the Effective Date or (ii) the date on which such Class 1 Claim becomes an Allowed Class 1 Claim, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtors or Reorganized Debtors and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code.

- *Voting*: Class 1 is an Unimpaired Class, and the Holders of Class 1 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims will not be entitled to vote to accept or reject the Plan.

(b) Class 2 - Other Secured Claims

- *Classification*: Each Class 2 Claim is an Other Secured Claim against the applicable Debtors. With respect to each applicable Debtors this Class will be further divided into subclasses designated by letters of the alphabet (Class 2.1, Class 2.2 and so on), so that each holder of any Other Secured Claim against such Debtor is in a Class by itself, except to the extent that there are Other Secured Claims that are substantially similar to each other and may be included within a single Class, and except for a precautionary class of otherwise unclassified Other Secured Claims.

- *Treatment*: The legal, equitable and contractual rights of the Holders of Class 2 Claims are unaltered by the Plan. With respect to each Class 2 Claim that becomes due and payable prior to the Effective Date, on or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 2 Claim is an Allowed Class 2 Claim on the Effective Date or (ii) the date on which such Class 2 Claim becomes an Allowed Class 2 Claim, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash equal to the amount of such Allowed Class 2 Claim; (B) such other less favorable treatment as to which the Debtors or Reorganized Debtors and the Holder of such Allowed Class 2 Claim will have agreed upon in writing; (C) any defaults shall be cured and shall be paid or satisfied in accordance with and pursuant to the terms of the applicable agreement between the Debtors and the Holder of the Allowed Class 2 Claim; or (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code. Each Holder of an Allowed Other Secured Claim will retain the Liens securing its Allowed Other Secured Claim as of the Effective Date until full and final payment

of such Allowed Other Secured Claim is made as provided herein. On the full payment or other satisfaction of such obligations, the Liens securing such Allowed Other Secured Claim will be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

- *Voting*: Class 2 is an Unimpaired Class, and the Holders of Class 2 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 2 Claims will not be entitled to vote to accept or reject the Plan.

(c) Class 3 - Secured Tax Claims

- *Classification*: Each Class 3 Claim is a Secured Tax Claim against the applicable Debtors. With respect to each applicable Debtor, this Class will be further divided into subclasses designated by letters of the alphabet (Class 3.1, Class 3.2 and so on), so that each holder of any Secured Tax Claim against such Debtor is in a Class by itself, except to the extent that there are Secured Tax Claims that are substantially similar to each other and may be included within a single Class, and except for a precautionary class of otherwise unclassified Secured Tax Claims.

- *Treatment*: The legal, equitable and contractual rights of the Holders of Class 3 Claims are unaltered by the Plan. On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is an Allowed Class 3 Claim as of the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 3 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash in an amount equal to the amount of such Allowed Class 3 Claim; or (B) such other less favorable treatment as agreed to in writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that such parties may further agree for the payment of such Allowed Class 3 Claim at a later date; provided, further, that Class 3 Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto in the discretion of the Debtors or Reorganized Debtors without further notice to or order of the Bankruptcy Court. Each Holder of an Allowed Class 3 Claim will retain the Liens securing its Allowed Class 3 Claim as of the Effective Date until full and final payment of such Allowed Class 3 Claim is made as provided herein. On the full payment or other satisfaction of such obligations, the Liens securing such Allowed Class 3 Claim will be deemed released, terminated and extinguished, in each case without further notice to or order of the

Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

- *Voting*: Class 3 is an Unimpaired Class, and the Holders of Class 3 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Claims will not be entitled to vote to accept or reject the Plan.

(d) Class 4 - Prepetition First Lien Loan Claims

- *Classification*: Class 4 consists of all Allowed Prepetition First Lien Loan Claims.

- *Allowance*: The Prepetition First Lien Loan Claims are deemed Allowed in an aggregate principal amount equal to $492 million, plus accrued interest and fees.

- *Treatment*: On the Initial Distribution Date, in full and final satisfaction, settlement, release, and discharge and in exchange for all Allowed Class 4 Claims, all Allowed Class 4 Claims shall be indefeasibly satisfied through the distribution by the Reorganized Debtors to each Holder of an Allowed Class 4 Claim of:

  1) its Pro Rata share of $365 million in Cash; and

  2) a Subscription Right.

- *Voting*: Class 4 is Impaired, and Holders of Class 4 Claims are entitled to vote to accept or reject the Plan.

(e) Class 5 – Prepetition Second Lien Loan Claims

- *Classification*: Class 5 consists of all Allowed Prepetition Second Lien Loan Claims.

- *Allowance*: The Prepetition Second Lien Loan Claims are deemed Allowed in an aggregate principal amount equal to $159 million, plus accrued interest and fees.

- *Treatment*: On the Initial Distribution Date, in full and final satisfaction, settlement, release, and discharge and in exchange for all Allowed Class 5 Claims, all Allowed Class 5 Claims shall be indefeasibly satisfied through the distribution by the Reorganized Debtors to each Holder of an Allowed Class 5 Claim of:

  1) its Pro Rata share of $12 million in Cash; and

  2) its Pro Rata share of the New Warrants.

- *Voting*: Class 5 is Impaired, and Holders of Class 5 Claims are entitled to vote to accept or reject the Plan.

(f) Class 6 – SCIF Claims

- *Classification*: Class 6 consists of the SCIF Claims.

- *Allowance*: On the Effective Date, the SCIF Claims will be deemed Allowed in an aggregate amount equal to all amounts outstanding under the SCIF Settlement Agreement.

- *Treatment*: The legal, equitable and contractual rights of the Holders of Class 6 Claims are unaltered by the Plan. On the Initial Distribution Date, the Holders of Allowed Class 6 Claims will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 6 Claims: (A) Cash equal to the unpaid amount under the SCIF Settlement Agreement; or (B) such other treatment as to which the Debtors or Reorganized Debtors and the Holders of Allowed Class 6 Claims will have agreed upon in writing with the consent of the Required Backstop Investors.

- *Voting*: Class 6 is an Unimpaired Class, and the Holders of Class 6 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims will not be entitled to vote to accept or reject the Plan.

(g) Class 7 – General Unsecured Claims

- *Classification*: Class 7 consists of the General Unsecured Claims.

- *Treatment*: With respect to each Class 7 Claim that becomes due and payable prior to the Effective Date, on or as soon as reasonably practicable after the Effective Date, solely to the extent that any of the legal, equitable and contractual rights in respect of any Class 7 Claim under applicable non-bankruptcy law, each Allowed Class 7 Claim will be, at the Debtors' option: (i) Reinstated, and paid without default interest, subject to the terms and conditions thereof, in Cash on the later to occur of the Effective Date or when such Claims become due in the ordinary course of the Debtors' business operations; or (ii) otherwise rendered not impaired pursuant to section 1124 of the Bankruptcy Code, including with respect to payment on the Effective Date or as soon as practicable thereafter, except to the extent that the Reorganized Debtors and such Holder agree to other less favorable treatment in writing.

- *Related Party Notes*: On the Initial Distribution Date, in full and final satisfaction, settlement and discharge of all Claims related to or arising under the Related Party Notes, the Holders of Related Party Notes shall

contribute such Related Party Notes to the Company in exchange for New Common Stock as set forth in the Sorensen Support Agreement.

- *Specified Related Party Claims*: In full and final satisfaction, settlement and discharge of certain specified related party claims identified in Schedule 2 to the Plan, the Debtors and certain non-debtor parties have agreed to the treatment of such claims as set forth in Schedule 2 to the Plan.

- *Voting*: Class 7 is an Unimpaired Class, and the Holders of Class 7 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, Therefore, Holders of Class 7 Claims are not entitled to vote to accept or reject the Plan.

(h) Class 8 – Prepetition Warrants

- *Classification*: Class 8 consists of the Prepetition Warrants.

- *Treatment*: On the Effective Date, all Class 8 Prepetition Warrants will be deemed canceled, settled, released, and discharge and the Class 8 Prepetition Warrants will be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Class 8 Claims will not receive any distribution on account of their Prepetition Warrants.

- *Voting*: Class 8 is Impaired, and the Holders of Class 8 Claims are deemed to reject the Plan.

(i) Class 9 – Equity Interests in Parent

- *Classification*: Class 9 consists of the Parent Equity Interests.

- *Treatment*: On the Effective Date, all Class 9 Parent Equity Interests will be deemed canceled and Class 9 Parent Equity Interests will be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Class 9 Claims will not receive any distribution on account of their Parent Equity Interests.

- *Voting*: Class 9 is Impaired, and the Holders of Class 9 Claims are deemed to reject the Plan.

(j) Class 10 – Equity Interests in Subsidiaries

- *Classification*: Class 10 consists of the Equity Interests in the Subsidiaries.

- *Treatment*: On the Effective Date, the Reorganized Parent or the Reorganized Borrower, as applicable, will own, directly or indirectly, 100% of the Equity Interests in the Subsidiaries.

- *Voting*: Class 10 is an Unimpaired Class, and the Holders of Class 10 Equity Interests will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 10 Equity Interests are not entitled to vote to accept or reject the Plan.

### 3. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtors' rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims, including the right to cure any arrears or defaults that may exist with respect to contracts to be assumed under the Plan.

### 4. Discharge of Claims

Except as otherwise provided in the Plan and effective as of the Effective Date: (i) the rights afforded herein and the treatment of all Claims and Equity Interests will be in exchange for and in complete satisfaction, settlement, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property, or Estates; (ii) the Plan will bind all Holders of Claims and Equity Interests, notwithstanding whether any such Holders abstained from voting to accept or reject the Plan or voted to reject the Plan; (iii) all Claims and Equity Interests will be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto will be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (iv) all Entities will be precluded from asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, each of their successors and assigns, and each of their assets and properties, any other Claims or Equity Interests based upon any documents, instruments or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

## C. ACCEPTANCE OR REJECTION OF THE PLAN

### 1. Presumed Acceptance of Plan

Classes 1, 2, 3, 6, 7, and 10 are Unimpaired under the Plan, and are, therefore, presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

### 2. Presumed Rejection of Plan

Classes 8 and 9 are Impaired and Holders of Class 8 and 9 Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

### 3. Voting Classes

Each Holder of an Allowed Claim as of the applicable Voting Record Date in each of the Voting Classes (Classes 4 and 5) will be entitled to vote to accept or reject the Plan.

### 4. Acceptance by Impaired Classes of Claims

Pursuant to section 1126(c) of the Bankruptcy Code and except as otherwise provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims has accepted the Plan if the Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in such Class actually voting have voted to accept the Plan.

### 5. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

The Debtors request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors (subject to any consents that may be required under the Lender RSA or the Backstop Agreement) reserve the right to modify the Plan or any Exhibit thereto or Plan Schedule in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

## D. MEANS FOR IMPLEMENTATION OF THE PLAN

### 1. General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan (including, without limitation, the treatment of the Consenting Equity Holder under the Plan) will constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan. Without limiting the foregoing, the treatment of the Sorensen Parties as set forth in the Plan will constitute a good faith compromise and settlement of all Claims and Equity Interests among the Sorensen Parties and the Debtors pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases and other benefits provided under the Plan.

### 2. Corporate Existence

On or prior to the Effective Date, the Parent will be merged with and into a newly formed Delaware corporation, with the newly formed Delaware corporation surviving the merger and becoming the parent entity of the Debtor entities. Following this merger, the certificate of incorporation and by-laws of the surviving corporation will be substantially in the form of the Reorganized Parent Organizational Documents. All other Debtors will continue to exist after the Effective Date as separate legal entities, with all the powers of corporations, limited liability companies, memberships and partnerships pursuant to the applicable law in their respective jurisdictions of incorporation or organization.

### 3. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or the Confirmation Order, on or after the Effective Date, all property and assets of the Estates (including, without limitation, Causes of Action and, unless otherwise waived or released pursuant to an order of the Bankruptcy Court or the Plan, Avoidance Actions) and any property and assets acquired by the Debtors pursuant to

the Plan will vest in the Reorganized Debtors, free and clear of all Liens, Claims, charges or other encumbrances. Except as may be otherwise provided in the Plan, on and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors will pay the charges that they incur after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court.

**4. Post-Emergence Term Loan Agreement, Post-Emergence ABL Loan Agreement, and Sources of Cash for Plan Distribution**

On the Effective Date, the applicable Reorganized Debtors will be authorized to execute and deliver the Post-Emergence Term Loan Agreement and the Post-Emergence ABL Loan Agreement, and will be authorized to execute, deliver, file, record and issue any other notes, guarantees, deeds of trust, documents (including UCC financing statements), amendments to the foregoing, or agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Post-Emergence Term Loan Agreement or the Post-Emergence ABL Loan Agreement, as applicable).

Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for the Reorganized Debtors to make payments required pursuant to the Plan will be obtained from the Reorganized Debtors' Cash balances, including Cash from operations, the Rights Offering Purchase Price, and the Post-Emergence Term Loan Agreement. Cash payments to be made pursuant to the Plan will be made by the Reorganized Debtors.

**5. New Common Stock Issued Under the Plan**

On the Effective Date, Reorganized Parent will distribute the New Common Stock pursuant to the terms set forth in the Plan, including, without limitation, pursuant to the Rights Offering, the Backstop Agreement, the DRV Purchase Agreement, the Restricted Stock Award Agreement, and the Sorensen Support Agreement, in each case subject to each such recipient entering into the Stockholders Agreement.

**6. New Warrants Issued Under the Plan**

On the Effective Date, Reorganized Parent will issue the New Warrants to the Holders of Class 5 Claims, pursuant to the terms set forth herein and in the Reorganized Parent Organizational Documents.

**7. Rights Offering and Backstop Commitment**

(a) Issuance of Subscription Rights.

Each Prepetition First Lien Lender (that is an Eligible Participant) will receive Subscription Rights to subscribe for its Pro Rata share of the Rights Offering Securities for an aggregate purchase price in Cash equal to $175 million. In accordance with the terms and conditions of the Backstop Agreement, each Backstop Investor (that is an Eligible Participant) has committed to subscribe for its Backstop Proportion of all of the Rights Offering Securities that are eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that are not subscribed for by such Prepetition First Lien Lenders. Furthermore, in accordance with the terms and conditions of the Backstop Agreement, each Backstop Investor (that is an Eligible Participant) has committed to subscribe for its Backstop Proportion of additional Rights Offering Securities for an aggregate purchase price in Cash equal to $50 million. The Rights Offering Securities will be issued to the Eligible Participants (including the Backstop Investors), for the Rights Offering Purchase Price.

(b) Subscription Period.

The Rights Offering will commence on the Subscription Commencement Date and expire on the Subscription Deadline. Each Eligible Participant that wishes to participate in the Rights Offering will be required to affirmatively elect to exercise its Subscription Rights, and provide written notice thereof to the Entities specified in the Subscription Documents, on or prior to the Subscription Deadline in accordance with the terms of the Plan and the Subscription Documents. All remaining Rights Offering Securities will be allocated to the Backstop Investors on the Subscription Deadline, and will be purchased by the Backstop Investors on the Effective Date, all in accordance with the terms and conditions of the Backstop Agreement.

(c) Exercise of Subscription Rights and Payment of Rights Offering Purchase Price.

On the Subscription Commencement Date, the Prepetition First Lien Agent posted on the Prepetition First Lien Lenders' website on Intralinks the Subscription Documents and the related materials listed below. Each Eligible Participant known as of the Rights Offering Record Date had access through Intralinks to the Subscription Documents, together with appropriate instructions for the proper completion, due execution, and timely delivery of the Subscription Documents, as well as instructions for the payment of the eventual Rights Offering Purchase Price for that portion of the Subscription Rights sought to be exercised by such Person. The Debtors may adopt such additional detailed procedures consistent with the provisions of the Plan as the Debtors may deem necessary to effectuate, or desirable to more efficiently administer the exercise of the Subscription Rights and ascertain payment of the Rights Offering Purchase Price, to the extent authorized by the Bankruptcy Court.

(d) No Assignment; No Revocation.

Except as set forth in the Backstop Agreement, the Subscription Rights will not be assignable, and cannot be assigned by the Eligible Participants. Any impermissible assignment, or attempted assignment, will be null and void. Once an Eligible Participant has exercised any of its Subscription Rights by properly executing and delivering the Subscription Documents to the Debtors or other Entity specified in the Subscription Documents, such exercise may only be revoked, rescinded or annulled in the sole discretion of the Debtors or Reorganized Debtors or as provided for in the Backstop Agreement.

(e) Distribution of Rights Offering Securities.

On the Effective Date, Reorganized Parent or another applicable Distribution Agent will distribute the Rights Offering Securities purchased by each Rights Offering Purchaser or Backstop Investor to such Rights Offering Purchaser or Backstop Investor; provided, however, that, as a condition precedent to the Rights Offering Purchaser or Backstop Investor to receive its share of Rights Offering Securities, such Rights Offering Purchaser or Backstop Investor must first execute the Stockholders Agreement.

(f) Validity of Exercise of Subscription Rights.

All questions concerning the timeliness, validity, form, and eligibility of any exercise, or purported exercise, of Subscription Rights will be determined by the Debtors or Reorganized Debtors. The Debtors, in their discretion reasonably exercised in good faith, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as they may determine, or reject the purported exercise of any Subscription Rights. The Subscription Documents will be deemed not to have been received or accepted until all irregularities have been waived or cured within such time as the Debtors determine in their discretion reasonably exercised in good faith. The Debtors will use commercially reasonable efforts to give written notice to any Eligible Participant regarding any defect or irregularity in connection with any purported exercise of Subscription Rights by such Person and may permit such defect or irregularity to be cured within such time as they may determine in good faith to be appropriate; provided, however, that neither the Debtors and Reorganized Debtors nor any of their Related Persons will incur any liability for giving, or failing to give, such notification and opportunity to cure.

(g) Rights Offering Proceeds.

The proceeds of the Rights Offering will fund Cash payments required to be made under the Plan, including, without limitation, payments in respect of Allowed Claims, Chapter 11 Transaction Expenses and repayment of the DIP Facility Claims, and be used for general corporate purposes by the Debtors to the extent approved by the Bankruptcy Court, and by the Reorganized Debtors after the Effective Date.

**8. Sorensen Party Transactions**

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the DRV Purchase Agreement and the Restricted Stock Award Agreement and will be authorized to execute and deliver any other agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the DRV Purchase Agreement or the Restricted Stock Award Agreement).

Concurrently with the closing of the Rights Offering, the Reorganized Parent will deliver or grant to certain of the Sorensen Parties who have timely executed the Stockholders Agreement: (a) New Common Stock of the Reorganized Parent in consideration for contributing new assets to the Reorganized Parent under the terms of the DRV Purchase Agreement, (b) New Common Stock under the terms of the Restricted Stock Award Agreement, (c) New Common

Stock in connection with the conversion of certain Related Party Notes under the terms of the Sorensen Support Agreement, and (d) an option to designate and purchase additional New Common Stock for Cash in an aggregate amount of $4 million under the terms of the Sorensen Support Agreement.

The Stockholders Agreement also provides that in the event of a cash sale of the Company or an initial public offering of the Company's equity securities (each as defined in the Stockholders Agreement), Mr. Sorensen will pay to the Company up to a maximum of $7,500,000 from the after-tax proceeds to which he would be entitled from the cash sale or the after-tax proceeds from sales of shares of the Company's common stock owned by him after the IPO.

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the Option Agreement, and will be authorized to execute and deliver any other agreements in connection therewith without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Option Agreement).

**9. Management Incentive Plan**

Following the Effective Date, the Reorganized Parent will adopt and implement the Management Incentive Plan, which would, subject to certain terms and conditions, provide for, the issuance of up to 9.35% of the New Common Stock for grant to key executives of the Company, of which, up to 4% may be granted to executives of the Company, other than the Consenting Equity Holder, on the Effective Date. At least 5.35% of such New Common Stock will be held for potential future grants to executives, including the Consenting Equity Holder, at the discretion of the compensation committee of the New Board. The capitalization table attached hereto as Exhibit G sets forth the dilutive effects of all of the issuances under the Plan.

**10. Issuance of New Securities and Related Documentation**

On the Effective Date, the Reorganized Parent will be authorized to, and will, issue and execute, as applicable, the New Securities and Debt Documents, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. The (a) issuance, distribution and exercise of the Subscription Rights, (b) issuance and distribution of the New Common Stock in connection with the Subscription Rights, Backstop Agreement, DRV Purchase Agreement, Sorensen Support Agreement, and Restricted Stock Award Agreement, (c) issuance and distribution of the New Warrants, and (d) issuance and distribution of New Common Stock upon exercise of the New Warrants, will be made in reliance on the exemption from registration provided by section 1145(a) of the Bankruptcy Code, or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, and will be exempt from registration under applicable securities laws. Without limiting the effect of section 1145 of the Bankruptcy Code, or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, all financing documents, agreements, and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of the Plan, including, without limitation, the Post-Emergence Term Loan Agreement, the Post-Emergence ABL Loan Agreement, the Post-Emergence Term

Loan Agreement, the DRV Purchase Agreement, the Sorensen Support Agreement, the New Common Stock and any other agreement or document related to or entered into in connection with any of the foregoing, will become, and the Backstop Agreement will remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by such applicable agreement).

Upon the Effective Date, after giving effect to the transactions contemplated hereby, the authorized capital stock or other equity securities of the Reorganized Debtors will be that number of shares of New Capital Stock as may be designated in the Reorganized Parent Organizational Documents. In connection with the distribution of New Capital Stock to current or former employees of the Debtors, the Reorganized Parent may take whatever actions are necessary to comply with applicable federal, state, local and international tax withholding obligations, including withholding from distributions a portion of the New Capital Stock and selling such securities to satisfy tax withholding obligations including, without limitation, income, social security and Medicare taxes.

**11. Release of Liens, Claims and Equity Interests**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estates will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or interests will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Reorganized Debtors such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Reorganized Debtors.

**12. Certificate of Incorporation and Bylaws**

The Reorganized Parent Organizational Documents shall succeed the certificate of incorporation, by-laws and other organizational documents of the Parent to satisfy the provisions of the Plan and the Bankruptcy Code, and will (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code; (ii) authorize the issuance of New Capital Stock in an amount not less than the amount necessary to permit the distributions thereof required or contemplated by the Plan; and (iii) to the extent necessary or appropriate, include such provisions as may be needed to effectuate and consummate the Plan and the transactions contemplated herein. After the Effective Date, the Reorganized Parent may amend and restate its certificate of incorporation, by-laws, and other applicable organizational documents, as permitted by applicable law.

### 13. Directors and Officers of Reorganized Parent

The New Board will initially be comprised of the following five individuals: Alvaro Jose Aguirre, Greg Netland, Steve Giusto, Gary DiCamillo and D. Stephen Sorensen. Other than the Consenting Equity Holder, members of the New Board were chosen, following the evaluation of over thirty candidates, through an independent executive search firm appointed by the Backstop Investors. Members of the New Board include: a former chief executive officer of a top five United States staffing company, a former partner in a United States private equity firm with business services and public company board and operating experience, a former chief financial officer of a New York Stock Exchange-listed human resources services company, and a former chief executive officer of a large United States staffing company with experience as a turnaround board leader. Further details regarding these individuals is provided in Exhibit I hereto.

At least 80% of the members of the New Board will be appointed by the Backstop Investors and will qualify as "independent" under the applicable rules of the New York Stock Exhange. Only directors who so qualify as "independent" will serve as Chairman of the New Board and members of the audit and compensation committees. The New Board will implement "best practices" and further bolster the internal audit and risk management practices already in place.

As of the Effective Date, D. Stephen Sorensen will be the Chief Executive Officer of the Reorganized Parent, employed on the terms set forth in the employment agreement, substantially in the form attached to the Plan as Exhibit H thereto. As of the Effective Date, the initial officers of the Reorganized Debtors, other than as described above will be the officers of the Debtors existing immediately prior to the Effective Date and the existing directors of the Reorganized Debtors, other than Reorganized Parent, will be the directors of such Debtors existing immediately prior to the Effective Date.

To the extent not previously disclosed, the Debtors will disclose, prior to the Confirmation Hearing, the affiliations of each Person proposed to serve on the initial board of directors or as an officer of the Reorganized Debtors, and, to the extent such Person is an insider other than by virtue of being a director or officer, the nature of any compensation for such Person. Each such director and each officer will serve from and after the Effective Date pursuant to applicable law and the terms of the Reorganized Parent Organizational Documents and the other constituent and organizational documents of the Reorganized Debtors. The existing board of directors of Parent will be deemed to have resigned on and as of the Effective Date, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

### 14. Corporate Action

Each of the Debtors and the Reorganized Debtors, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan, including, without limitation, the distribution of the securities to be issued pursuant hereto in the name of and on behalf of the Reorganized Debtors and in each case without further notice to or order of the Bankruptcy Court, act or action under

applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers or directors of the Debtors or the Reorganized Debtors and as applicable or by any other Person (except for those expressly required pursuant to the Plan).

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to the Plan that would otherwise require approval of the stockholders, directors or members of any Debtor (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the stockholders, directors, managers or partners of such Debtors, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in the Plan involving the legal or corporate structure of any Debtor or any Reorganized Debtors, as applicable, and any legal or corporate action required by any Debtor or any Reorganized Debtor as applicable, in connection with the Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers or directors of any Debtor or any Reorganized Debtors, as applicable, or by any other Person. On the Effective Date, the appropriate officers of each Debtor and each Reorganized Debtors, as applicable, are authorized to issue, execute, and deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in the Plan in the name of and on behalf of the Debtor and each Reorganized Debtors, as applicable, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The secretary and any assistant secretary of each Debtor and each Reorganized Debtor as applicable, will be authorized to certify or attest to any of the foregoing actions.

**15. Cancellation of Notes, Certificates and Instruments**

On the Effective Date and provided that the New Securities and Debt Documents have been authorized by the Bankruptcy Court, executed by the Reorganized Debtors and delivered, all notes, stock, instruments, certificates, agreements and other documents evidencing the DIP Facility Claims, the Prepetition First Lien Loan Claim, the Prepetition Second Lien Loan Claim, the Prepetition Intercreditor Agreement, the Related Party Notes, the Prepetition Warrants and the Parent Equity Interests will be canceled, and the obligations of the Debtors thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. On the day following the date that the final distribution is made by Prepetition Agents, the Prepetition Agents will be released and discharged from any further responsibility under the Prepetition Secured Loan Agreements; provided, however, that any and all rights of indemnification applicable to the Prepetition Agents, respectively, under the Prepetition Secured Loan Agreements and related documents shall survive and remain in full force and effect; provided further, however, until the Prepetition Agents' fees and expenses have

been paid in full, the Prepetition Agents will retain their respective charging liens under the Prepetition Secured Loan Agreements with respect to any cash distributions to be made under the Plan by the Prepetition Agents.

### 16. Intercompany Claims

On the Effective Date, all net Allowed Intercompany Claims (taking into account any setoffs of Intercompany Claims) held by the Debtors between and among the Debtors or between one or more Debtors and any Affiliate of one of the Debtors that is not itself a Debtor shall, at the election of the Reorganized Debtors, be either (a) Reinstated, (b) released, waived, and discharged, (c) treated as a dividend, or (d) contributed to capital or exchanged for equity.

### 17. Lease Amendments

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the Lease Amendments and will be authorized to execute and deliver any other agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Lease Amendments).

### 18. Plan Supplement, Other Documents and Orders and Consents Required Under the Lender RSA and the Backstop Agreement

So long as the Lender RSA or the Backstop Agreement, as applicable, have not been terminated, the Plan, the Confirmation Order and all other documents to be Filed as part of the Plan Supplement and the other documents and orders referenced herein, or otherwise to be executed in connection with the transactions contemplated hereunder, shall be subject to the consents and the approval rights, as applicable, of (a) the Backstop Investors to the extent set forth in the Lender RSA and the Backstop Agreement, (b) the Participating Lenders to the extent set forth in the Lender RSA and (c) the Consenting Equity Holder to the extent set forth in the Lender RSA and the Sorensen Support Agreement. To the extent that there is any inconsistency between the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, on the one hand, and the Plan, on the other hand, as to such consents and the approval rights and the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, as applicable, has not been terminated, then the consents and the approval rights required in the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, as applicable, shall govern.

## E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

### 1. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Contracts and Unexpired Leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except for those Executory Contracts (including, without limitation, employment agreements) and Unexpired Leases that:

- have been rejected by order of the Bankruptcy Court;

- are the subject of a motion to reject pending on the Effective Date;

- are identified in the Plan Supplement with the consent of the Required Backstop Investors (in either case which list may be amended by the Debtors to add or remove Executory Contracts and Unexpired Leases by filing with the Bankruptcy Court an amended list and serving it on the affected contract parties at least ten (10) days prior to the Confirmation Hearing); or

- are rejected pursuant to the terms of the Plan.

Without amending or altering any prior order of the Bankruptcy Court approving the assumption or rejection of any Executory Contract or Unexpired Lease, entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such assumptions and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. To the extent any provision in any Executory Contract or Unexpired Lease assumed pursuant to the Plan (including, without limitation, any "change of control" provision) restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the Reorganized Debtors' assumption of such Executory Contract or Unexpired Lease, then such provision will be deemed modified such that the transactions contemplated by the Plan will not entitle the non-debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Each Executory Contract and Unexpired Lease assumed pursuant to this Article of the Plan will revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

**2. Assignment of Executory Contracts or Unexpired Leases**

In the event of an assignment of an Executory Contract or Unexpired Lease, at least twenty (20) days prior to the Confirmation Hearing, the Debtors will serve upon counterparties to such Executory Contracts and Unexpired Leases, a notice of the proposed assumption and assignment, which will: (a) list the applicable cure amount, if any; (b) identify the party to which the Executory Contract or Unexpired Lease will be assigned; (c) describe the procedures for filing objections thereto; and (d) explain the process by which related disputes will be resolved by the Bankruptcy Court; additionally, the Debtors will file with the Bankruptcy Court a list of such Executory Contracts and Unexpired Leases to be assigned and the proposed cure amounts. Any applicable cure amounts will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash on the Effective Date or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree.

Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assignment or any related cure amount must be filed, served and actually received by the Debtors at least five (5) days prior to the Confirmation Hearing. Any counterparty to an Executory Contract and Unexpired Lease that fails to object timely to the proposed assignment or cure amount will be deemed to have consented to such assignment of its Executory Contract or Unexpired Lease. The Confirmation Order will constitute an order of the Bankruptcy Court

approving any proposed assignments of Executory Contracts or Unexpired Leases pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

In the event of a dispute regarding (a) the amount of any cure payment, (b) the ability of any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assigned or (c) any other matter pertaining to assignment, the applicable cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assignment. If an objection to assignment or cure amount is sustained by the Bankruptcy Court, the Reorganized Debtors in their sole option, may elect to reject such Executory Contract or Unexpired Lease in lieu of assuming and assigning it.

**3. Rejection of Executory Contracts or Unexpired Leases**

All Executory Contracts and Unexpired Leases designated for rejection in the Plan Supplement will be deemed rejected as of the Effective Date. The Confirmation Order will constitute an order of the Bankruptcy Court approving the rejections described in this Article of the Plan pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

**4. Claims on Account of the Rejection of Executory Contracts or Unexpired Leases**

All Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. The Debtor or Reorganized Debtor, as the case may be, will provide notice of such rejection and specify the appropriate deadline for the filing of such Proof of Claim.

Any Entity that is required to file a Proof of Claim arising from the rejection of an Executory Contract or an Unexpired Lease that fails to timely do so will be forever barred, estopped and enjoined from asserting such Claim, and such Claim will not be enforceable, against the Debtors, the Reorganized Debtors or the Estates, and the Debtors, the Reorganized Debtors and their Estates and property will be forever discharged from any and all indebtedness and liability with respect to such Claim unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. All such Claims will, as of the Effective Date, be subject to the permanent injunction set forth in Article XII.D of the Plan. All claims arising from the rejection of any Executory Contract or Unexpired Lease shall be treated as General Unsecured Claims, subject to any applicable limitation or defense under the Bankruptcy Code and applicable law. Rejection damages claims are Class 7 Claims.

**5. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases**

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash as and when due in the ordinary course or on

such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree.

Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption must be filed, served and actually received by the Debtors at least ten (10) days prior to the Confirmation Hearing. Any counterparty to an Executory Contract and Unexpired Lease that fails to object timely to the proposed assumption will be deemed to have assented and will be deemed to have forever released and waived any objection to the proposed assumption other than with respect to any alleged cure amount, which may be asserted at any time. In the event of a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. If an objection to cure is sustained by the Bankruptcy Court, the Debtors or Reorganized Debtors, as applicable, in their sole option, may elect to reject such Executory Contract or Unexpired Lease in lieu of assuming it.

**6. Assumption of Director and Officer Insurance Policies**

The Debtors, and upon the Effective Date, the Reorganized Debtors, will assume all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Unless previously effectuated by separate order entered by the Bankruptcy Court, entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not discharge, impair or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not impair or otherwise modify any rights of the Reorganized Debtors under the D&O Liability Insurance Policies.

**7. Indemnification Provisions**

All indemnification provisions currently in place (whether in the by-laws, certificate of incorporation, board resolutions, contracts, or otherwise) for the following: (i) Prepetition Agents; (ii) Prepetition Secured Lenders; (iii) the current and former members of the Steering Committee; (iv) the Backstop Investors; (v) the Participating Lenders; and (vi) directors, officers and employees of the Debtors who served in such capacity as of the Petition Date with respect to or based upon any act or omission taken or omitted in such capacities will be Reinstated (or assumed, as the case may be), and will survive effectiveness of the Plan. No such Reinstatement or assumption shall in any way extend the scope or term of any indemnification provision beyond that contemplated in the underlying contract or document as applicable.

### 8. Compensation and Benefit Programs

Except as otherwise provided in the Plan (including the compensation for the Consenting Equity Holder pursuant to an employment agreement as described herein, which will exclusively address the benefits for the Consenting Equity Holder), or any order of the Bankruptcy Court, all employment and severance policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to its employees, retirees, and non-employee directors and the employees and retirees of its subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans (other than equity incentive plans, which will be replaced by the Management Incentive Plan), life, and accidental death and dismemberment insurance plans, are treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code. Any payment obligations under any assumed employment contracts and benefit plans that have been or purport to have been accelerated as a result of the commencement of the Chapter 11 Cases or the consummation of any transactions contemplated by the Plan will be Reinstated and such acceleration will be rescinded and deemed not to have occurred.

The Debtors maintain what is commonly referred to as a non-qualified deferred compensation plan that defers payment of compensation of approximately 50 current or former employees of the Debtors. Such plan is administered pursuant to that certain Select Staffing Amended and Restated Deferred Compensation Plan, effective December 28, 2008 (the "Deferred Compensation Plan"), and that certain Amended and Restated Trust Under the Select Staffing Deferred Compensation Plan, dated December 18, 2008 (the "Trust"). The Deferred Compensation Plan was frozen or suspended on December 27, 2011 such that further deferrals are no longer permitted under the Deferred Compensation Plan. As of November 3, 2013, the cash surrender value of the assets in the Trust was $4,797,196.70 and the benefit liability to Deferred Compensation Plan participants was $5,394,831.89. The Trustee of the Deferred Compensation Plan is Reliance Trust Company and the Third Party Plan Administrator is The Newport Group.

### 9. Workers' Compensation Benefits

Except as otherwise provided in the Plan, as of the Effective Date, the Debtors and the Reorganized Debtors will continue to honor their obligations under: (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, and any other policies, programs, and plans regarding or relating to workers' compensation and workers' compensation insurance, All such contracts and agreements are treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not impair or otherwise modify any rights of the Reorganized Debtors under any such contracts, agreements, policies, programs or plans regarding or relating to workers' compensation or workers' compensation insurance.

## F. PROVISIONS GOVERNING DISTRIBUTIONS

**1. Dates of Distributions**

Except as otherwise provided in the plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions provided in the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all debts of the Debtors shall be deemed fixed and adjusted pursuant to the Plan and the Reorganized Debtors shall have no liability on account of any Claims or Equity Interests except as set forth in the Plan and in the Confirmation Order. All payments and all distributions made by the Reorganized Debtors under the Plan shall be in full and final satisfaction, settlement and release of all Claims against the Reorganized Debtors.

**2. Distribution Agent**

Except as provided therein, all distributions under the Plan shall be made by the Reorganized Parent or the Prepetition Agents, respectively, as Distribution Agent, or by such other Entity designated by the Reorganized Parent as a Distribution Agent on the Effective Date. The Distribution Agent shall not be required to give any bond or surety or other security for the performance of the Reorganized Debtors' duties as Distribution Agent unless otherwise ordered by the Bankruptcy Court. For purposes of distributions under this Plan to the Holders of Allowed DIP Facility Claims and Allowed Prepetition Secured Loan Claims, the DIP Agent and the Prepetition Agents, respectively, will be and shall act as the Distribution Agent.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof. If the Distribution Agent is an entity other than the Reorganized Parent, such entity shall be paid its reasonable fees and expenses, including the reasonable fees and expenses of its attorneys or other professionals.

**3. Cash Distributions**

Distributions of Cash may be made either by check drawn on a domestic bank or wire transfer from a domestic bank, at the option of the Reorganized Debtors, except that Cash

payments made to foreign creditors may be made in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

**4. Rounding of Payments**

Whenever payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole dollar or zero if the amount is less than one dollar. To the extent Cash, notes, warrants, shares, stock are to be distributed under the Plan remain undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash, notes, or shares shall be treated as "Unclaimed Property" under the Plan.

Whenever payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole dollar. To the extent that any Cash or any shares of New Capital Stock to be distributed under the Plan remain undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash or shares shall be treated as "Unclaimed Property" under the Plan.

No fractional shares shall be issued or distributed under the Plan. Each Person entitled to receive shares of New Capital Stock shall receive the total number of whole shares of New Capital Stock to which such Person is entitled. Whenever any distribution to a particular Person would otherwise call for distribution of a fraction of shares of New Capital Stock, the actual distribution of shares of such stock shall be rounded to the next lower whole number.

**5. Distributions on Account of Claims Allowed After the Effective Date**

Except as otherwise agreed by the Holder of a particular Claim, or as provided in the Plan, all distributions shall be made pursuant to the terms of the Plan and the Confirmation Order. Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for United States federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim). Whenever any payment of a fraction of a dollar would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest dollar.

**6. General Distribution Procedures.**

The Reorganized Debtors, or any other duly appointed Distribution Agent, shall make all distributions of Cash or other property required under the Plan, unless the Plan specifically provides otherwise. All Cash and other property held by the Reorganized Debtors for distribution under the Plan shall not be subject to any claim by any Person, except as provided under the Plan.

**7. Address for Delivery of Distributions.**

Distributions to Holders of Allowed Claims, to the extent provided for under the Plan, shall be made (1) at the address set forth on any proofs of claim filed by such Holders (to the

extent such proofs of claim are filed in the Chapter 11 Cases), (2) at the addresses set forth in any written notices of address change delivered to the Debtors, (3) at the addresses in the Debtors' books and records, (4) in accordance with the DIP Facility Secured Loan Agreement, (5) in accordance with the Prepetition First Lien Credit Agreement, or (6) in accordance with the Prepetition Second Lien Credit Agreement.

**8. Undeliverable Distributions and Unclaimed Property.**

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtors as undeliverable, no further distribution shall be made to such Holder, and the Reorganized Debtors shall have no obligation to make any further distribution to the Holder, unless and until the Reorganized Debtors is notified in writing of such Holder's then current address.

Any Entity which fails to claim any Cash within one year from the date upon which a distribution is first made to such entity shall forfeit all rights to any distribution under the Plan. Entities which fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtors or the Reorganized Debtors or against any Holder of an Allowed Claim to whom distributions are made by the Reorganized Debtors.

**9. Withholding Taxes.**

Pursuant to section 346(f) of the Bankruptcy Code, the Reorganized Debtors shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. From and as of the Effective Date, the Reorganized Debtors shall comply with all reporting obligations imposed on it by any Governmental Unit in accordance with applicable law with respect to such withholding taxes. As a condition to receiving any distribution under the Plan, the Reorganized Debtors may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to the Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Reorganized Debtors to comply with applicable tax reporting and withholding laws.

**10. Setoffs.**

The Reorganized Debtors may, to the extent permitted under applicable law, setoff against any Allowed Claim and any distributions to be made pursuant to the Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Reorganized Debtors may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with the Plan; provided, however, that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any such claims, rights and causes of action that the Reorganized Debtors possesses against such Holder.

**11. Surrender of Cancelled Instruments or Securities**

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by the instruments, securities, notes, or other documentation

canceled pursuant to Article V.O of the Plan, the Holder of such Claim will tender the applicable instruments, securities, notes or other documentation evidencing such Claim (or a sworn affidavit identifying the instruments, securities, notes or other documentation formerly held by such Holder and certifying that they have been lost), to Reorganized Parent or another applicable Distribution Agent unless waived in writing by the Debtors or the Reorganized Debtors, as applicable.

#### 12. Lost, Stolen, Mutilated or Destroyed Securities

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by the Plan, deliver to Reorganized Parent and other applicable Distribution Agents: (x) evidence reasonably satisfactory to Reorganized Parent and other applicable Distribution Agents of such loss, theft, mutilation, or destruction; and (y) such security or indemnity as may be required by Reorganized Parent and other applicable Distribution Agents to hold such party harmless from any damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Allowed Equity Interest. Upon compliance with Article VII.K of the Plan as determined by the Debtors or Reorganized Debtors by a Holder of a Claim or Equity Interest evidenced by a security or note, such Holder will, for all purposes under the Plan, be deemed to have surrendered such security or note to Reorganized Parent and other applicable Distribution Agents.

### G. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

#### 1. Disputed Claims

In the event a Claim is not an Allowed Claim as of the Effective Date, the Holder of such Claim or the Reorganized Debtors may commence an action or proceeding to determine the amount and validity of such Claim in (a) any venue in which such Claim could have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced, or (b) the Bankruptcy Court; provided, that the parties may agree that any dispute will be determined, resolved or adjudicated in the appropriate non-bankruptcy forum and not before the Bankruptcy Court.

#### 2. Procedures Regarding Disputed Claims

No payment or other distribution or treatment shall be made on account of a Disputed Claim, even if a portion of the Claim is not disputed, unless and until such Disputed Claim becomes an Allowed Claim and the amount of such Allowed Claim is determined by a Final Order or by stipulation between the Debtors and the Holder of the Claim. No distribution or other payment or treatment shall be made on account of a Disallowed Claim at any time.

The Debtors (prior to the Effective Date) or the Reorganized Debtors (after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether

the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to such objection. Any Final Order of the Bankruptcy Court that estimates a Disputed Claim pursuant to the Plan shall irrevocably constitute and be a conclusive and final determination of the maximum allowable amount of Claim, should it become an Allowed Claim. Accordingly, the Holder of a Disputed Claim that is estimated by the Bankruptcy Court pursuant to the Plan will not be entitled to any subsequent reconsideration or upward adjustment of the maximum allowable amount of such Claim as a result of any subsequent adjudication or actual determination of the allowed amount of such Disputed Claim or otherwise, and the Holder of such Claim shall not have recourse to the Debtors or the Reorganized Debtors in the event the allowed amount of the Claim of such Holder is at any time later determined to exceed the estimated maximum allowable amount.

**3. Allowance of Claims**

Following the date on which a Disputed Claim becomes an Allowed Claim after the Initial Distribution Date, the Reorganized Debtors shall pay directly to the Holder of such Allowed Claim the amount provided for under the Plan, as applicable, and in accordance therewith.

(a) Allowance of Claims

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Reorganized Debtors will have and will retain any and all rights and defenses that the Debtors had with respect to any Claim or Equity Interest, except with respect to any Claim or Equity Interest deemed Allowed under the Plan or by orders of the Bankruptcy Court. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order and the DIP Orders), no Claim or Equity Interest will become an Allowed Claim unless and until such Claim or Equity Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim or Equity Interest.

(b) Prosecution of Objections to Claims and Equity Interests

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors, will have the exclusive authority to File objections to Claims and settle, compromise, withdraw or litigate to judgment objections to any and all Claims, regardless of whether such Claims or Equity Interests are in an Unimpaired Class or otherwise; provided, however, this provision will not apply to Professional Fee Claims, the Transaction Expenses, or the DIP Facility Claim. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim or Equity Interest without any further notice to or action, order or approval of the Bankruptcy Court. The Reorganized Debtors will have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court.

(c) Estimation

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Equity Interest pursuant to applicable law and (b) any contingent or unliquidated Claim or Equity Interest pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Equity Interest, contingent Claim or Equity Interest or unliquidated Claim or Equity Interest, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned Claim or Equity Interests and objection, estimation and resolution procedures are cumulative and not exclusive of one another, Claim or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

## H. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

### 1. Conditions Precedent to Confirmation

Confirmation of the Plan will be conditioned upon the satisfaction or waiver pursuant to the provisions of Article IX.C of the Plan of the following:

- The Plan and all schedules, documents, supplements and exhibits to the Plan will have been filed in form and substance acceptable to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and Backstop Agreement.

- None of the Plan, the Disclosure Statement or any other Plan-related documents, notices, exhibits, appendices of the Debtors, or orders of the Bankruptcy Court (including, without limitation, documents included in the Plan Supplement), shall have been amended or modified, or shall have become the subject of a motion seeking to amend or modify same, if such amendment, modification or filing is materially inconsistent with the Lender RSA or the Backstop Agreement in a manner that is not acceptable to the Required Backstop Investors and the Majority Participating Lenders, in their sole discretion.

- The Lender RSA Order shall have been entered by the 45th day after the Petition Date (or, if such day is not a Court Date (as defined in the Lender RSA), the next succeeding Court Date), (ii) the Confirmation Hearing shall have concluded by the 90th day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and (iii) the Confirmation Order shall have been entered by the Bankruptcy Court by the earlier of the 92nd day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and June 30, 2014.

- The entry of an order by the Bankruptcy Court approving the Disclosure Statement and other Solicitation materials shall have occurred by the 60th day after the Petition Date (or, if such day is not a Court Date, the next

succeeding Court Date), (ii) the Confirmation Hearing shall have concluded by the 100th day after the Petition Date (or if such day is not a Court Date, the next succeeding Court Date) and (iii) the Confirmation Order shall have been entered by the Bankruptcy Court by the 102nd day after the Petition Date (or if such day is not a Court Date, the next succeeding Court Date).

- The Confirmation Order, as entered, is in form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and the Backstop Agreement.

- The Debtors shall have filed the Lender RSA Motion, the Backstop Agreement Assumption Motion and the SSA Motion by the third Court Date after the Petition Date.

- Each of the Lender RSA Order, the SSA Order and the Backstop Agreement Assumption Order shall have been entered by the Bankruptcy Court by the 45th day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and shall be in form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and the Backstop Agreement.

- The Debtors shall have filed the DIP Facility Motion on or before the first Court Date after the Petition Date.

- Each of the DIP Orders shall be in form and substance acceptable to the Required Backstop Investors. The Interim DIP Order shall have been entered on by the 7th day after the Petition Date and the Final DIP Order shall have been entered by the 45th day after the Petition Date.

- No Debtor shall have breached any of its representations, warranties, covenants and agreements under the Lender RSA or the Backstop Agreement in any material respect.

- The Lender RSA shall not have been terminated by the Required Backstop Investors, the Debtors or the Consenting Equity Holder.

- The Sorensen Support Agreement shall not have been terminated.

- No Event of Default (as defined in the DIP Facility Secured Loan Agreement) under the DIP Facility shall have occurred.

- Neither of the DIP Orders shall have been vacated by any court of competent jurisdiction.

- No material term or condition of the DIP Facility or either DIP Order shall have been modified, amended, or supplemented in a manner that is materially adverse to the Backstop Investors without the prior consent of the Required Backstop Investors,

- Each of the Reorganized Parent Organizational Documents and the organizational documents of each of the other Debtors are in form and substance satisfactory to the Required Backstop Investors.

- There has been no material breach by any of the Debtors or by the Consenting Equity Holder of any of their respective obligations under the Lender RSA, or any other agreement governing the restructuring contemplated therein, or, if any such breach has occurred and is curable, such breach has been cured by 10 days after receipt of written notice and opportunity to cure from the Majority Participating Lenders or the Required Backstop Investors.

- No court of competent jurisdiction or other competent governmental or regulatory authority shall have issued an order making illegal or otherwise restricting, preventing, or prohibiting the restructuring transactions contemplated in the Lender RSA or this Plan, in a manner that cannot be reasonably remedied by the Debtors or the Backstop Investors.

- None of the Debtors or the Consenting Equity Holder has filed any motion in the Chapter 11 Cases under section 363, 364, or 365 of the Bankruptcy Code that is materially inconsistent with the terms and conditions of the Lender RSA in a manner that is not reasonably acceptable to the Required Backstop Investors and the Majority Participating Lenders.

- The Backstop Agreement has not terminated or been terminated and remains in full force and effect.

- No order has been entered by the Bankruptcy Court invalidating or disallowing any Prepetition First Lien Lender Claim or any Prepetition Second Lien Lender Claim of any Backstop Investor or any documents governing or giving rise to such Claim.

- No governmental authority, including any regulatory authority or court of competent jurisdiction, shall have issued of any ruling or order enjoining the consummation of a material portion of the Plan.

- No event, development, condition or state of affairs will exist or have occurred which resulted, or would reasonably be expected to result in, a material adverse effect on (i) the business, properties, financial condition or results of operations of the Companies, taken as a whole, or (ii) the ability of the Debtors to implement the restructuring of the Companies in accordance with the Lender RSA (together, a "Material Adverse Effect"); provided, however, that the voluntary filing or announcement of the voluntary Chapter 11 Cases made pursuant to the Lender RSA shall not constitute a Material Adverse Effect, or be taken into account in determining whether any Material Adverse Effect has occurred.

- Each other Backstop Investor shall have fulfilled its obligations under Section 2 of the Backstop Agreement; provided, however, that such condition shall be deemed to be satisfied and each non-defaulting Backstop Investor shall be obligated to fund its share of such defaulting Backstop Party's Purchase Commitment (as defined in the Backstop Agreement) and Backstop Commitment (as defined in the Backstop Agreement), each to the extent provided in Section 5(c) of the Backstop

Agreement, if (x) the aggregate amount to be funded by the non-defaulting Backstop Investors pursuant to Section 2 of the Backstop Agreement and after giving effect to the funding contemplated by this proviso is less than or equal to (y) the amount that would have been required to be funded by the non-defaulting Backstop Investors pursuant to Section 2 of the Backstop Agreement assuming no other persons participated in the Rights Offering and the defaulting Backstop Investors performed their respective obligations under Section 2 of the Backstop Agreement.

- The representations and warranties of the Debtors contained in the Backstop Agreement shall be true and correct in all material respects at and as of the Confirmation Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), and the Debtors shall have performed or complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed or complied with by them prior to or at and as of the Confirmation Date.

- Each of the Plan and all documents related to the Plan that are to be approved by the Bankruptcy Court are be in form and substance reasonably acceptable to the Required Backstop Investors.

- One of the Debtors or a non-Debtor subsidiary of a Reorganized Debtor shall have entered into an employment agreement with each of Barry Ahearn and Dean Foley, in each case, in form and substance reasonably acceptable to the Required Backstop Investors.

- No taxing authority having appropriate jurisdiction over the Company shall have reasonably and in good faith asserted a claim for the payment of taxes by the Company relating to periods on or prior to the consummation of the restructuring that exceeds, in the aggregate, the amount of tax liabilities of the Company reasonably expected by the Backstop Investors to exist as of the date of consummation of the restructuring.

- The Required Backstop Investors shall be reasonably satisfied with the proposed allocation of shares of common stock to be issued on or promptly following the Effective Date under the MIP (as defined in the Lender RSA).

- The Subscription Documents shall be in form and substance reasonably acceptable to the Required Backstop Investors.

- Each of the Debtors and the Consenting Equity Holder and the other Sorensen Parties have performed all obligations required of them under the Lender RSA, the Backstop Agreement and the Sorensen Support Agreement.

**2. Conditions Precedent to Consummation**

Consummation of the Plan will be conditioned upon the satisfaction or waiver pursuant to the provisions of Article IX.C of the Plan of the following:

- Immediately prior to the effectiveness of the Plan pursuant to Article IX, each of the conditions precedent to confirmation of the Plan either remain satisfied or have been waived pursuant to the provisions of Article IX.C of the Plan.

- The Confirmation Order shall have been entered and either (a) become a Final Order or (b) the 14-day stay contemplated by Bankruptcy Rule 3020(e) in respect thereof shall have been terminated unless waived by the Debtors, and (c) the Confirmation Order shall otherwise be in a form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and Backstop Agreement, and no stay of the Confirmation Order will have been entered and be in effect. The Confirmation Order will provide that, among other things, the Debtors or the Reorganized Debtors, as appropriate, are authorized to take all actions necessary or appropriate to consummate the Plan, including, without limitation, entering into, implementing and consummating the contracts, instruments, releases and other agreements or documents created in connection with or described in the Plan.

- The Bankruptcy Court will have entered one or more Final Orders (which may include the Confirmation Order) authorizing the assumption and rejection of Executory Contracts and Unexpired Leases by the Debtors as contemplated in the Plan and the Plan Supplement.

- The representations and warranties of the Debtors contained in the Backstop Agreement shall be true and correct in all material respects at and as of the Effective Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), and the Debtors shall have performed or complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed or complied with by them prior to or at and as of the Effective Date.

- All documents and agreements and all schedules, exhibits, and ancillary agreements thereto necessary to implement the Plan, including, without limitation, the Post-Emergence Term Loan Agreement, the Post-Emergence ABL Loan Agreement and the Subordination and Intercreditor Agreement will have been (a) approved by the Required Backstop Investors, (b) tendered for delivery, and (c) effected by, executed by, or otherwise deemed binding upon, all Entities party thereto. All conditions precedent to such documents and agreements will have been satisfied or waived pursuant to the terms of such documents or agreements.

- All material consents, actions, documents, certificates and agreements necessary to implement the Plan will have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

- The Debtors will have received the Rights Offering Purchase Price, in Cash, net of any fees or expenses authorized by order of the Bankruptcy Court to be paid from the Rights Offering Purchase Price.

- The Debtors will have received (i) the stock to be purchased under the DRV Purchase Agreement, (ii) any and all consents necessary to consummate the transactions set forth in the DRV Purchase Agreement, (iii) the Transferred Agreement (as defined in the DRV Purchase Agreement), and (iv) the Option Agreement.

- All Transaction Expenses have been paid in full.

- The Confirmation Date will have timely occurred.

- The Effective Date will have occurred within 17 days after the entry of the Confirmation Order.

**3. Waiver of Conditions**

The conditions to Confirmation of the Plan and to Consummation of the Plan set forth in Article IX of the Plan may be waived by the Debtors without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan subject to any consents that may be required under the Lender RSA or the Backstop Agreement to the extent that such agreements have not been terminated. To the extent that a condition to Consummation of the Plan requires the consent of the Required Backstop Investors, or the Majority Participating Lenders, respectively, such conditions may only be waived by the Debtors with the consent of the Required Backstop Investors or the Majority Participating Lenders, as the case may be. The failure to satisfy or waive a condition to Consummation may be asserted by the Debtors or the Reorganized Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtors or Reorganized Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time.

**4. Effect of Non Occurrence of Conditions to Consummation**

If the Consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (a) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (b) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; (c) constitute an allowance of any Claim or Equity Interest; or (d) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

## I. DEBTORS' RELEASES

Notwithstanding anything to the contrary in the Plan, the failure of the Bankruptcy Court to approve any or all of the provisions set forth in Article XI of the Plan shall not constitute a failure of any condition to either Confirmation or the effectiveness of the Plan, but without prejudice to the respective parties' rights under the Lender RSA or the Backstop Agreement.

## J. RELEASE, INJUNCTION AND RELATED PROVISIONS

### 1. General

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan, takes into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise. As of the Effective Date, any and all contractual, legal and equitable subordination rights, whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise, relating to the allowance, classification and treatment of all Allowed Claims and their respective distributions and treatments under the Plan will be settled, compromised, terminated and released pursuant to the Plan; provided, however, that nothing contained in the Plan will preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan.

In accordance with the provisions of the Plan and pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date (1) the Reorganized Debtors may, in their sole and absolute discretion, compromise and settle Claims against them and (2) the Reorganized Debtors may, in their sole and absolute discretion, compromise and settle Causes of Action against other Entities.

### 2. Release

EFFECTIVE AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, THE ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED AND CONFIRMED, THE DEBTORS AND REORGANIZED DEBTORS, IN THEIR INDIVIDUAL CAPACITIES AND AS DEBTORS-IN-POSSESSION (COLLECTIVELY, THE "RELEASING PARTIES") WILL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER PROVIDED A FULL DISCHARGE, WAIVER AND RELEASE TO THE RELEASED PARTIES (AND EACH SUCH RELEASED PARTY SO RELEASED SHALL BE DEEMED FOREVER RELEASED, WAIVED AND DISCHARGED BY THE RELEASING PARTIES) AND THEIR RESPECTIVE PROPERTIES FROM ANY AND ALL CLAIMS, CAUSES OF ACTION, LITIGATION CLAIMS AND ANY OTHER DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, ACTIONS, REMEDIES, AND

LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE OR THEREAFTER ARISING, IN LAW, AT EQUITY, WHETHER FOR TORT, CONTRACT, OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN ANY WAY IN WHOLE OR IN PART TO THE DEBTORS, THE CHAPTER 11 CASES, INCLUDING, WITHOUT LIMITATION, THE PREPETITION SECURED LOANS, THE BACKSTOP AGREEMENT, THE LENDER RSA, THE RIGHTS OFFERING, THE SORENSEN SUPPORT AGREEMENT, THE DIP FACILITY, THE DISCLOSURE STATEMENT, THE PLAN OR THE SOLICITATION OF VOTES ON THE PLAN THAT SUCH RELEASING PARTY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR EQUITY INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT FOR OR ON BEHALF OF THE DEBTORS, THEIR ESTATES OR THE REORGANIZED DEBTORS (WHETHER DIRECTLY OR DERIVATIVELY) AGAINST ANY OF THE RELEASED PARTIES; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (I) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT; (II) ANY CAUSES OF ACTION ARISING FROM FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT AS DETERMINED BY FINAL ORDER OF THE BANKRUPTCY COURT OR ANY OTHER COURT OF COMPETENT JURISDICTION; AND/OR (III) THE RIGHTS OF SUCH RELEASING PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT. THE FOREGOING RELEASE SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THIS RELEASE. NOTWITHSTANDING THE FOREGOING, THE DEBTORS ARE NOT RELEASING THE DEBTORS (BUT THEY ARE RELEASING THE RELATED PERSONS TO THE DEBTORS PURSUANT TO THIS PARAGRAPH.

## K. THIRD PARTY RELEASE

**The third party releases set forth in Article XII of the Plan are voluntary and mutual. None of the releases cover transactions or documents contemplated by the Plan. A brief outline of these releases is set forth below:**

- **Creditors entitled to vote on the Plan may opt-in to these releases by checking the appropriate box on the Ballot, while the DIP Agent, the**

**Prepetition Agents and creditors not entitled to vote on the Plan may opt-in by giving written notice to the Notice Parties prior to the Effective Date.**

- **Any entity that elects to grant the release set forth in Article XII.A of the Plan, will grant such release to (i) each other creditor that grants a release set forth in Article XII.A of the Plan and (ii) the Sorensen Parties and their non-Debtor Affiliates.**

- **The Sorensen Parties and their non-Debtor Affiliates will grant the release set forth in Article XII.B of the Plan to each of the entities that elect to grant the release set forth in Article XII.A of the Plan. The Sorensen Parties and their non-Debtor Affiliates will not grant the releases set forth in Article XII.B of the Plan to any entity that does not elect to grant the Sorensen Parties and their non-Debtor Affiliates the releases sets forth in Article XII.A of the Plan.**

- **In addition to the transactions to be consummated under the Plan, the parties granting releases acknowledge that the Debtors and the Reorganized Debtors will continue to have commercial relationships with non-Debtor Affiliates of the Sorensen Parties on and after the Effective Date. Such related party relationships, as disclosed in the documents delivered in connection with the Plan, will continue in the ordinary course of business, subject to the consent of the Required Backstop Parties, and will not be modified by the Plan or the releases contained therein. A schedule of such permitted related party transactions will be contained in a Plan Supplement.**

**1. Creditors Release**

AS OF AND SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, EACH CREDITOR RELEASING PARTY[12], FOR ITSELF AND ITS RESPECTIVE RELATED PERSONS, IN EACH CASE IN THEIR CAPACITY AS SUCH RELATED PERSON, SHALL BE DEEMED TO HAVE RELEASED (I) EACH OTHER CREDITOR RELEASING PARTY AND (II) THE SORENSEN PARTIES AND EACH NON-DEBTOR AFFILIATE OF ANY SORENSEN PARTY FROM ANY AND ALL DIRECT CLAIMS AND CAUSES OF ACTION HELD BY SUCH CREDITOR RELEASING PARTY WHATSOEVER, OR IN ANY MANNER ARISING FROM OR RELATED TO, IN WHOLE OR IN PART, THE RELEASE MATTERS[13]; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS

[12] For the purposes of this section, "Creditor Releasing Party" means (a) each Holder of a Claim in the Voting Classes that affirmatively elects to grant the third party release provided in Article XII of the Plan by checking the appropriate box on the Ballot provided to such Holder in connection with solicitation of such Holder's vote to accept or to reject the Plan and (b) each of the following parties that affirmatively elects to grant the third party release provided in Article XII of the Plan by giving written notice to that effect to each of the Notice Parties: (i) the DIP agent, (ii) the Prepetition Agents and (iii) any other creditor in the Chapter 11 Cases that is not entitled to vote on the Plan.

[13] For the purposes of this section, "Release Matter" means: (a) the Debtors, (b) the Debtors' restructuring, (c) the conduct of the Debtors' businesses, (d) the Chapter 11 Cases, (e) the Prepetition Secured Loans, (f) the subject matter of, or the transactions or events giving rise to, any Claim or interest that is treated in the Plan, (g) the business or contractual arrangements between any Debtor and any agent thereof, (h) the Rights Offering, (i) the Backstop Agreement, (j) the Lender RSA, (k) the Sorensen Support Agreement, (l) the DIP Facility, (m) the Disclosure

RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (i) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT AND/OR (ii) THE RIGHTS OF SUCH CREDITOR RELEASING PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT.

THE FOREGOING RELEASE SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THIS RELEASE.

**2. Sorensen Parties and Affiliates Release**

AS OF AND SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, EACH OF THE SORENSEN PARTIES AND EACH OF THEIR NON-DEBTOR AFFILIATES SHALL BE DEEMED TO HAVE RELEASED EACH OF THE CREDITOR RELEASING PARTIES AND THEIR RESPECTIVE RELATED PERSONS, EACH IN ITS CAPACITY AS SUCH RELATED PERSON, FROM ANY AND ALL DIRECT CLAIMS AND CAUSES OF ACTION HELD BY SUCH SORENSEN PARTY OR ANY NON-DEBTOR AFFILIATE OF SUCH SORENSEN PARTY WHATSOEVER, OR IN ANY MANNER ARISING FROM OR RELATED TO, IN WHOLE OR IN PART, THE RELEASE MATTERS; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (i) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT AND/OR (ii) THE RIGHTS OF SUCH SORENSEN PARTY OR ANY NON-DEBTOR AFFILIATE OF SUCH SORENSEN PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT.

THE FOREGOING RELEASES SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THESE RELEASES.

**3. Discharge of Claims**

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Statement, (n) the Plan, (o) the solicitation of votes on the Plan and any transactions related thereto, and (p) the restructuring of Claims and interests prior to or in the Chapter 11 Cases, which Claims are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date.

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtors or any of their assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date, the Debtors and their Estates will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**4. Exculpation**

The Exculpated Parties will neither have nor incur any liability to any Entity for any claims or Causes of Action arising before, on or after the Petition Date and prior to or on the Effective Date for any act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan, the Disclosure Statement, the Lender RSA, the Backstop Agreement, the Sorensen Support Agreement, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors, the approval of the Disclosure Statement or confirmation or Consummation of the Plan; provided, however, that the foregoing provisions will have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order of the Bankruptcy Court or other court of competent jurisdiction to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party will be entitled to rely upon the advice of counsel concerning its duties pursuant to, or in connection with, the above referenced documents, actions or inactions; provided, further, however that the foregoing provisions will not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or the Plan Supplement.

**5. Preservation of Rights of Action**

(a) Maintenance of Causes of Action

Except as otherwise provided in Article XI or elsewhere in the Plan or the Confirmation Order, after the Effective Date, the Reorganized Debtors will retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action and Litigation Claims, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Cases. The Reorganized Debtors, as the successors in, interest to the Debtors and the Estates, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to

do any of the foregoing) any or all of the Litigation Claims without notice to or approval from the Bankruptcy Court.

(b) Preservation of All Causes of Action Not Expressly Settled or Released

Unless a Cause of Action or Litigation Claim against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including, without limitation, the Confirmation Order), the Debtors expressly reserve such Cause of Action or Litigation Claim for later adjudication by the Debtors or the Reorganized Debtors (including, without limitation, Causes of Action and Litigation Claims not specifically identified or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action or Litigation Claims upon or after the Confirmation of the Plan or Consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such Causes of Action or Litigation Claims have been expressly released in the Plan (including, without limitation, and for the avoidance of doubt, the Release contained in Article XI of the Plan) or any other Final Order (including, without limitation, the Confirmation Order). In addition, the Debtors and the Reorganized Debtors expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which any Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

**6. Injunction**

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY SUIT, ACTION OR OTHER PROCEEDING, OR CREATING, PERFECTING OR ENFORCING ANY LIEN OF ANY KIND, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, EQUITY INTEREST, OR REMEDY RELEASED OR TO BE RELEASED, EXCULPATED OR TO BE EXCULPATED, OR DISCHARGED OR TO BE DISCHARGED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER. BY ACCEPTING DISTRIBUTIONS PURSUANT TO THE PLAN, EACH HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST WILL BE DEEMED TO HAVE SPECIFICALLY CONSENTED TO THIS INJUNCTION. ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASES UNDER SECTION 105 OR 362 OF THE BANKRUPTCY CODE, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE, WILL REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE.

## L. BINDING NATURE OF PLAN

ON THE EFFECTIVE DATE, AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE PLAN WILL BIND, AND WILL BE DEEMED BINDING UPON, ALL HOLDERS OF

CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS, AND SUCH HOLDER'S RESPECTIVE SUCCESSORS AND ASSIGNS, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NOTWITHSTANDING WHETHER OR NOT SUCH HOLDER (I) WILL RECEIVE OR RETAIN ANY PROPERTY OR INTEREST IN PROPERTY UNDER THE PLAN, (II) HAS FILED A PROOF OF CLAIM OR INTEREST IN THE CHAPTER 11 CASES OR (III) FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN OR AFFIRMATIVELY VOTED TO REJECT THE PLAN.

## M. CONFIRMATION PROCEDURES

### 1. Confirmation Hearing

**The date has not yet been set for the Confirmation Hearing**. Once scheduled, the Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors, with the consent of the Required Backstop Investors, without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on such parties as the Bankruptcy Court may order. Moreover, the Plan may be modified or amended, if necessary, pursuant to section 1127 of the Bankruptcy Code, prior to, during or as a result of the Confirmation Hearing, without further notice to parties-in-interest.

**The date has not yet been set for the Confirmation Objection Deadline**. All Confirmation objections must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in accordance with the Disclosure Statement Order on or before the Confirmation Objection Deadline.

CONFIRMATION OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH HEREIN MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED WITHOUT FURTHER NOTICE.

### 2. Filing Objections to the Plan

Any objection to Confirmation of the Plan must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; (iii) state the name of the objecting party and the amount and nature of the Claim or the amount of Equity Interests held by such Entity; (iv) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (v) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** no later than the Confirmation Objection Deadline by the Notice Parties, as defined in Article I.C.17 herein.

## N. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy

Code; (ii) the Debtors have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith. Specifically, the Debtors believe that the Plan satisfies or will satisfy the applicable Confirmation requirements of section 1129 of the Bankruptcy Code set forth below.

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied and will comply with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the case, has been or will be disclosed to the Bankruptcy Court, and any such payment: (a) made before the Confirmation of the Plan is reasonable; or (b) is subject to the approval of the Bankruptcy Court as reasonable if it is to be fixed after Confirmation of the Plan.
- The Debtors will disclose the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director or officer of the Debtors, an affiliate of the Debtors participating in the plan with the Debtors, or a successor to the Debtors under the Plan. The appointment to, or continuance in, such office by such individual, will be consistent with the interests of creditors and equity security holders and with public policy and the Debtors will have disclosed the identity of any insider that the Reorganized Debtors will employ or retain, and the nature of any compensation for such insider;
- Either each Holder of an Impaired Claim or Equity Interest in Parent will (A) have accepted the Plan or will receive or retain under the Plan on account of such Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code, or (B) if section 1111 (b)(2) applies to such Claim, receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of such Holder's interest in the estate's interest in the property that secures such claims;
- Each Class of Claims that is entitled to vote on the Plan will either have accepted the Plan or will not be Impaired under the Plan, or the Plan can be confirmed without the approval of such voting Class pursuant to section 1129(b) of the Bankruptcy Code;
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims and Priority Claims will be paid in full in Cash on the Effective Date, or as soon thereafter as

is reasonably practicable, and that Priority Tax Claims will be paid in accordance with section 1129(a)(9)(C) of the Bankruptcy Code;

- At least one Class of Impaired Claims will accept the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class;

- Confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor thereto under the Plan;

- The Debtors have paid or will pay all fees payable under section 1930 of title 28, and the Plan provides for the payment of all such fees on the Effective Date; and

- The Plan provides for the continuation after the Effective Date of payment of all retiree benefits.

**1. Best Interests of Creditors Test/Liquidation Analysis**

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that the bankruptcy court find, as a condition to Confirmation of a chapter 11 plan, that each holder of a claim or equity interest in each impaired class: (i) has accepted the plan; or (ii) among other things, will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such Person would receive if each of the debtors were liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the bankruptcy court must: (1) estimate the Cash proceeds (the "Liquidation Proceeds") that a chapter 7 trustee would generate if each Debtor's Chapter 11 Case were converted to a chapter 7 case on the Effective Date and the assets of such Debtor's Estate were liquidated; (2) determine the distribution (the "Liquidation Distribution" that each non-accepting Holder of a Claim or Equity Interest would receive from the Liquidation Proceeds under the priority scheme dictated in chapter 7; and (3) compare each Holder's Liquidation Distribution to the distribution under the Plan that such Holder would receive if the Plan were confirmed and consummated.

To assist the Bankruptcy Court in making the findings required under section 1129(a)(7) of the Bankruptcy Code, the Debtors' management, together with Alix Partners, the Debtors' restructuring and financial advisors, prepared a Liquidation Analysis, a copy of which is attached hereto as Exhibit F.

The Liquidation Analysis presents "Higher" and "Lower" estimates of Liquidation Proceeds, thus representing a range of management's assumptions relating to the costs incurred during a liquidation and the proceeds realized as a result thereof. The "Higher" and "Lower" estimates of Liquidation Proceeds for the Chapter 11 Cases are $154 million and $208 million, respectively. For additional detail with respect to such estimates, refer to the Liquidation Analysis attached hereto as Exhibit F. It is assumed that the liquidation would occur over a period of nine months. The projected date of conversion to a hypothetical chapter 7 liquidation is May 25, 2014. In each case, it is assumed that the chapter 7 trustee would enter into an agreement with the Debtors' Prepetition Secured Lenders, as applicable, to wind-down operations and sell the remainder of the Debtors' assets on a piecemeal basis.

THE STATEMENTS IN THE LIQUIDATION ANALYSIS, INCLUDING ESTIMATES OF ALLOWED CLAIMS, WERE PREPARED SOLELY TO ASSIST THE BANKRUPTCY COURT IN MAKING THE FINDINGS REQUIRED UNDER SECTION 1129(a)(7) AND THEY MAY NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE.

THE DEBTORS BELIEVE THAT ANY ANALYSIS OF A HYPOTHETICAL LIQUIDATION IS NECESSARILY SPECULATIVE. THERE ARE A NUMBER OF ESTIMATES AND ASSUMPTIONS UNDERLYING THE LIQUIDATION ANALYSIS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR A CHAPTER 7 TRUSTEE. NEITHER THE LIQUIDATION ANALYSIS, NOR THE FINANCIAL INFORMATION ON WHICH IT IS BASED, HAS BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THERE CAN BE NO ASSURANCE THAT ACTUAL RESULTS WOULD NOT VARY MATERIALLY FROM THE HYPOTHETICAL RESULTS PRESENTED IN THE LIQUIDATION ANALYSIS.

**2. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that Confirmation is not likely to be followed by the liquidation of the Reorganized Debtors or the need for further financial reorganization, unless the plan contemplates such liquidation. For purposes of demonstrating that the Plan meets this "feasibility" standard, the Debtors have analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan and to retain sufficient liquidity and capital resources to conduct their business.

The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy its financial obligations while maintaining sufficient liquidity and capital resources. The Debtors' management, with the assistance of its financial advisors, developed a business plan and prepared financial projections for fiscal years 2012 through 2017 (the "Financial Projections"). The Financial Projections, together with the assumptions on which they are based, are attached hereto as Exhibit C.

In general, as illustrated by the Financial Projections, the Debtors believe that with the significantly de-leveraged capital structure provided under the Plan and the return to trade terms and increased liquidity, the Reorganized Debtors should have sufficient Cash flow and availability to make all payments required pursuant to the Plan while conducting ongoing businesses operations. The Debtors believe that Confirmation and Consummation is, therefore, not likely to be followed by the liquidation or further reorganization of the Reorganized Debtors. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(l 1) of the Bankruptcy Code.

THE FINANCIAL PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN.

WHILE MANAGEMENT BELIEVES THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. THE DEBTORS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS.

The Financial Projections have not been examined or compiled by independent accountants. The Debtors make no representation as to the accuracy of the Financial Projections or their ability to achieve the projected results. Many of the assumptions on which the projections are based are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management, Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the 5-year period of the Financial Projections may vary from the projected results and the variations may be material. All Holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Financial Projections are based in connection with their evaluation of the Plan.

### 3. Valuation

In order to provide information to parties in interest regarding the possible range of values of their distributions under the Plan, it is necessary to ascribe an estimated value, or range of values, to the Company. The Debtors have been advised by Goldman Sachs, their financial advisor, with respect to the estimated range of total enterprise values of the Company, including the Reorganized Debtors, on a going-concern basis.

The estimates of the enterprise value contained in this section do not reflect values that could be attainable in public or private markets. The valuation information contained in this section is not a prediction or guarantee of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan.

### 4. Summary Results of Valuation Analysis

In conjunction with the allocation of distributions under the Plan, the Debtors determined that it was necessary to estimate the post-Confirmation reorganization enterprise and equity values of the Reorganized Debtors. Accordingly, the Debtors directed Goldman Sachs to prepare a valuation analysis of the Reorganized Debtors.

As a result of Goldman Sachs' analyses, review, discussions, considerations and assumptions described herein, Goldman Sachs estimates that the range of total enterprise values ("TEV Range") of the Reorganized Debtors is approximately $680 million to $780 million on a going concern, pro forma reorganized basis. The assumed TEV Range reflects work performed by Goldman Sachs on the basis of information with respect to the business and assets of the Debtors (after giving effect to the merger of Decca Consulting, Inc., Decca Consulting Ltd., Resdin Industries, Inc. and Vaughan Business Solutions, Inc. ) available to Goldman Sachs as of February 26, 2014 (the "Valuation Date") . Based upon the assumed TEV Range of $680 million

to 780 million and assumed post-reorganization debt of approximately $350 million, as set forth in the Financial Projections, the implied equity value range for the Reorganized Debtors is $330 million to $430 million.

The valuation analysis was prepared by Goldman Sachs based on data, information (including the Financial Projections) and financial and market conditions as of the Valuation Date (the "Valuation Analysis") and Goldman Sachs did not undertake, and has no responsibility to update, revise or reaffirm the Valuation Analysis, including without limitation, as a result of data, circumstances, developments, events, or any subsequent changes or modifications to any existing rules or regulations instituted by any regulatory authority, occurring after such date.

In preparing the Valuation Analysis, Goldman Sachs has, among other things: (i) reviewed certain internal financial and operating data of the Debtors; (ii) discussed with certain senior executives of the Debtors the current operations and prospects of the Debtors; (iii) reviewed certain operating and financial forecasts prepared by the Debtors, including the Financial Projections; (iv) discussed with certain senior executives of the Debtors key assumptions related to the Financial Projections; (v) prepared discounted cash flow analyses based on the Financial Projections, utilizing various discount rates and perpetuity growth rates; (vi) considered the prevailing trading multiples of certain publicly-traded companies in businesses reasonably comparable to the Debtors; (vii) considered the multiples in recent change-of-control transactions involving public companies in businesses Goldman Sachs deemed to be reasonably comparable to the Debtors; and (viii) considered such other factors as Goldman Sachs deemed appropriate under the circumstances.

Goldman Sachs has not conducted any independent evaluation or appraisal of the respective assets or liabilities of the Debtors or any other party. Goldman Sachs relied upon and assumed, without independent verification, the accuracy and completeness of the financial, accounting, tax and other information provided to or discussed with it by the Debtors or obtained by it from public sources. Goldman Sachs has not assumed any responsibility for the independent verification of any such information, including, without limitation, the Financial Projections, and has further relied upon the assurances of the senior management of the Debtors that they are unaware of any facts that would make the information and Financial Projections incomplete or misleading in any respect. Goldman Sachs has not audited, reviewed or compiled the accompanying information in accordance with Generally Accepted Accounting Principles or otherwise. With respect to the Financial Projections furnished by the Debtors, Goldman Sachs has assumed that such Financial Projections have been reasonably prepared and reflect the best currently available estimates and judgments of the senior management of the Debtors as to the expected future performance of the Debtors.

In preparing the Valuation Analysis, Goldman Sachs relied upon the Financial Projections and the assumptions upon which the Financial Projections were prepared, including: (i) the Debtors will be reorganized in accordance with the Plan and the Effective Date occurs on or about May 25, 2014; (ii) the Debtors are able to recapitalize and have adequate liquidity as of the Effective Date, as set forth in the Financial Projections; (iii) the Debtors are able to implement the Plan in the manner described herein; (iv) the debt level of the Debtors will be approximately $350 million, immediately following the Effective Date; (v) general financial and market conditions and the financial and market outlook specifically for the staffing industry in

which the Debtors operate as of the Effective Date will not differ, in any way meaningful to Goldman Sachs' analysis, from the conditions prevailing as of the Valuation Date.

In estimating the range of TEV, Goldman Sachs has employed generally accepted valuation techniques and primarily relied upon a discounted cash flow ("DCF") analysis. Goldman Sachs also utilized a comparable public company analysis ("Comparable Public Company Analysis"), and a transaction comparable analysis ("Transaction Comparable Analysis") to value the Debtors. Goldman Sachs believes that these valuation methodologies reflect both the market's current view, as well as a longer term focus, on the value of the Debtors.

(a) DCF Analysis

Goldman Sachs utilized a DCF analysis to determine the TEV of the Debtors. The discounted cash flow of an enterprise represents the present value of unleveraged, after-tax cash flows available to all providers of capital using an appropriate set of discount rates. The DCF analysis takes into account the projected operating cash flows of the subject company by using company projections as the basis for the financial model. The underlying concept of the DCF analysis is that debt-free, after-tax cash flows are estimated for a projection period and a terminal value is estimated to determine the going concern value of the subject company at the end of the projection period. For the projection period cashflows, the forecast assumes an effective tax rate consistent with the Company's Financial Projections (see Exhibit C hereto). When calculating the terminal value, the applicable effective tax rate is assumed to be 35.0%. These cash flows and terminal value are then discounted at the subject company's assumed weighted average cost of capital ("WACC"), which is determined pursuant to the capital asset pricing model (the "CAPM"), a financial theory which assumes a linear relationship between risk and return, widely used in estimating cost of capital for DCF valuation purposes.

In performing the calculation, Goldman Sachs made assumptions both for the WACC, which is used to value future cash flows, and terminal cash flow perpetuity growth rates, which are used to determine the future value of the enterprise after the end of the projection period. In performing this analysis, Goldman Sachs used a range of discount rates (the "Discount Rates") that reflect a number of company and market-specific factors utilized under the CAPM, including the cost of equity and an estimated cost of debt at the target capitalization for the Company upon emergence.

(b) Comparable Public Company Analysis

In a Comparable Public Company Analysis, a subject company is valued by comparing it with selected publicly held companies in reasonably similar lines of business. The comparable public companies are chosen based on, among other attributes and factors, their similarity to the subject company's size, profitability and market presence. The price that investors are willing to pay in the public markets for each company's publicly traded securities represents the market's value of that company's current and future prospects as well as the rate of return required on the investment.

In selecting comparable public companies, Goldman Sachs considered multiple factors, including, among other things, the focus of the comparable companies' businesses as well as such companies' current and projected operating performance. Numerous financial multiples and ratios were developed to measure each company's valuation and relative performance. Some of

the specific analyses entailed comparing the enterprise value (defined as market value of equity plus market value of debt, market value of preferred stock and minority interest minus excess cash) for each of the comparable public companies to their projected EBITDA. These multiples were calculated and were then applied to the Financial Projections to determine the range of enterprise value using this methodology. In performing the Comparable Public Company Analysis, Goldman Sachs relied upon the Financial Projections as they relate to the Debtors and various publicly available analyst reports relating to the current and projected operating performance, including projected EBITDA, of the comparable public companies.

(c) Transaction Comparable Analysis

Goldman Sachs also utilized a Transaction Comparable Analysis to determine the TEV of the Debtors. The Transaction Comparable Analysis approach entails calculating EBITDA multiples based upon implied values (including any debt assumed and equity purchased) in change of control transactions of companies determined to be similar to a particular subject company. These multiples are then applied to the subject company projections to determine an implied range of enterprise values. In performing the Transaction Comparable Analysis, Goldman Sachs evaluated various public merger and acquisition and restructuring transactions that have occurred in the staffing and business services industry over the past several months.

(d) Valuation Summary

As a result of such analyses, review, discussions, considerations and assumptions (all as of the Valuation Date), Goldman Sachs provided to the Debtors an estimate that, as of the Effective Date, the TEV Range of the Debtors is approximately $680 million to $780 million.

The above estimated TEV Range represents hypothetical value that reflect the estimated intrinsic values of the Debtors derived through the application of the above-described valuation methodologies. Goldman Sachs' estimates are based on economic, market, financial and other conditions as they existed, and on the information made available to Goldman Sachs, as of the Valuation Date.

The summary set forth above does not purport to be a complete description of the Valuation Analysis performed by Goldman Sachs. The preparation of an estimated TEV Range involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial results, financial condition and prospects of such a business. As a result, any estimates of TEV Range set forth herein are not necessarily indicative of actual outcomes. In addition, estimates of TEV Range do not purport to be appraisals, nor do they necessarily reflect the values that might be realized if assets were sold. The estimated TEV Range does not constitute a recommendation to any holder of Allowed Claims as to how such person should vote or otherwise act with respect to the Plan. The estimated TEV Range does not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. The estimates prepared by Goldman Sachs assume that, upon confirmation of the Plan and occurrence of the Effective Date, the Reorganized Debtors and their

subsidiaries will own and operate all, or substantially all, of the Debtors' businesses and assets and will continue as the owners and operators of such businesses and assets. Depending on the results of such operations or changes in the financial markets, actual TEV and/or actual equity value may differ significantly from Goldman Sachs' Valuation Analysis set forth herein.

**5. Acceptance by Impaired Classes**

The Bankruptcy Code requires, as a condition to Confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default— (A) cures any such default that occurred before or after the commencement of the Chapter 11 Cases, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (B) reinstates the maturity of such claim or interest as such maturity existed before such default; (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; (D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and (E) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance. Section 1126(d) of the Bankruptcy Code, except as otherwise provided in section 1126(e) of the Bankruptcy Code, defines acceptance of a plan by a class of impaired equity interests as acceptance by holders of at least two-thirds in amount of equity interests in that class actually voting to accept or to reject the plan.

Classes 1, 2, 3, 6, 7, and 10 are Unimpaired under the Plan, and, as a result, the Holders of such Claims and Equity Interests are deemed to have accepted the Plan.

Classes 8 and 9 are Impaired and Holders of Class 8 and 9 Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

Claims in Classes 4 and 5 are Impaired under the Plan, and as a result, the Holders of Claims in such Classes are entitled to vote on the Plan. Pursuant to section 1129 of the Bankruptcy Code, the Holders of Claims or Equity Interests in the Voting Classes must accept

the Plan for the Plan to be confirmed without application of the "fair and equitable test" to such Classes, and without considering whether the Plan "discriminates unfairly" with respect to such Classes, as both standards are described herein. As stated above, Classes of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

**6. Confirmation Without Acceptance by Impaired Classes**

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if less than all impaired classes entitled to vote on the plan have accepted it, provided that the plan has been accepted by at least one impaired class of claims, Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired Class's rejection or deemed rejection of the Plan, the Plan will be confirmed, at the Debtors' request, in a procedure commonly known as "cram down," so long as the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims or Equity Interests that is impaired under, and has not accepted, the Plan.

**7. No Unfair Discrimination**

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

**8. Fair and Equitable Test**

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class:

The condition that a plan be "fair and equitable" to a non-accepting Class of Secured Claims includes the requirements that: (a) the Holders of such Secured Claims retain the liens securing such Claims to the extent of the Allowed amount of the Claims, whether the property subject to the liens is retained by the debtors or transferred to another entity under the Plan; and (b) each Holder of a Secured Claim in the Class receives deferred Cash payments totaling at least the Allowed amount of such Claim with a present value, as of the Effective Date of the Plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

The condition that a plan be "fair and equitable" with respect to a non-accepting Class of unsecured Claims includes the requirement that either: (a) the plan provides that each Holder of a Claim of such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the plan, equal to the allowed amount of such Claim; or (b) the Holder of any

Claim or Equity Interest that is junior to the Claims of such Class will not receive or retain under the plan on account of such junior Claim or Equity Interest any property.

The condition that a plan be "fair and equitable" to a non-accepting Class of Equity Interests includes the requirements that either: (a) the plan provides that each Holder of an Equity Interest in that Class receives or retains under the plan, on account of that Equity Interest, property of a value, as of the Effective Date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such Holder is entitled, (ii) any fixed redemption price to which such Holder is entitled, or (iii) the value of such interest; or (b) if the Class does not receive such an amount as required under (a), no Class of Equity Interests junior to the non-accepting Class may receive a distribution under the plan.

To the extent that any class of Claims or Class of Equity Interests either reject the Plan or are deemed to have rejected the Plan, the Debtors reserve the right to seek (a) Confirmation of the Plan under section 1129(b) of the Bankruptcy Code and/or (b) modify the Plan in accordance with Article XV.D of the Plan.

Notwithstanding the rejection of any Class that votes to reject the Plan, the Debtors do not believe that the Plan discriminates unfairly against any Impaired Class of Claims or Equity Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for non-consensual Confirmation of the Plan.

## O. CONSUMMATION OF THE PLAN

The Plan will be consummated on the Effective Date. For a more detailed discussion of the conditions precedent to the consummation of the Plan and the impact of failure to meet such conditions, see Article IX.B of the Plan.

# ARTICLE IV
# RISK FACTORS

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE IMPAIRED SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THESE RISK FACTORS ARE MANY, THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE DEBTORS' BUSINESS OR THE PLAN AND ITS IMPLEMENTATION.

## A. CERTAIN BANKRUPTCY CONSIDERATIONS

**1. Parties in interest may object to the Debtors' classification of Claims and Equity Interests.**

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

**2. The Debtors may fail to satisfy the vote requirement.**

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to accomplish an alternative chapter 11 plan or other in or out of court restructuring. There can be no assurance that the terms of any such alternative restructuring would be similar or as favorable to the Holders of Allowed Claims or Equity Interests as those proposed in the Plan or the Debtors may be forced to liquidate.

**3. The Debtors may not be able to secure Confirmation of the Plan.**

Section 1129 of the Bankruptcy Code sets forth the requirements for Confirmation of a chapter 11 plan, and requires, among other things, findings by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) Confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting Holders of Claims within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim or Equity Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement, the balloting procedures and voting results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes, or the Plan contains other terms disapproved of by the Bankruptcy Court.

Confirmation of the Plan is also subject to certain conditions as described in Article IX.A of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of

Allowed Claims or Equity Interests would receive with respect to their Allowed Claims or Equity Interests.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class, as well as any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan. Section 1127 of the Bankruptcy permits the Debtors to modify the Plan at any time before Confirmation, but not if such modified Plan fails to meet the requirements for Confirmation. The Debtors or the Reorganized Debtors may modify the Plan at any time after Confirmation of the Plan and before substantial consummation of the Plan if circumstances warrant such modification and this Court, after notice and a hearing, confirms the Plan as modified, but not if such modified Plan fails to meet the requirements for Confirmation. The Debtors will comply with the disclosure and solicitation requirements set forth in section 1125 of the Bankruptcy Code with respect to the modified Plan. Any Holder of a Claim or Equity Interest that has accepted or rejected the Plan is deemed to have accepted or rejected, as the case may be, the Plan as modified, unless, within the time fixed by this Court, such Holder changes their previous acceptance or rejection.

**4. Non-consensual Confirmation of the Plan may be necessary.**

In the event that any impaired class of claims or equity interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm such a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such non-consensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, in the event that a Voting Class does not accept the Plan, there can be no assurance that the Bankruptcy Court will reach this conclusion.

**5. The Debtors may object to the amount or classification of a Claim or Equity Interest.**

Except as otherwise provided in the Plan, the Debtors and Reorganized Debtors reserve the right to object to the amount or classification of any Claim or Equity Interest under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim or Equity Interest where such Claim or Equity Interest is or may become subject to an objection, counterclaim or other suit by the Debtors. Any Holder of a Claim or Equity Interest that is or may become subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

**6. The Debtors may not obtain the Rights Offering Purchase Price, or the Backstop Agreement may terminate.**

The Plan is predicated on, among other things, Parent's receipt of the Rights Offering Purchase Price. Notwithstanding the Backstop Agreement, because the Rights Offering has not been completed, there can be no assurance that the Debtors will receive any or all of the Rights Offering Purchase Price. In addition, under the Backstop Agreement, the Backstop Investors have the contractual right to terminate the Backstop Agreement, if among other reasons, the deadlines set forth in such agreement or the various conditions precedent to enforcement of the Backstop Investors' obligations are not satisfied. If Parent does not receive the Rights Offering Purchase Price, the Company will not be able to consummate the Plan in its current form. The Rights Offering is a funding mechanism and not a distribution on account of Claims. Holders of Prepetition Secured Loan Claims are receiving participation rights, not Rights Offering Securities, on account of their Prepetition Secured Loan Claims. The Rights Offering is only available to accredited investors to comply with applicable securities laws. Accordingly, the Debtors do not believe any holder of a Prepetition Secured Loan Claims that is unaccredited has any right to participate in the Rights Offering.

**7. The Effective Date may not occur.**

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing, or as to whether the Effective Date will, in fact, occur.

**8. Contingencies will not affect validity of votes of Impaired Classes to accept or reject the Plan.**

The distributions available to Holders of Allowed Claims and Equity Interests under the Plan can be affected by a variety of contingencies. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Equity Interests under the Plan, will not affect the validity of the vote taken by the Voting Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes,

**9. The Debtors may default under the DIP Facility.**

The Debtors' DIP Facility contains numerous covenants and events of default. If the Debtors fail to comply with the covenants, or are otherwise in default of the DIP Facility, the DIP Lenders have the right to accelerate the total amount due under the DIP Facility and require the immediate payment in full in Cash of such amounts. Following such a demand, if the Debtors were unable to obtain emergency relief from the Bankruptcy Court, the DIP Lenders and the Prepetition Secured Lenders would have the right, subject to the terms of the DIP Orders, to foreclose upon the assets of the Debtors. Such a result would also cause the Lender RSA and the Backstop Agreement to terminate.

**10. The Restructuring Support Agreement may terminate.**

The Lender RSA may terminate if, among, other things, the deadlines set forth therein are not met or if the conditions precedent to the respective parties' obligation to support the Plan or

to confirm the Plan are not satisfied in accordance with the terms of such Agreements. If the Lender RSA terminates, Parent may not be able to obtain the support of the Prepetition Secured Lenders required to confirm the Plan.

**11. The Debtors may not obtain favorable pricing with respect to exit financing or may not be able to secure commitments for exit financing.**

The occurrence of the Effective Date is predicated on, among other things, the receipt of financing under the Post-Emergence ABL Loan Agreement and the Post-Emergence Term Loan Agreement. The Debtors do not have committed financing for either of these credit facilities. Although the Debtors have been engaged in negotiations with Credit Suisse AG (with respect to the Post-Emergence Term Loan Agreement) and Royal Bank of Canada (with respect to the Post-Emergence ABL Agreement), there can be no assurance that the Debtors will be able to negotiate definite documents and receive any or all of the exit financing provided for therein, or that the Debtors will receive exit financing on the current terms or on comparably favorable terms. If Parent does not receive the necessary exit financing, the Company will not be able to effectuate the transactions which are scheduled for consummation on the Effective Date.

**12. Restructuring under chapter 11 of the Bankruptcy Code may adversely affect the Company's business**

An element of the Company's business strategy includes serving large corporate customers through high-volume service agreements. While this element of its strategy is intended to enable it to increase its revenues and earnings from its major corporate customers, the strategy also exposes the Company to increased risks arising from the possible loss of major customer accounts. Although the Company intends to continue servicing its customers during its restructuring under chapter 11 of the Bankruptcy Code, there is no guarantee that its customers will continue to conduct business with it. The loss of any major customer accounts would result in a significant decrease in the Company's revenues and earnings.

Additionally, the Company's business is substantially dependent upon its ability to attract and retain contract professionals who possess the skills, experience and licenses, as required, to meet the specified requirements of its clients. The Company competes for such contract professionals with other temporary staffing companies and with its clients and potential clients. There can be no assurance that qualified professionals will be available to the Company in adequate numbers to staff its operating segments in light of the uncertainties inherent in the chapter 11 process. If the Company is unable to attract and retain a sufficient number of contract professionals to meet client demand, it may be required to forgo staffing and revenue opportunities, which may hurt the growth of its business.

Moreover, the Company's success is dependent in large part upon its ability to maintain and enhance the value of its brands, its customers' connection to its brands and a positive relationship with its franchisees. A chapter 11 process may harm the Company's brand image and reputation, which in turn could materially and adversely affect the Company's business and operating results. Finally, although the Company intends to continue its business relationship with its franchisees, which constitutes a significant portion of the Company's business, it is possible that certain of the Company's franchisees will choose to terminate or fail to extend their

relationship with the Company. A significant loss of the Company's franchise licensees, as a result of the chapter 11 process, and any associated loss of customers and sales could have a material adverse effect on its results of operations.

## B. RISK FACTORS THAT MAY AFFECT THE VALUE OF SECURITIES TO BE ISSUED UNDER THE PLAN AND/OR RECOVERIES UNDER THE PLAN

### 1. The New Common Stock will be subject to restrictions on resale under applicable securities laws and under the terms of the Stockholders Agreement.

The New Common Stock sold in the Rights Offering has not been registered under the Securities Act or any state securities laws. Absent registration, the New Common Stock may only be offered or sold in transactions that are not subject to, or that are exempt from, the registration requirements under the Securities Act and applicable state securities laws. Unless the Reorganized Parent files a registration statement with the U.S. Securities and Exchange Commission (the "SEC") covering the resale of the New Common Stock, New Common Stock may be transferred or resold only in transactions exempt from the securities registration requirements of federal and applicable state securities laws. The Stockholders Agreement contains certain additional restrictions and procedural requirements regarding transfer of New Common Stock.

### 2. To service the Reorganized Debtors' indebtedness and to meet their operational needs, the Reorganized Debtors will require a significant amount of Cash. Their ability to generate Cash depends on many factors beyond their control.

The Reorganized Debtors' ability to make payments on and to refinance their indebtedness and to fund planned capital expenditures will depend on their ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond their control.

The Reorganized Debtors' businesses may not generate sufficient cash flow from operations. Although the Financial Projections represent management's view based on current known facts and assumptions about the future operations of the Reorganized Debtors, there is no guarantee that the Financial Projections will be realized. The Reorganized Debtors may not be able to meet their projected financial results or achieve projected revenues and cash flows assumed in projecting future business prospects. To the extent the Reorganized Debtors do not meet their projected financial results or achieve projected revenues and cash flows, The Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service their debt obligations as they come due or may not be able to meet its operational needs. A failure of the Reorganized Debtors to meet their projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Reorganized Debtors to seek additional working capital. The Reorganized Debtors may not be able to obtain such working capital when it is required.

In addition, if the Reorganized Debtors' cash flows and capital resources are insufficient to fund their debt service obligations, they may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional equity capital or refinance all or a portion of their indebtedness. In the absence of such operating results and resources, the Reorganized Debtors could face substantial cash flow problems and might be required to sell material assets or operations to meet their debt service and other obligations. The Reorganized Debtors will be unable to predict the timing of such asset sales or the proceeds which they could realize from such sales and that they will be able to refinance any of their indebtedness, including indebtedness incurred under the Post-Emergence ABL Loan Agreement and the Post-Emergence Term Loan Agreement, on commercially reasonable terms or at all.

**3. The estimated valuation of the Reorganized Debtors and the New Capital Stock and the estimated recoveries to Holders of Allowed Claims and Equity Interests are not intended to represent the private or public sale values of the New Capital Stock.**

The Debtors' estimated recoveries to Holders of Allowed Claims and Equity Interests are not intended to represent the private or public sale values of Reorganized Parent's securities. The estimated recoveries are based on numerous assumptions (the realization of many of which is beyond the control of the Reorganized Debtors), including, without limitation: (a) the successful reorganization of the Debtors; (b) an assumed date for the occurrence of the Effective Date; (c) the Debtors' ability to achieve the operating and financial results included in the Financial Projections; and (d) the Debtors' ability to maintain adequate liquidity to fund operations.

**4. The issuance of Equity Interests to Reorganized Parent's management will dilute the equity ownership interest of other Holders of the New Capital Stock.**

The New Board intends to adopt a Management Incentive Plan for directors and management, consisting of issuances from time to time of shares of the New Capital Stock of Reorganized Parent, including the grant of incentive stock options within the meaning of section 422 of the Internal Revenue Code of 1986, as amended. If the New Board distributes equity interests, or options to acquire such equity interests, to directors, management or employees, it is contemplated that such distributions will dilute the New Capital Stock issued on account of Claims and Equity Interests under the Plan and the ownership percentage represented by the New Capital Stock distributed under the Plan.

**5. The issuance of Equity Interests to the Consenting Equity Holder upon exercise of the option to purchase the Butler Companies may dilute the equity ownership interest of other Holders of the New Capital Stock.**

Pursuant to the Option Agreement, the Consenting Equity Holder will grant the Reorganized Parent an option to purchase the Butler Companies for New Capital Stock. If the Reorganized Parent exercises this option and distributes New Capital Stock to the Consenting Equity Holder pursuant to the Option Agreement, it is contemplated that such distribution will dilute the New Capital Stock issued on account of Claims and Equity Interests under the Plan and the ownership percentage represented by the New Capital Stock distributed under the Plan.

**6. It is unlikely that Reorganized Parent will pay dividends in the foreseeable future.**

All the of the Reorganized Debtors' cash flow will be required to be used in the foreseeable future (a) to make payments under the Post-Emergence ABL Loan Agreement and the Post-Emergence Term Loan Agreement, (b) to fund Reorganized Parent's other obligations under the Plan, and (c) for working capital and capital expenditure purposes. In addition, the Post-Emergence ABL Loan Agreement and the Post-Emergence Term Loan Agreement will contain certain restrictions on Reorganized Parent's ability to pay dividends. Accordingly, Reorganized Parent does not anticipate paying cash dividends on the New Common Stock in the foreseeable future.

**7. Tax implications of the Plan.**

The United States federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors currently do not intend to seek any ruling from the IRS on the tax consequences of the Plan. Even if the Debtors decide to request a ruling, there would be no assurance that the IRS would rule favorably or that any ruling would be issued before the Effective Date. In addition, in such case, there would still be issues with significant uncertainties, which would not be the subject of any ruling request. Thus, there can be no assurance that the IRS will not challenge the various positions the Debtors have taken, or intend to take, with respect to the tax treatment in the Plan, or that a court would not sustain such a challenge. See "Summary of Certain United States Federal Income Tax Consequences of the Plan."

**8. Disputed Litigation Claims May Exceed Amounts Estimated.**

As the General Unsecured Claims are impaired under the Plan, the Reorganized Debtors will pay creditors in full on their claims. Certain Claims are disputed by the Debtors, and, depending on the outcome of litigation over same, the actual amounts to which the Debtors could be liable could be higher or lower than has been estimated by the Debtors. There can be no assurance that the Reorganized Debtors will not experience losses as a result of such Claims that exceed present estimates.

## C. RISKS RELATING TO THE COMPANY'S INDUSTRY

**1. The temporary staffing industry is highly competitive with low barriers to entry, and the Company may be unable to compete successfully against existing or new competitors.**

The temporary staffing industry is highly competitive with limited barriers to entry. The Company competes in national, regional and local markets with full-service and specialized temporary staffing companies. While the majority of its competitors are smaller than the Company, several competitors, including Kelly Services, Inc., Adecco S.A., Manpower, Inc., Randstad Holding N.V. and its affiliate Spherion Corporation, Allegis Group, and Robert Half International, Inc., have substantial marketing and financial resources. In particular, Kelly Services, Inc., Adecco S.A., Manpower, Inc., and Randstad Holding N.V. are considerably larger than the Company and have significantly more marketing and financial resources. Price

competition in the staffing industry is intense, particularly for the placement of temporary employees in light industrial and clerical/administrative positions. The Company expects that the level of competition will remain high, which could limit its ability to maintain or increase its market share or profitability.

There has been a significant increase in the number of customers consolidating their staffing services purchases with a single provider or small group of providers. The trend to consolidate purchases provides a competitive advantage to larger companies and, accordingly, has in some cases made it more difficult for the Company to obtain or retain customers. The Company also faces the risk that its current or prospective customers may decide to provide similar services internally. As a result, there can be no assurance that the Company will not encounter increased competition in the future.

**2. The temporary staffing industry is significantly affected by fluctuations in general economic conditions.**

Demand for temporary staffing services is significantly affected by the general level of economic activity and unemployment in the United States. When economic activity increases, temporary employees are often added before full-time employees are hired. As economic activity slows, however, many companies reduce their use of temporary employees before laying off full-time employees. The Company may also experience more competitive pricing pressure during periods of economic downturn. Any significant economic downturn is reasonably likely to have a material adverse effect on its business, financial condition and results of operations. The Company cannot predict the level of economic activity or when and to what extent general economic conditions will affect the temporary staffing industry. The Company also cannot ensure that the actions the Company may take in the future in response to such challenges will be successful or that its business, financial condition or results of operations will not be adversely impacted by these conditions.

**3. The temporary staffing industry is highly competitive in attracting and recruiting qualified temporary employees with professional skills.**

Temporary staffing services providers depend on their ability to attract qualified temporary employees who possess the skills and experience necessary to meet the staffing requirements of their customers. As a result, the Company must continually evaluate and upgrade its base of available qualified temporary employees through recruiting and training programs to keep pace with changing customer needs and emerging technologies and to replace a substantial number of its temporary employees that accept full-time employment with customers. Competition for individuals with proven professional skills, particularly temporary employee candidates with accounting and technical skills, is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified temporary employee candidates will continue to be available in sufficient numbers and on acceptable terms of employment. The Company's success is substantially dependent on its ability to recruit and retain qualified temporary employees to meet client needs.

**4. Temporary staffing service providers are exposed to employment-related claims and losses, including class action lawsuits, that could have a material adverse effect on their businesses.**

Temporary staffing services providers employ and assign personnel in the workplaces of other businesses. The risks of these activities sometimes give rise to claims relating to:

- discrimination and harassment;
- wrongful termination or denial of employment;
- violations of employment rights related to employment screening or privacy issues;
- workers' compensation;
- classification of employees including independent contractors;
- employment of illegal aliens;
- violations of wage and hour requirements;
- retroactive entitlement to employee benefits; and
- errors and omissions by temporary employees.

Temporary staffing services providers are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar claims. As a result, the Company may incur fines and other losses or negative publicity with respect to these problems. For example, one of the Company's customers is alleging overbilling for services provided. In addition, these claims may give rise to litigation, which could be time-consuming and expensive. In the United States, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. For example, California Assembly Bill 442 adds liquidated damages to existing penalties for wage and hour violations. California Assembly Bill 263 gives employees additional retaliation protection to those asserting their rights under the California Labor Code. There can be no assurance that the corporate policies the Company has in place to help reduce its exposure to these risks will be effective or that the Company will not experience losses as a result of these risks. There can also be no assurance that the insurance policies the Company has purchased to insure against certain risks will be adequate or that insurance coverage will remain available on reasonable terms or be sufficient in amount or scope of coverage.

**5. Temporary staffing services providers are exposed to credit risks on collections from their customers due to, among other things, their assumption of the obligation to make wage, tax and regulatory payments to their temporary employees.**

As with other temporary staffing services providers, the Company is exposed to the credit risk of its customers. Temporary employees are typically paid on a weekly basis while payments from customers are often received 30 to 60 days after billing. The Company generally assumes responsibility for and manages the risks associated with its payroll obligations, including liability for payment of salaries and wages, payroll taxes, workers' compensation insurance as well as group health insurance. These obligations are fixed and become the Company's liability, whether or not the associated client to whom these employees have been assigned makes payments required by its service agreement, which exposes the Company to credit risks. The Company attempts to mitigate these risks by billing customers on a weekly basis. In addition, the Company establishes an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required and timely payments. Further, the Company carefully monitors the timeliness of customers' payments and imposes strict credit standards. However, there can be no assurance that such steps will be effective in reducing these risks. Additionally, to the extent that recent turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse effect on the Company's business, financial condition, or results of operations.

**6. United States healthcare legislation could negatively impact our results of operations.**

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Healthcare Acts") were signed into United States law. The Healthcare Acts represent comprehensive healthcare reform legislation that, in addition to other provisions, will require that the Company provide healthcare coverage to its temporary employees in the United States or incur penalties. Although the Company's intent is to bill these costs to its customers, there can be no assurance that the Company will be able to increase client bill rates in a sufficient amount to cover the increased costs. This may reduce the Company's gross and operating margins and negatively impact its financial results. Additionally, possible future changes to the Healthcare Acts could significantly impact any estimates the Company develops during that period. While the Company is unable at this time to estimate the net impact of the Healthcare Acts, it believes the net financial impact on its results of operations could be significant.

**7. The temporary staffing services industry is subject to extensive government regulation, which may restrict the types of employment services the Company is permitted to offer or result in additional or increased tax or other costs that reduce the Company's revenues and earnings.**

The temporary staffing industry is heavily regulated. Changes in laws or government regulations may result in prohibition or restriction of certain types of employment services the Company is permitted to offer or the imposition of new or additional benefit, licensing or tax requirements could reduce revenues and earnings. For example, additional health care legislation

may subject the Company to additional regulations and impose enhanced benefit requirements for temporary and regular staff employees which could increase costs significantly. There can be no assurance that the Company will be able to increase the fees charged to its customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in laws or government regulations. Any future changes in laws or government regulations may make it more difficult or expensive to provide staffing services and could have a material adverse effect on the Company's business, financial condition and results of operations.

**8. The cost of unemployment insurance for temporary employees may rise and reduce the Company's margins.**

The Company is responsible for and pays unemployment insurance premiums for its temporary and regular employees. At times, these costs have risen as a result of increased claims, general economic conditions, including the recent economic downturn, and government regulations. Should these costs continue to increase, there can be no assurance that the Company will be able to increase the fees charged to its customers to keep pace with these increased costs and, as a result, the Company's results of operations, financial condition and liquidity could be adversely affected.

## D. OPERATIONAL RISKS

**1. The Company may be unsuccessful consummating future acquisitions or selling of franchises, which could adversely affect its ability to expand its market share in the future.**

Historically, one of the Company's primary business strategies was based on expanding United States market share through acquisitions and sales of franchises. Its ability to consummate acquisitions in the future may be limited by a lack of attractive acquisition targets and competition to acquire such targets from other temporary staffing companies, some of which may have greater financial resources. In addition, the Company may have insufficient access to liquidity or other resources to consummate future acquisitions or attract future franchisees. If the Company's strategy to expand US market share through future acquisitions and sale of franchises is unsuccessful, its ability to maintain and grow current market share, revenues and overall profitability could be adversely affected.

**2. Managing or integrating past and future acquisitions may strain the Company's resources and could have a material adverse effect on the Company's business due to unexpected or underestimated costs.**

The Company has aggressively pursued acquisitions to augment organic growth. Since 2006, the Company has completed six material acquisitions, including the most recent Company acquisition of Westaff in 2009. In addition, the Company may make additional acquisitions in the future to expand its service offerings, broaden its customer base and/or expand its geographic presence.

Acquisitions, including that of the Butler Companies pursuant to the Option Agreement, involve a number of additional risks, including the diversion of management's attention from existing operations, the failure to retain key personnel or customers of an acquired business, the

assumption of unknown liabilities of the acquired business for which there are inadequate indemnifications, the potential impairment of acquired intangible assets, and the ability to successfully integrate the business. The Company could experience financial or other setbacks if any of the businesses that it acquires have liabilities or problems of which the Company is not aware. Further, the Company cannot provide assurances that any past and future acquired businesses will generate anticipated revenues or earnings. As a result, the anticipated benefits from acquisitions may not be achieved.

These risks could have a material adverse effect on the Company's business because they may result in substantial costs and disrupt business. In addition, future acquisitions could materially adversely affect the Company's business, financial condition, results of operations, and liquidity because they would likely result in the incurrence of additional debt or dilution, contingent liabilities, an increase in interest expense, and amortization expenses related to separately identified intangible assets. Possible impairment losses on goodwill and intangible assets with an indefinite life, or restructuring charges could also occur.

**3. The Company's loss of major customers or the deterioration of those customers' financial condition or prospects could have a material adverse effect on its business.**

An element of the Company's business strategy includes serving large corporate customers through high-volume service agreements. While this element of its strategy is intended to enable it to increase its revenues and earnings from its major corporate customers, the strategy also exposes the Company to increased risks arising from the possible loss of major customer accounts. In addition, some of the Company's customers are in industries, such as the automotive and manufacturing industries, that have experienced adverse business and financial conditions in recent years. Other customers are in industries that, because of technical or other innovations in those industries, require fewer temporary employees. The deterioration of the financial condition or business prospects of the Company's customers could reduce their need for temporary employment services, and result in a significant decrease in the revenues and earnings it derives from these customers.

In addition, during economic downturns companies may slow the rate at which they pay their vendors or become unable to pay their debts as they become due. If any of the Company's significant clients does not pay amounts owed to the Company in a timely manner or becomes unable to pay such amounts to the Company at a time when it has substantial amounts receivable from such client, the Company's cash flow and profitability may suffer.

**4. Most of the Company's customer contracts can be terminated by the customer without penalty, causing uncertainty with regard to future revenues and earnings.**

Most of the Company's customer contracts can be terminated by the customer on short notice without penalty. The Company's customers are, therefore, not contractually obligated to continue to do business with it in the future. Most commonly, customers provide the Company with 30 days' advance notice of termination. The ability of the Company's customers to terminate their contracts on short notice creates uncertainty with respect to the revenues and earnings the

Company may recognize with respect to its customer contracts. The Company believes it is very likely that, in the ordinary course of business, customers will continue to terminate their contracts on short notice in the future.

**5. The Company's failure or inability to perform under customer contracts could result in damage to its reputation and give rise to legal claims against the Company.**

If customers are not satisfied with the Company's level of performance, the Company's reputation in its industry may suffer, which could materially and adversely affect its business, financial condition, results of operations and cash flow. Certain areas of the Company's business require it to assume a greater level of responsibility for developing or maintaining processes on behalf of the Company's customers. Many of these processes are critical to the operation of the Company's customers' businesses. The Company's failure or inability to complete these engagements satisfactorily could have a material adverse effect on its customers' operations and consequently may give rise to claims against the Company for actual or consequential damages or otherwise damage the Company's reputation. Examples would include the Company's alleged failure to adhere to certain contractual responsibilities as outlined in its Customer Service Agreements, including but not limited to properly screening applicants, taking and retaining I-9 forms, and/or adhering to various State and Federal employment laws. Any of these claims could have a material adverse effect on the Company's business, financial condition or results of operations.

**6. The Company derives a significant portion of its revenue from franchise licensee operations.**

Franchise licensee operations comprise a significant portion of the Company's revenues. There can be no assurances that the Company will be able to attract new licensees or that it will be able to retain its existing licensees. A significant loss of the Company's franchise licensees and any associated loss of customers and sales could have a material adverse effect on its results of operations.

**7. The Company's franchisees could take actions that could harm its business.**

The Company's franchisees are contractually obligated to operate their franchises in accordance with the operations standards set forth in its agreements with them. However, franchisees are independent third parties whom the Company does not control. The franchisees own, operate and oversee the daily operations of their franchises. As a result, the ultimate success of any franchise rests with the franchisee. If franchisees do not successfully operate franchises in a manner consistent with required standards, license income will be adversely affected and brand image and reputation could be harmed, which in turn could materially and adversely affect the Company's business and operating results.

**8. The Company's success depends substantially on the value of its brands.**

The Company's success is dependent in large part upon its ability to maintain and enhance the value of its brands, its customers' connection to its brands and a positive relationship with its franchisees. Brand value can be severely damaged even by isolated incidents,

particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way the Company manages its relationship with its franchisees, its growth strategies, its development efforts, or the ordinary course of its, or its franchisees', business. Other incidents may arise from events that are or may be beyond the Company's ability to control and may damage its brands, such as actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare or otherwise; litigation and claims; security breaches or other fraudulent activities; and illegal activity targeted at the Company or others. Customer demand for the Company's services and its brands' value could diminish significantly if any such incidents or other matters erode customer confidence in the Company or its services, which could materially and adversely affect the Company's business and operating results.

**9. Unexpected changes in the Company's workers' compensation claims and benefit plans may negatively impact its financial condition.**

The Company self-insures, or otherwise bears financial responsibility for, a significant portion of claims under its workers' compensation program and medical benefits plans. The Company has from time to time updated its workers compensation accrual based on advice from its actuaries. Unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates, and medical cost inflation could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, the Company's costs could increase significantly. There can be no assurance that the Company will be able to increase the fees charged to its customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

**10. The Company's reserves for workers' compensation claims may be inadequate to cover its ultimate liability and the Company may incur additional charges if the actual amounts exceed the reserved amounts.**

The Company maintains reserves to cover its estimated liabilities for workers' compensation claims based upon actuarial estimates of the future cost of claims and related expenses which have been reported but not settled, and that have been incurred but not yet reported. The determination of these reserves is based on a number of factors, including current and historical claims activity, medical cost trends and developments in existing claims. Reserves do not represent an exact calculation of liability and are affected by both internal and external events, such as adverse development on existing claims, changes in medical costs, claims handling procedures, administrative costs, inflation, legal trends and legislative changes. Reserves are adjusted as necessary to reflect new claims and existing claims development, and such adjustments are reflected in the results of the periods in which the reserves are adjusted. Additionally, the Company relies on outside actuaries to determine the reserve amount which is very subjective due to the variety of methods that can be used. While the Company believes its judgments and estimates are adequate, if the Company's reserves are insufficient to cover its actual losses, an adjustment could be charged to expense that may be material to the Company's earnings. For example, in 2012 the Company increased the yearend workers' compensation liability by approximately $11.6 million in response to workers' compensation claims incurred in 2011 and prior that had increased above the initial reserve for those claims.

**11. Workers' compensation costs for temporary employees may rise and reduce the Company's margins and require more liquidity.**

The Company is responsible for and pays workers' compensation costs for its regular staff and temporary employees. At times, these costs have risen substantially as a result of increased claims, general economic conditions, increases in healthcare costs and government regulations. Should these costs increase in the future or should the Company be required to increase the amount of collateral it provides to its insurer to backstop the Company's obligations under its workers' compensation policies, there can be no assurance that the Company will be able to either increase the fees charged to the Company's customers to recoup these costs or access alternative sources of liquidity. In such event, the Company's results of operations, financial condition, and liquidity could be adversely affected.

**12. The Company's information technology systems are critical to the operations of the Company's business.**

The Company's information technology systems are essential for data exchange and operational communications with branch offices spread across large geographical distances. Any future interruption, impairment or loss of data integrity or malfunction of these systems could severely impact the Company's business, especially its ability to timely and accurately pay employees and bill customers. During such disruptions in capacity and/or accessibility, the Company's productivity in affected areas was temporarily reduced. In addition, the Company may experience disruptions to its information technology systems as it integrates recent and future acquisitions. The Company believes it is very likely that, in the ordinary course of business, it will continue to experience similar such disruptions to capacity and/or accessibility in the future.

**13. Damage to the Company's key data centers could affect the Company's ability to sustain critical business applications.**

Many business processes critical to the Company's continued operation are housed in its data center situated within the Company's corporate headquarters complex as well as regional data centers in El Paso, Texas; Tampa, Florida; Shelby Township, Michigan; and Salt Lake City, Utah. Those processes include, but are not limited to, payroll, customer reporting and order management. While the Company has taken steps to protect its operations, the loss of a data center would create a substantial risk of business interruption.

**14. The Company may experience business interruptions that could have an adverse effect on the Company's operations.**

The Company could be negatively affected by natural disasters, severe weather, fire, power loss, telecommunications failures, hardware or software malfunctions and break-downs, computer viruses or similar events. Although the Company has disaster recovery plans in place, the Company may not be able to adequately execute these plans in a timely fashion. If the Company's critical information systems fail or are otherwise unavailable, this could temporarily impact its ability to pay employees, bill customers, service customers, maintain billing and payroll records reliably, and pay taxes, which could adversely affect the Company's revenues,

operating expenses and financial condition. A prolonged outage could seriously impact the Company's ability to service customers or hire temporary employees and could seriously threaten the organization.

**15. Improper disclosure of employee and client data could result in liability and harm the Company's reputation.**

The Company's business involves the use, storage and transmission of information about its employees, its clients and employees of its clients. The Company and its third party service providers have established policies and procedures to help protect the security and privacy of this information. It is possible that the Company's security controls over personal and other data and other practices the Company and its third party service providers follow may not prevent the improper access to or disclosure of personally identifiable or otherwise confidential information. Such disclosure could harm the Company's reputation and subject it to liability under its contracts and laws that protect personal data and confidential information, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions in which the Company provides services. The Company's failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to its reputation in the marketplace.

**16. The Company is highly dependent on its senior management and the continued performance and productivity of its local management and field personnel.**

The Company is highly dependent on the continued efforts of the members of its senior management, including the Company's Chief Executive Officer, D. Stephen Sorensen, who has been with the Company since 1987. The Company is also highly dependent on the performance and productivity of its local management and field personnel. The loss of any of the members of the Company's senior management may cause a significant disruption in its business. In addition, the loss of any of the Company's local managers or field personnel may jeopardize existing customer relationships with businesses that use its services based on relationships with these individuals. The loss of the services of members of the Company's senior management could have a material adverse effect on its business.

**17. Until the option to purchase the Butler Companies pursuant to the Option Agreement is exercised, the Chief Executive Officer of the Reorganized Parent will own and operate the Butler Companies.**

As of the Effective Date, D. Stephen Sorensen will be the Chief Executive Officer of the Reorganized Parent, employed on the terms set forth in Exhibit H to the Plan. Until the option to purchase the Butler Companies pursuant to the Option Agreement is exercised, a newly-formed holding company will hold all issued and outstanding capital stock of the Butler Companies and will operate this entity. D. Stephen Sorensen and his affiliates will control a substantial majority of the issued and outstanding shares of such newly-formed holding company. This may require D. Stephen Sorensen to spend a significant amount of time and effort dealing with the business

operations of the Butler Companies instead of focusing exclusively on business operations of the Reorganized Parent.

**18. The Company's auditors have identified areas of improvement in its internal accounting controls.**

On May 15, 2013, the Company received certain correspondence (the "Internal Control Recommendations") from its auditors, PricewaterhouseCoopers LLP ("PWC") outlining certain deficiencies in the internal control over the Company's financial reporting as of and for the year ended December 30, 2012. The Internal Control Recommendations described deficiencies in three major areas: (1) preparing, reviewing, and posting journal entries to the general ledger; (2) review, monitoring, and oversight of the Company's workers' compensation self-insurance program; and (3) documentation of formal IT policies and procedures. The Company has taken certain steps to resolve the deficiencies described in the Internal Control Recommendations; however, there can be no assurances that the remedial measures taken by the Company are adequate to address the deficiencies raised by PWC.

**19. Regulatory challenges to the Company's tax filing positions could result in additional taxes.**

The Company files tax returns with various governmental entities within the United States. The filings include returns with the Federal government, the states, and numerous cities, counties and municipalities. When the Company prepares these tax filings, it is required to follow numerous and complex legal and technical requirements where interpretation of rules and regulations is required. The Company believes that it has appropriately filed its tax returns and properly reported taxable transactions, but the final tax amounts are subject to regulatory audit and interpretation. The Company believes it has established adequate reserves with respect to any tax liabilities that may arise in relation to these transactions should its position be successfully challenged by tax authorities, however, an unfavorable settlement could result in higher payments and additional charges to income above the amounts reserved. The Company believes it is reasonably likely that it will face regulatory challenges in connection with future tax filings.

**20. Outsourcing certain aspects of the Company's business could result in disruption and increased costs.**

The Company has outsourced certain aspects of its business to third-party vendors, and may outsource additional aspects of its business in the future. Such outsourcing subjects the Company to a variety of risks, including potential disruptions to its business and increased costs. For example, the Company has engaged a third party to host and manage certain aspects of its data center information and technology infrastructure. Accordingly, the Company is subject to the risks associated with the vendor's ability to provide information technology services to meet its needs. The Company's operations will depend significantly upon such vendor's ability to make its servers, software applications and websites available and to protect the Company's data from damage or interruption from human error, computer viruses, intentional acts of vandalism, labor disputes, natural disasters and similar events. If the cost of hosting and managing certain aspects of the Company's data center information technology structure is more than expected, or

if the vendor is unable to adequately protect its data and information is lost or the Company's ability to deliver its services is interrupted, then the Company's business and results of operations will be negatively impacted.

**21. The Company's principal shareholders will have significant control over the Company, and their interests may differ from those of the Company.**

Immediately following the Effective Date, the Backstop Investors (including certain holders of the Prepetition Secured Loans or their assignees) will control a majority of the voting power. As a result, the Backstop Investors will have the ability to influence the outcome of matters submitted to shareholders for approval, including the election of directors. The Backstop Investors, therefore, will be in a position to direct the Reorganized Parent's management, business, and affairs and may cause the Reorganized Parent to enter into transactions or take other actions that are not in, or that conflict with, the Company's other creditors' best interests, as well as matters relating to the Reorganized Parent's governance and business strategy.

**22. If the Company is unable to attract and retain qualified contract professionals, its business could be negatively impacted.**

The Company's business is substantially dependent upon its ability to attract and retain contract professionals who possess the skills, experience, and licenses, as required, to meet the specified requirements of its clients. The Company competes for such contract professionals with other temporary staffing companies and with its clients and potential clients. There can be no assurance that qualified professionals will be available to the Company in adequate numbers to staff its operating segments. Moreover, the Company's contract professionals are often hired to become regular employees of its clients. Attracting and retaining contract professionals depends on several factors, including the Company's ability to provide contract professionals with desirable assignments and competitive benefits and wages. The cost of attracting and retaining contract professionals may be higher than the Company anticipates and, as a result, if the Company is unable to pass these costs on to its clients, the Company's likelihood of achieving or maintaining profitability could decline. In periods of high unemployment, contract professionals frequently opt for full-time employment directly with clients and, due to a large pool of available candidates, clients are able to directly hire and recruit qualified candidates without the involvement of staffing agencies. If the Company is unable to attract and retain a sufficient number of contract professionals to meet client demand, it may be required to forgo staffing and revenue opportunities, which may hurt the growth of its business.

**23. The Company, as a sub-lessee of sub-leases for certain of the office space that it rents, could lose its ability to operate from such office space if the sub-lessor defaults on its own lease obligations to the owner/landlord.**

The Company subleases certain of the office space from which it operates its business. There is a possibility that, should the Company's sub lessor default on its lease obligations to the owner-landlord, and should such default result in the termination of such lease, the Company's own right to occupy such space under its sublease might terminate as well.

**24. Notwithstanding the releases and exculpations contained in the Plan, the Company could have liability to one or more indemnified parties, if such indemnified parties are sued.**

As set forth in, and subject to the terms and conditions of, the Plan, the Company has agreed to assume existing indemnification obligations to its officers and directors and to indemnify the Backstop Investors under certain circumstances. If any such indemnified parties are the subject of lawsuits or claims, the Company could be liable to pay such parties' litigation expenses, including, without limitation, attorneys' fees, and to pay judgments issued against them. There can be no assurance that the Company will not experience losses as a result of these indemnification risks. Furthermore, there can also be no assurance that the insurance policies the Company has assumed or purchased to insure against certain risks will be adequate or that insurance coverage will be sufficient in amount or scope of coverage.

## E. RISKS ASSOCIATED WITH FORWARD LOOKING STATEMENTS

**1. The financial information contained herein is based on the Debtors' books and records and, unless otherwise stated, no audit was performed.**

**Except as otherwise specifically stated herein, the financial information contained in this Disclosure Statement has not been audited**. In preparing this Disclosure Statement, the Debtors relied on financial data derived from its books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is in accordance with GAAP and presents fairly in all material respect the financial position, etc. of the Company as of and for periods described therein.

**2. Financial Projections and other forward looking statements are not assured, are subject to inherent uncertainty due to the numerous assumptions upon which they are based and, as a result, actual results may vary.**

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtor's operations, including the Financial Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be different from the Financial Projections.

Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation and Consummation of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtors, including, without limitation, the Debtors' ability to maintain or increase revenue and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic

conditions; (d) overall industry performance and trends; (e) the Debtors' ability to maintain market strength and receive vendor support by way of favorable purchasing terms; and (f) consumer preferences continuing to support the Debtors' business plan.

DUE TO THE INHERENT UNCERTAINTIES ASSOCIATED WITH PROJECTING FINANCIAL RESULTS GENERALLY, THE PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSIDERED ASSURANCES OR GUARANTEES OF THE AMOUNT OF FUNDS OR THE AMOUNT OF CLAIMS THAT MAY BE ALLOWED IN THE VARIOUS CLASSES. WHILE THE DEBTORS BELIEVE THAT THE FINANCIAL PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT THEY WILL BE REALIZED.

## F. DISCLOSURE STATEMENT DISCLAIMER

### 1. The information contained herein is for soliciting votes only.

The information contained in this Disclosure Statement is for purposes of soliciting votes on the Plan and may not be relied upon for any other purposes.

### 2. This Disclosure Statement was not approved by the Securities and Exchange Commission.

This Disclosure Statement has not been filed with the SEC or any state regulatory authority. Neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

### 3. The Debtors relied on certain exemptions from registration under the Securities Act.

The offer and issuance of New Common Stock and New Warrants to Holders of Claims in Classes 4 and 5 have not been registered under the Securities Act or similar state securities or "blue sky" laws. To the maximum extent permitted by section 1145 of the Bankruptcy Code, the Securities Act and other applicable nonbankruptcy law, the Solicitation, the issuance of the New Common Stock and the New Warrants, and any shares of New Common Stock reserved for issuance upon exercise of the New Warrants, or under the Management Incentive Plan, will be exempt from registration under the Securities Act by virtue of section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, Regulation D and/or Rule 701 promulgated under the Securities Act.

### 4. This Disclosure Statement contains forward looking statements.

This Disclosure Statement contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all

forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analysis, distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to Holders of Allowed Claims and Equity Interests may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

**5. No legal or tax advice is provided to you by this Disclosure Statement.**

**This Disclosure Statement is not legal or tax advice to You**. The contents of this Disclosure Statement should not be construed as legal, business or tax advice, and are not personal to any person or entity. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than as a disclosure of certain information to determine how to vote on the Plan or object to Confirmation of the Plan.

**6. No admissions are made by this Disclosure Statement.**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors, the Consenting Equity Holder, the Backstop Investors, the Steering Committee, the Prepetition Agents, or the Prepetition Secured Lenders) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims or Equity Interests or any other parties in interest.

Notwithstanding any rights of approval, pursuant to the Lender RSA, the Backstop Agreement or otherwise, as to the form of substance of this Disclosure Statement, the Plan or any other document relating to the transactions contemplated thereunder, neither the Prepetition Secured Lenders, the Prepetition Agent, the Steering Committee, the Backstop Investors, nor their respective representatives, members, affiliates, financial or legal advisors or agents, has independently verified the information contained herein or takes any responsibility therefor and none of the foregoing entities or persons makes any representations or warranties, or should be relied upon, whatsoever concerning the information contained herein.

**7. No reliance should be placed on any failure to identify litigation Claims or projected objections.**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, File and prosecute Claims and Equity Interests and may object to Claims after the Confirmation Date or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such Claims or Equity Interests or objections to Claims or Equity Interests.

**8. Nothing herein constitutes a waiver of any right to object to Claims or Equity Interests or recover transfers and assets.**

The vote by a Holder of an Allowed Claim or Equity Interest for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim or Equity Interest regardless of whether any Claims or Causes of Action of the Debtors or their Estate are specifically or generally identified herein.

**9. The information used herein was provided by the Debtors and was relied upon by the Debtors' advisors.**

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

**10. The potential exists for inaccuracies, and the Debtors have no duty to update.**

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Debtors have used its reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

**11. No representations made outside the Disclosure Statement are authorized.**

No representations concerning or relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and the United States Trustee.

## ARTICLE V
## ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

### A. LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

If no chapter 11 plan can be confirmed, some or all of the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which case, a trustee would be elected or appointed to liquidate the Debtors' assets. A discussion of the effect that a chapter 7

liquidation would have on the recovery of Holders of Claims and Equity Interests is set forth in Article III.N herein, titled "Statutory Requirements for Confirmation of the Plan." In performing the liquidation analysis, the Debtors have assumed that all Holders of Claims will be determined to have "claims" that are entitled to share in the proceeds, if any, from any such liquidation. The Debtors believe that liquidation under chapter 7 would result in (i) smaller distributions being made to creditors and Equity Interests holders than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee, (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of unexpired leases and executory contracts in connection with the cessation of the Debtors' operations, and (iii) the failure to realize the greater, going-concern value of all of the Debtors' assets.

**B. FILING OF AN ALTERNATIVE PLAN OF REORGANIZATION**

If the Plan is not confirmed, the Debtors or any other party in interest could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets. During the negotiations prior to the filing of the Plan, the Debtors explored various alternatives to the Plan.

The Debtors believe that the Plan will enable the Debtors to emerge from chapter 11 successfully and expeditiously, preserves its business and allows creditors to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of the Debtors would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, and a trustee need not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although a chapter 11 liquidation is preferable to a chapter 7 liquidation, the Debtors believe that a liquidation under chapter 11 is a much less attractive alternative to creditors and interest holders than the Plan because the Plan provides for a greater return to creditors and interest holders.

Moreover, the prolonged continuation of the Chapter 11 Cases is likely to adversely affect the Debtors' business and operations. So long as the Chapter 11 Cases continue, senior management of the Debtors will be required to spend a significant amount of time and effort dealing with the Debtors' reorganization instead of focusing exclusively on business operations. Prolonged continuation of the Chapter 11 Cases will also make it more difficult to attract and retain management and other key personnel necessary to the success and growth of the Debtors' business. In addition, the longer the Chapter 11 Cases continue, the more likely it is that the Debtors' customers, suppliers, distributors, and agents will lose confidence in the Debtors' ability to reorganize their business successfully and will seek to establish alternative commercial relationships. Furthermore, so long as the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the proceedings. The prolonged continuation of the Chapter 11 Cases may also require the Debtors to seek additional financing, either under the DIP Facility or otherwise, in order to service its debt and other obligations. It may not be possible for the Debtors to obtain additional financing during the pendency of the Chapter 11 Cases on commercially favorable terms or at all. If the Debtors were to require additional financing during the Chapter 11 Cases and were unable to

obtain the financing on favorable terms or at all, it is unlikely the Debtors could successfully reorganize.

## ARTICLE VI
## EXEMPTIONS FROM SECURITIES ACT REGISTRATION

### A. SECTION 1145 OF THE BANKRUPTCY CODE AND SECTION 4(A)(2) OF THE SECURITIES ACT

#### 1. Securities Issued in Reliance on Section 1145 of the Bankruptcy Code

Under the Plan, (1) the New Common Stock will be issued to the Rights Offering Purchasers, the Backstop Investors, the Controlling Equity Holder, and the Sorensen Parties, and (2) the New Warrants will be issued to Holders of Class 5 Claims, in each case in reliance upon section 1145 of the Bankruptcy Code and/or Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder.

Section 1145 of the Bankruptcy Code provides that the securities registration requirements of federal and state securities laws do not apply to the offer or sale of stock, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of securities hold a claim against, an interest in or claim for administrative expense against the debtor; and (c) the securities are issued in exchange for a claim against or an interest in a debtor or are issued principally in such exchange and partly for Cash and property.

New Capital Stock issued pursuant to section 1145 of the Bankruptcy Code may be resold without registration under either (a) state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the several states or (b) the Securities Act, pursuant to an exemption provided by section 4(a)(1) of the Securities Act unless the holder is an "underwriter" (as such term is defined in the Bankruptcy Code) with respect to the securities or an affiliate of the debtor. Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who:

- purchases a claim against, an interest in, or a claim for an administrative expense in the case concerning the debtor, if that purchase is with a view to distributing any security received or to be received in exchange for such a claim or interest;
- offers to sell securities offered or sold under a plan of reorganization for the holders of those securities;
- offers to buy those securities offered or sold under a plan of reorganization from the holders of the securities, if the offer to buy is (a) with a view to distributing those securities and (b) under an agreement made in connection with the plan of reorganization, the consummation of the plan of reorganization or with the offer or sale of securities under the plan of reorganization; or
- is an issuer with respect to the securities, as the term "issuer" is used in section 2(11) of the Securities Act.

The reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of the securities of a reorganized debtor may be presumed to be a "control person."

Section 4(a)(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act will not apply to the offer and sale of a security in connection with transactions not involving any public offering. The term "issuer," as used in section 4(a)(2) of the Securities Act, means, among other things, a person who issues or proposes to issue any security. Regulation D is a non-exclusive safe harbor promulgated by the United States Securities and Exchange Commission under the Securities Act related to, among others, section 4(a)(2) of the Securities Act.

New Capital Stock not issued pursuant to the Plan in reliance on section 1145 of the Bankruptcy Code will be issued to such persons pursuant to section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. New Capital Stock issued pursuant to section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder shall be restricted securities (as described in Article VI.A.2 below) and resales of such New Capital Stock will be subject to the limitations described in Article VI.A.2 below.

**2. Restricted Securities**

To the extent that persons who receive the New Capital Stock cannot rely on section 1145 of the Bankruptcy Code or are otherwise deemed to be "underwriters" (the "Restricted Holders"), resales by Restricted Holders of such securities, would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Restricted Holders would, however, be permitted to sell New Capital Stock or other securities without registration if they are able to comply with the provisions of Rule 144 under the Securities Act, as described further below, or if such securities are registered with the SEC pursuant to a registration statement or otherwise subject to an exemption from registration. With respect to the New Capital Stock issued pursuant to section 1145 of the Bankruptcy Code, any person who is an "underwriter" but not an "issuer" with respect to an issue of securities is, in addition, entitled to engage in exempt "ordinary trading transactions" within the meaning of section 1145(b)(1) of the Bankruptcy Code.

### 3. Rule 144

Under certain circumstances, Restricted Holders may be entitled to resell their securities pursuant to the limited safe harbor resale provisions under Rule 144 of the Securities Act, to the extent available and in compliance with applicable state and foreign securities laws.

Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include a one-year hold period, the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold in any three-month period, the requirement that the securities be sold in a "brokers transaction" or in a transaction directly with a "market maker" and that notice of the resale be filed with the SEC. Generally, Rule 144 of the Securities Act provides that persons who are not affiliates of an issuer, who is not a reporting person, may resell their securities after six months (subject to the requirement that current public information with respect to the issuer be available) and without restriction following a one-year hold period.

Certificates evidencing Securities received by Restricted Holders and Rights Offering Securities will bear a legend substantially in the form below:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS ("STATE ACTS"') AND MAY NOT BE SOLD, ASSIGNED, PLEDGED OR TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR STATE ACTS COVERING SUCH SECURITIES OR THE SECURITIES ARE SOLD AND TRANSFERRED IN A TRANSACTION THAT IS EXEMPT FROM OR NOT SUBJECT TO THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT."

**WHETHER OR NOT ANY PARTICULAR PERSON WOULD BE DEEMED TO BE AN "UNDERWRITER" OF SECURITIES TO BE ISSUED PURSUANT TO THE PLAN OR AN "AFFILIATE" OF THE REORGANIZED DEBTOR WOULD DEPEND UPON VARIOUS FACTS AND CIRCUMSTANCES APPLICABLE TO THAT PERSON. ACCORDINGLY, THE DEBTOR EXPRESSES NO VIEW AS TO WHETHER ANY SUCH PERSON WOULD BE SUCH AN "UNDERWRITER" OR AN "AFFILIATE." IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES OF THE REORGANIZED DEBTORS. ACCORDINGLY, THE DEBTOR RECOMMENDS THAT POTENTIAL RECIPIENTS OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.**

## ARTICLE VII
## SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and to U.S. Holders (as defined below) of allowed Prepetition First Lien Loan Claims and of Prepetition Second Lien Loan Claims that are entitled to vote to accept or reject the Plan. This summary is for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder, and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described herein. No opinion of counsel has been obtained as to any of the tax consequences of the Plan and no ruling will be sought from the Internal Revenue Service ("IRS") with respect to any statement or conclusion in this summary. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any creditor, and there can be no assurance that the IRS would not assert, or that a court would not sustain, positions different from those discussed herein.

The following discussion does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation applicable to special classes of taxpayers (including without limitation, banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, partnerships or other pass-through entities, real estate investment trusts, regulated investment companies, controlled foreign corporations, passive foreign investment companies, Non-U.S. Holders, persons whose functional currency is not the U.S. dollar, dealers subject to the mark-to-market rules of Section 475 of the Tax Code, employees of the Debtors, and persons who received their Prepetition First Lien Loan Claims or Prepetition Second Lien Loan Claims, as the case may be, pursuant to the exercise of an employee stock option or otherwise as compensation). This summary assumes that the Prepetition First Lien Loan Claims and Prepetition Second Lien Loan Claims are held as capital assets for U.S. federal income tax purposes and that the Subscription Rights, New Warrants and Common Stock received in connection with the Subscription Rights and exercise of New Warrants will each be held as a capital asset for U.S. federal income tax purposes. Furthermore, the following discussion does not address U.S. federal taxes other than income taxes (including, without limitation, estate and gift taxes). U.S. Holders should consult their tax advisors regarding the tax consequences to them of the transactions contemplated by the Plan, including U.S. federal, state, local and foreign tax consequences.

For purposes of this discussion, a "U.S. Holder" is a beneficial holder of allowed Prepetition First Lien Loan Claims or Prepetition Second Lien Loan Claims that is, for U.S. federal income tax purposes (1) an individual that is a citizen or resident of the United States, (2) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to

control all of the substantial decisions of such trust or (ii) such trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Holder" is a beneficial holder (other than any entity treated as a partnership for U.S. federal income tax purposes) of allowed Prepetition First Lien Loan Claims or Prepetition Second Lien Loan Claims that is not a U.S. Holder.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds allowed Prepetition First Lien Loan Claims or Prepetition Second Lien Loan Claims, as the case may be, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. A partnership considering participating in the Plan should consult its tax advisor regarding the consequences to the partnership and its partners of the Plan.

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE TAX CODE, (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DISCUSSED HEREIN, AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## A. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS

The discharge of certain indebtedness of the Debtors pursuant to the Plan may result in cancellation of indebtedness ("COD") income. In general, the discharge of a debt obligation in exchange for an amount of cash and other property (including the Subscription Rights and New Warrants) having a fair market value less than the sum of (x) the adjusted issue price of the debt that is discharged and (y) the amount of any unpaid accrued interest on debt to the extent previously deducted by a debtor, gives rise to COD income to such debtor. However, COD income is not taxable to a debtor if the debt discharge occurs in a title 11 bankruptcy case, and the discharge is granted by the court or pursuant to a plan approved by the court (the "Bankruptcy Exception"). Rather, under the Tax Code, such COD income will reduce certain tax attributes of a debtor by the amount of the excluded COD income. Tax attributes subject to reduction include a debtor's tax basis in its assets (including stock of subsidiaries and possibly tax attributes of such subsidiaries). In addition, if the Bankruptcy Exception applies, a debtor's tax basis in its assets generally may not be reduced below the amount of liabilities remaining immediately after the discharge of indebtedness. Any excess COD income over the amount of tax attributes available for reduction is not subject to United States federal income tax and should have no other United States federal income tax impact.

If the Bankruptcy Exception applies to the transactions consummated pursuant to the Plan, the Debtors will not be required to recognize any COD income realized as a result of the implementation of the Plan as taxable income for U.S. federal income tax purposes. However,

the application of the Bankruptcy Exception in respect of COD income of the Debtors may result in a reduction of the Debtors' tax attributes. The ultimate effect of the attribute reduction rules is uncertain because, among other things, it will depend on the amount of COD income realized by the Debtors, if any, and the amount of liabilities remaining immediately after the discharge of indebtedness of the Debtors.

If the debt discharge does not occur in a title 11 bankruptcy case pursuant to a Plan approved by the court and as a result the Bankruptcy Exception does not apply, the COD income would not be taxable to a Debtor if, and to the extent, that such Debtor is insolvent at the time of the discharge of the indebtedness (the "Insolvency Exception"). For this purpose, the term insolvent means the excess of liabilities of a debtor over the fair market value of assets of such debtor, and is determined by the amount of the debtor's assets and liabilities immediately before the discharge of indebtedness. If the Bankruptcy Exception is inapplicable, the Debtors intend to take the position that COD income realized as a result of implementation of the Plan is not taxable income to the Debtors for U.S. federal income tax purposes pursuant to the Insolvency Exception, although no assurances can be provided regarding the Debtors' insolvency, and the amount by which each Debtor is insolvent. If the COD income realized by the Debtors as a result of the implementation of the Plan is excluded from taxable income under the Insolvency Exception, then certain of the Debtors' tax attributes may be reduced as discussed above with respect to the Bankruptcy Exception.

In addition, Parent was treated as a "qualified subchapter S corporation" under the Tax Code, and generally was not subject to U.S. federal income tax. In connection with the Plan, Reorganized Parent will become, and will be subject to tax as, a regular "C" corporation for U.S. federal income tax purposes and is expected to be required to include non-cash items in taxable income as a result of a change in method of accounting occurring in connection with the Plan.

## B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS

The U.S. federal income tax consequences of the transactions contemplated by the Plan to holders of Prepetition First Lien Loan Claims and Prepetition Second Lien Loan Claims (collectively, the "Loan Claims") (including the character, timing and amount of income, gain, or loss recognized) will depend upon, among other things, (1) whether a Loan Claim and the consideration received in respect thereof are "securities" for United States federal income tax purposes; (2) the manner in which a holder acquired a Loan Claim; (3) the length of time the Loan Claim has been held; (4) whether the Loan Claim was acquired at a discount; (5) whether the holder has taken a bad debt deduction with respect to the Loan Claim in the current or prior years; (6) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Loan Claim; (7) whether the holder has made an election to include accruing market discount in its taxable income; and (8) the holder's method of tax accounting. Therefore, holders of Loan Claims should consult their own tax advisors for information that may be relevant based on their particular situations and circumstances regarding the particular tax consequences to them of the transactions contemplated by the Plan. This discussion assumes that the holder has not taken a bad debt deduction with respect to a Loan Claim (or any portion thereof) in the current or any prior year.

**1. Holders of Prepetition First Lien Loan Claims**

(a) General.

Pursuant to the Plan, in full satisfaction and discharge of its Claim, each holder of an allowed Prepetition First Lien Loan Claim will receive its *pro rata* share of cash and Subscription Rights (collectively, the "First Lien Loan Exchange").

(b) The First Lien Loan Exchange.

The U.S. federal income tax consequences of the First Lien Loan Exchange will depend, in part, on whether the holders' allowed Prepetition First Lien Loan Claims and the Subscription Rights constitute "securities" for U.S. federal income tax purposes. Whether a debt instrument constitutes a "security" is determined based on all the facts and circumstances. Generally, most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are other factors that may be relevant to the determination, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into equity of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. The allowed Prepetition First Lien Loan Claims have a term of more than five years but less than ten years. In addition, the Subscription Rights should constitute securities if they are treated as "rights to acquire New Common Stock" for U.S. federal income tax purposes. It is unclear whether holders' allowed Prepetition First Lien Loan Claims and Subscription Rights constitute "securities" for U.S. federal income tax purposes, and each holder should consult its tax advisor regarding the treatment of such obligations as "securities."

The Debtors intend to take the position that each of the allowed Prepetition First Lien Loan Claims and the Subscription Rights constitute "securities" for U.S. federal income tax purposes.

(i) Treatment as a Recapitalization.

If the Prepetition First Lien Loan Claims and the Subscription Rights are characterized as "securities" for U.S. federal income tax purposes, the First Lien Loan Exchange should be treated as a "recapitalization" for U.S. federal income tax purposes. If the First Lien Loan Exchange is treated as a recapitalization, a holder of an allowed Prepetition First Lien Loan Claim generally will recognize gain (but not loss) in such exchange in an amount equal to the lesser of (x) the amount of "gain realized" and (y) the amount of cash received by such holder of a First Lien Loan Claim in the exchange (less the amount of cash, if any, allocable to accrued interest, which is discussed below). The "gain realized" is the excess, if any, of (x) the amount of cash and fair market value of the Subscription Rights received by such holder in exchange for its First Lien Loan Claim (other than the amount of cash and Subscription Rights, if any, allocable to accrued interest discussed below) over (y) such holder's adjusted tax basis in its

allowed Prepetition First Lien Loan Claim surrendered in exchange therefor. Any such gain recognized should generally be treated as capital gain and should be long-term capital gain if the holder's holding period for its allowed Prepetition First Lien Loan Claim exceeded one year at the time of the exchange, subject to the "market discount" rules discussed below. In addition, a holder's aggregate tax basis in the Subscription Rights received in the exchange should be equal to the aggregate tax basis in its First Lien Loan Claim surrendered in exchange therefor, increased by the amount of any gain recognized and decreased by the amount of cash received (other than the amount of cash, if any, allocable to accrued interest discussed below); provided, however, to the extent that any Subscription Right is treated as received in satisfaction of accrued but untaxed interest, the tax basis of such Subscription Right should equal the amount of such accrued interest income. A holder's holding period for its Subscription Rights received pursuant to the Plan should generally include the holding period of its First Lien Loan Claim surrendered in exchange therefor; provided, however, to the extent any Subscription Rights are treated as received in satisfaction of accrued but untaxed interest, the holding period for such Subscription Rights should begin on the day following the Effective Date. A holder will generally recognize ordinary interest income to the extent that cash or Subscription Rights are treated for U.S. federal income tax purposes as received in satisfaction of accrued but untaxed interest on the debt instrument underlying the First Lien Loan Claim, (see "Accrued Interest" discussion below.)

(ii) Treatment as a Taxable Exchange.

If either the allowed Prepetition First Lien Loan Claims or the Subscription Rights are not characterized as "securities" for U.S. federal income tax purposes and as a result the First Lien Loan Exchange is not treated as a "recapitalization," the First Lien Loan Exchange should generally be a fully taxable transaction to holders of Prepetition First Lien Loan Claims for U.S. federal income tax purposes. In this event, a holder should recognize gain or loss in an amount equal to the difference between (x) the sum of the amount of cash and the fair market value of the Subscription Rights received by such holder in exchange for its First Lien Loan Claim (other than the amount of cash and Subscription Rights, if any, allocable to accrued interest discussed below) and (y) such holder's adjusted tax basis in its allowed Prepetition First Lien Loan Claim surrendered in exchange therefor. Such gain or loss should be capital gain or loss and should generally be long-term capital gain or loss if the holder's holding period for its surrendered allowed Prepetition First Lien Loan Claim exceeded one year at the time of the exchange, subject to the "market discount" rules discussed below. The deductibility of capital loss may be subject to limitations. A holder's tax basis in its Subscription Rights received in the exchange should be equal to the fair market value of such Subscription Rights on the Effective Date. A holder's holding period for its Subscription Rights received pursuant to the Plan should begin on the day following the Effective Date.

(c) Accrued Interest.

To the extent that any consideration is distributed or deemed distributed for U.S. federal income tax purposes with respect to accrued but unpaid interest, a holder of an allowed Prepetition First Lien Loan Claim that has not previously included such accrued interest in taxable income for U.S. federal income tax purposes should recognize ordinary income equal to the fair market value of any property received (including the holder's *pro rata* share of the cash and the Subscription Rights) with respect to such Claim for accrued but unpaid interest.

Pursuant to the terms of the Plan, Reorganized Parent will allocate for U.S. federal income tax purposes all distributions in respect of any Claim first to the principal amount of such Claim, and thereafter to accrued but unpaid interest. No assurance can be given that the IRS will not challenge such allocation. Holders of Claims for accrued interest which have included such accrued interest in taxable income generally may be able to take a loss to the extent that such Claim is not fully satisfied under the Plan (after allocating the distribution between principal and accrued interest), even if the underlying Claim is held as a capital asset. The adjusted tax basis of any property received in exchange for a Claim for accrued interest should equal the fair market value of such property on the Effective Date, and the holding period for the property should begin on the day after the Effective Date. Holders should consult their tax advisors regarding the particular U.S. federal income tax consequences applicable to them under the Plan in respect of allowed Prepetition First Lien Loan Claims for accrued interest, including the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

(d) Market Discount.

A holder that purchased its allowed Prepetition First Lien Loan Claim from a prior holder at a discount to the revised issue price of such allowed Prepetition First Lien Loan Claim may be subject to the market discount rules of the Tax Code. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having "original issue discount," the revised issue price) exceeds the adjusted tax basis of the bond in the holder's hands immediately after its acquisition. However, a debt obligation will not be a "market discount bond" if such excess is less than a statutory de minimis amount. Under those rules, assuming such holder has not made an election to amortize the market discount into income on a current basis, any gain recognized on the exchange of an allowed Prepetition First Lien Loan Claim for cash and Subscription Rights as discussed above generally should be characterized as ordinary income to the extent of the accrued market discount on such allowed Prepetition First Lien Loan Claim as of the Effective Date.

Although not free from doubt, the Company believes that a holder should not be required to recognize any accrued but unrecognized market discount upon the exercise of a Subscription Right received in exchange for its Prepetition First Lien Loan Claim. Instead, a holder may be required to recognize any remaining accrued but unrecognized market discount upon a subsequent taxable disposition of its New Common Stock received upon exercise of a Subscription Right. However, the treatment of accrued market discount in a nonrecognition transaction is subject to the issuance of Treasury regulations that have not yet been promulgated. In the absence of such regulations, the application of the market discount rules to the receipt and exercise of a Subscription Right received in exchange for a Prepetition First Lien Loan Claim is uncertain. Holders of allowed Prepetition First Lien Loan Claims should consult their tax advisors as to the tax consequences of the market discount rules, including, without limitation, the possible application of such rules on the First Lien Loan Exchange and receipt and disposition of New Common Stock received in connection with the Subscription Rights.

(e) The Subscription Rights.

A holder generally should not recognize any gain or loss upon the exercise of the Subscription Rights for New Common Stock received pursuant to the Plan. The tax basis of the shares of New Common Stock acquired through exercise of a Subscription Right should equal the sum of the offering price for such shares and the holder's tax basis in such Subscription Right as described above. The holding period for the shares of New Common Stock acquired through exercise of Subscription Rights should begin on the day following the Effective Date.

A holder that allows a Subscription Right it received to expire generally should recognize a capital loss equal to the holder's tax basis in such expired Subscription Right, which should be long-term capital loss if the holder's holding period for such Subscription Right exceeded one year. The deductibility of capital loss may be subject to limitations. Each holder should consult its tax advisor as to the tax consequences of allowing the Subscription Rights it received pursuant to the Plan to expire unexercised.

**2. Holders of Prepetition Second Lien Loan Claims**

(a) General.

Pursuant to the Plan, in full satisfaction and discharge of its Claim, each holder of an allowed Prepetition Second Lien Loan Claim will receive its *pro rata* share of cash and a New Warrant (collectively, the "Second Lien Loan Exchange").

(b) The Second Lien Loan Exchange.

The U.S. federal income tax consequences of the Second Lien Loan Exchange should generally be the same as described in "— CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS — Holders of Prepetition First Lien Loan Claims" above (substituting Second Lien Loan Claim for First Lien Loan Claim, New Warrant for Subscription Right and Second Lien Loan Exchange for First Lien Loan Exchange therein).

(c) Sale or Other Taxable Disposition of New Warrants.

A holder generally should recognize gain or loss upon the sale or other taxable disposition of a New Warrant in an amount equal to the difference between (x) the sum of the fair market value of any property and the amount of cash received in such disposition and (y) such holder's adjusted tax basis in such New Warrant at the time of the disposition. Subject to the treatment of a portion of any gain as ordinary income to the extent of any market discount carried over to the New Warrant from the Prepetition Second Lien Loan Claim (discussed above), such gain or loss should generally be capital gain or loss. Any such gain or loss will be long-term if the holding period of the New Warrant exceeded one year. The deductibility of capital loss may be subject to limitations.

**3. Ownership and Disposition of New Common Stock**

(a) Distributions.

A distribution paid by Reorganized Parent in respect of New Common Stock will generally constitute a dividend for U.S. federal income tax purposes to the extent the distribution

is paid out of Reorganized Parent's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The gross amount of any such dividend to a holder will be included in income of the holder as ordinary dividend income. In general, distributions in excess of the Reorganized Parent's current and accumulated earnings and profits will not be taxable to a holder to the extent that such distributions to the holder do not exceed the holder's adjusted tax basis in the shares of New Common Stock with respect to which the distribution is paid, but rather will reduce the holder's adjusted tax basis in such New Common Stock (but not below zero). To the extent that distributions exceed the Reorganized Parent's current and accumulated earnings and profits as well as the holder's adjusted tax basis in the New Common Stock, such distributions generally should be taxable as capital gain realized in respect of the New Common Stock.

Under current U.S. federal income tax law, dividends paid to certain non-corporate holders, including individuals, generally will constitute qualified dividend income eligible for preferential rates of U.S. federal income tax, with a maximum rate of 20%, provided certain conditions and requirements are satisfied, such as minimum holding period requirements. Holders that are corporations may be eligible for a partial dividends-received deduction with respect to dividend distributions that are paid in respect of New Common Stock, subject to certain conditions and requirements, such as minimum holding period requirements. There can be no assurance that the Reorganized Parent will have sufficient current or accumulated earnings and profits for distributions in respect of New Common Stock to qualify as dividends for U.S. federal income tax purposes.

(b) Sale or Other Taxable Disposition of New Common Stock.

A holder generally should recognize gain or loss upon the sale or other taxable disposition of New Common Stock in an amount equal to the difference, if any, between (x) the sum of the fair market value of any property and the amount of cash received in such disposition and (y) such holder's adjusted tax basis in the New Common Stock at the time of the disposition. Subject to the treatment of a portion of any gain as ordinary income to the extent of any market discount carried over to the New Common Stock from the Prepetition First Lien Loan Claim and Prepetition Second Lien Loan Claim (discussed above), such gain or loss generally should be capital gain or loss. Any such gain or loss will be long-term if the holding period of the New Common Stock exceeded one year. The deductibility of capital loss may be subject to limitations.

**4. Backup Withholding and Information Reporting**

Certain payments are generally subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding unless the taxpayer: (i) comes within certain exempt categories and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and such

holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

### C. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM OR HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

## ARTICLE VIII
## RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for a larger distribution to the Debtors' creditors and interest holders than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. Although certain alternatives have been proposed, such alternatives, in the opinion of the Debtors, include higher levels of execution, timing, and consummation risk than the Plan. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Allowed Equity Interests than that which is proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: March 11, 2014

Respectfully submitted,

ABLEST INC., on behalf of itself and its affiliates listed below

Name: D. Stephen Sorensen
Title: Chief Executive Officer

NEW KOOSHAREM CORPORATION
KOOSHAREM, LLC,
TANDEM STAFFING SOLUTIONS, INC.
SELECT PEO, INC.
SELECT SPECIALIZED STAFFING, INC.
SELECT TRUCKING SERVICES, INC.
SELECT NURSING SERVICES, INC.
REMEDY STAFFING, INC.
WESTAFF, INC.
WESTAFF (USA), INC.
WESTAFF SUPPORT, INC.
REAL TIME STAFFING SERVICES, INC.
SELECT TEMPORARIES, INC.
SELECT PERSONNEL SERVICES, INC.
SELECT CORPORATION
REMEDYTEMP, INC.
REMEDY TEMPORARY SERVICES, INC.
REMEDY INTELLIGENT STAFFING, INC.
REMX, INC.
REMSC LLC
REMUT LLC

SCHEDULE 1

The Debtors

The Debtors, along with the last four digits of each Debtor's federal tax identification number, are:

1. Ablest Inc. (8462);
2. New Koosharem Corporation (9356);
3. Koosharem, LLC (4537);
4. Real Time Staffing Services, Inc. (8189);
5. Remedy Intelligent Staffing, Inc. (0963);
6. Remedy Staffing, Inc. (0080);
7. RemedyTemp, Inc. (0471);
8. Remedy Temporary Services, Inc. (7385);
9. RemX, Inc. (7388);
10. Select Corporation (6624);
11. Select Nursing Services, Inc. (5846);
12. Select PEO, Inc. (8521);
13. Select Personnel Services, Inc. (8298);
14. Select Specialized Staffing, Inc. (5550);
15. Select Temporaries, Inc. (7607);
16. Select Trucking Services, Inc. (5722);
17. Tandem Staffing Solutions, Inc. (5919);
18. Westaff, Inc. (6151);
19. Westaff (USA), Inc. (5781);
20. Westaff Support, Inc. (1039);
21. RemSC LLC (8072); and
22. RemUT LLC (0793).

# EXHIBIT A

## PLAN OF REORGANIZATION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| ABLEST INC., et. al,[1] | ) | Case No. _____ |
| Debtors. | ) | |

# PREPACKAGED JOINT PLAN OF REORGANIZATION FOR ABLEST INC., et al.

Dated: March 11, 2014

Anthony W. Clark (I.D. No. 2051)
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
One Rodney Square
P.O. Box 636
Wilmington, Delaware 19899-0636
T: (302) 651-3000
F: (302) 651-3001

– and –

Kenneth S. Ziman
Glenn S. Walter
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Four Times Square
New York, New York 10036-6522
T: (212) 735-3000
F: (212) 735-2000

– and –

Jeffrey N. Pomerantz
Debra Grassgreen
James E. O'Neill (I.D. No. 4042)
PACHULSKI STANG ZIEHL & JONES LLP
919 N. Market Street, 17th Floor
Wilmington, DE 19801
T: (302) 652-4100
F: (302) 652-4400

Proposed Counsel to Debtors and Debtors in Possession

[1]The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are set forth on Schedule 1 hereto.

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JOINT PLAN OF REORGANIZATION FOR
ABLEST INC., et al.

Ablest Inc., a Delaware corporation ("Ablest"), New Koosharem Corporation, a California corporation and the indirect parent entity of Ablest (the "Parent"), Koosharem, LLC (f/k/a Koosharem Corporation), a California limited liability company, a wholly-owned subsidiary of the Parent and the direct parent entity of Ablest (the "Borrower"), and each of the other debtors and debtors-in-possession listed on Plan Schedule 1 hereto, propose the following joint plan of reorganization (the "Plan") for, among other things, the resolution of the outstanding Claims against, and Equity Interests in, the Debtors. Unless otherwise noted, capitalized terms used in this Plan have the meanings set forth in Article I of the Plan. The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code. Reference is made to the Disclosure Statement (as such term is defined herein and distributed contemporaneously herewith) for a discussion of the Debtors' history, business, results of operations, historical financial information, events leading up to Solicitation of the Plan, projections and properties, and for a summary and analysis of this Plan and the treatment provided for herein. There also are other agreements and documents that will be filed with the Bankruptcy Court, that are referenced in this Plan, the Plan Supplement or the Disclosure Statement as Exhibits and Plan Schedules. All such Exhibits and Plan Schedules are incorporated into and are a part of this Plan as if set forth in full herein. Subject to certain restrictions set forth in the Lender RSA, the Backstop Agreement, and requirements set forth in 11 U.S.C. § 1127 and Fed. R. Bankr. P. 3019, the Debtors reserve the right to alter, amend, modify, revoke or withdraw this Plan prior to its Consummation.

If the Plan cannot be confirmed as to some or all of the Debtors, then, in the Debtors' sole discretion, but without prejudice to the respective parties' rights under the Lender RSA, or the Backstop Agreement, (a) the Plan may be revoked as to all of the Debtors, or (b) the Debtors may revoke the Plan as to any Debtor (and any such Debtor's Chapter 11 Case may be converted to a chapter 7 liquidation, continued or dismissed in the Debtors' sole discretion) and confirm the Plan as to the remaining Debtors to the extent required. The Debtors reserve the right to seek confirmation of the Plan pursuant to the "cram down" provisions contained in section 1129(b) of the Bankruptcy Code with respect to any non-accepting Class of Claims.

Notwithstanding any rights of approval that may exist pursuant to the Lender RSA, the Backstop Agreement, or otherwise, as to the form or substance of the Disclosure Statement, the Plan or any other document relating to the transactions contemplated hereunder or thereunder, neither the Prepetition Secured Lenders, the Prepetition Agents, the Participating Lenders, the Steering Committee, the Backstop Investors, nor their respective representatives, members, Affiliates, financial or legal advisors or agents, has independently verified the information contained herein or takes any responsibility therefor and none of the foregoing entities or persons makes any representations or warranties, or should be relied upon, whatsoever concerning the information contained herein.

## ARTICLE I.
## RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW AND DEFINED TERMS

**A.** Rules of Interpretation, Computation of Time and Governing Law

For purposes hereof: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other

agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to "Articles", "Sections", "Exhibits" and "Plan Schedules" are references to Articles, Sections, Exhibits and Plan Schedules hereof or hereto; (e) unless otherwise stated, the words "herein," "hereof," "hereunder" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) any reference to an Entity as a Holder of a Claim or Equity Interest includes such Entity's successors and assigns; (h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (i) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be and (j) "$" or "dollars" means Dollars in lawful currency of the United States of America. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

**B.** Defined Terms

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. "2010 Term Loan Lender Warrants" has the meaning ascribed in the Prepetition Credit Agreements.

2. "Ablest" means Ablest Inc., a Delaware corporation.

3. "Accrued Professional Compensation" means, with respect to a particular Professional, an Administrative Claim of such Professional for compensation for services rendered or reimbursement of costs, expenses or other charges incurred after the Petition Date and prior to and including the Effective Date (including, without limitation, expenses of the members of any Committee incurred as members thereof in discharge of their duties as such).

4. "Additional Debtor" means any affiliate or other related party of a Debtor that files a chapter 11 petition at any time prior to the Confirmation Date and that files a motion to have such debtor's chapter 11 case jointly administered with the Chapter 11 Cases.

5. "Administrative Claim" means a Claim for costs and expenses of administration of the Chapter 11 Cases that is Allowed under section 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) any actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries, and commissions for services and payments for inventory, leased equipment, and leased premises); (b) Accrued Professional Compensation and any other compensation for legal, financial, advisory, accounting, and other services and reimbursement of expenses Allowed by the Bankruptcy Court under section 327, 328, 330, 331, 363, or 503(b) of the Bankruptcy Code to the extent incurred prior to the Effective Date; (c) all fees and charges assessed against the Estates under section 1930, chapter 123, of title 28, United States Code; (d) the DIP Facility Claims, including, without limitation, the fees and expenses of the DIP Agent and the DIP Lenders, including their respective professional and advisory fees and expenses; and (e) the Transaction Expenses.

6. "Affiliate" means an "affiliate" as defined in section 101(2) of the Bankruptcy Code.

7. "Allowed" means, with respect to any Claim, such Claim or any portion thereof that the Debtors have assented to the validity of or that has been (a) allowed by an order of the Bankruptcy Court, (b) allowed pursuant to the terms of this Plan, (c) allowed by agreement between the Holder of such Claim and the Debtors or Reorganized Debtors, or (d) allowed by an order of a court in which such Claim could have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced; provided, however, that, notwithstanding anything herein to the contrary, by treating a Claim as an "Allowed Claim" the Debtors do not waive their rights to contest the amount and validity of such Claim to the extent it is disputed, contingent or unliquidated, in the manner and venue in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced; and provided, further that the amount of any Allowed Claim shall be determined in accordance with the Bankruptcy Code, including sections 502(b), 503(b) and 506 of the Bankruptcy Code.

8. "Allowed Claim or Equity Interest" means a Claim or an Equity Interest of the type that has been Allowed.

9. "Avoidance Actions" means any and all avoidance, recovery, subordination or other actions or remedies that may be brought by and on behalf of the Debtors or their Estates under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, actions or remedies arising under sections 502, 510 or 542-553 of the Bankruptcy Code.

10. "Backstop Agreement" means the Backstop Agreement attached hereto as Exhibit A.

11. "Backstop Agreement Assumption Motion" means a motion, in form and substance reasonably acceptable to the Required Backstop Investors, the Debtors and the Consenting Equity Holder that must be filed by the Debtors on or after the Petition Date seeking Bankruptcy Court approval of the Backstop Agreement and authorizing the Debtors to assume the Backstop Agreement.

12. "Backstop Agreement Assumption Order" means an order of the Bankruptcy Court authorizing, among other things, the assumption of the Backstop Agreement and the provision of an indemnity by the Debtors in favor of the Backstop Investors to the extent set forth in the Backstop Agreement.

13. "Backstop Commitment" means the agreement by each Backstop Investor (that is an Eligible Participant) pursuant to the Backstop Agreement to: (a) subscribe for its Backstop Proportion of all of the Rights Offering Securities that are eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that are not subscribed for by such Prepetition First Lien Lenders and (b) subscribe for its Backstop Proportion of additional Rights Offering Securities for an aggregate purchase price in Cash equal to $50 million.

14. "Backstop Investor" means each Person signatory to the Backstop Agreement from time to time and identified as "Backstop Party" therein, including each permitted assignee thereunder and any Person added as a "Backstop Party" under the terms thereof.

15. "Backstop Proportion" means the portion of the Backstop Commitment committed or agreed to by each Backstop Investor as set forth on Exhibit A to the Backstop Agreement.

16. "Ballots" means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote may, among other things, indicate their acceptance or rejection of this Plan.

17. "Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended from time to time and as applicable to the Chapter 11 Cases.

18. "Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware, or any other court having jurisdiction over the Chapter 11 Cases.

19. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure and the Local Rules, or the local rules of any other court having jurisdiction over the Chapter 11 Cases, in each case as amended from time to time and as applicable to the Chapter 11 Cases.

20. "Borrower" means Koosharem, LLC (f/k/a Koosharem Corporation), a California limited liability company and a wholly-owned subsidiary of the Parent.

21. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

22. "Butler Companies" means, collectively, Butler America Inc., Butler America TCS, Inc., Butler America Staffing LLC and Butler Technical Services India (P) Ltd.

23. "Cash" means the legal tender of the United States of America or the equivalent thereof.

24. "Causes of Action" means any claims, causes of action (including Avoidance Actions), demands, actions, suits, obligations, liabilities, cross-claims, counter-claims, recoupments, offsets, or setoffs of any kind or character whatsoever, in each case whether known or unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, in contract, in tort, in law, or in equity, or pursuant to any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Petition Date or during the course of the Chapter 11 Cases, including through the Effective Date.

25. "Chapter 11 Cases" means the chapter 11 bankruptcy cases that may be commenced by the Debtors on the Petition Date in the Bankruptcy Court.

26. "Chapter 11 Transaction Expenses" means the aggregate amount of reasonable fees and expenses payable by the Debtors in connection with the Chapter 11 Cases, including (a) the fees and expenses payable to the DIP Agent and the DIP Lenders and (b) the Transaction Expenses and any other fees, expenses, and indemnities contemplated by the Backstop Agreement and the Lender RSA.

27. "Claim" means any "claim" against any Debtor as defined in section 101(5) of the Bankruptcy Code.

28. "Claims Register" means the official register of Claims maintained by the Voting Agent.

29. "Class" means a category of Holders of Claims or Equity Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.

30. "Committee" means any committee of unsecured creditors in the Chapter 11 Cases, if any, appointed pursuant to section 1102 of the Bankruptcy Code.

31. "Company" means the Debtors, collectively.

32. "Confirmation" means the confirmation of this Plan by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code.

33. "Confirmation Date" means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

34. "Confirmation Hearing" means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

35. "Confirmation Order" means the order of the Bankruptcy Court both confirming this Plan pursuant to section 1129 of the Bankruptcy Code and approving the Disclosure Statement.

36. "Consenting Equity Holder" means D. Stephen Sorensen.

37. "Consummation" means the occurrence of the Effective Date.

38. "Creditor Releasing Party" means (a) each Holder of a Claim in the Voting Classes that affirmatively elects to grant the third party release provided in Article XII of the Plan by checking the appropriate box on the Ballot provided to such Holder in connection with solicitation of such Holder's vote to accept or to reject the Plan and (b) each of the following parties that affirmatively elects to grant the third party release provided in Article XII of the Plan by giving written notice to that effect to each of the Notice Parties: (i) the DIP agent, (ii) the Prepetition Agents and (iii) any other creditor in the Chapter 11 Cases that is not entitled to vote on the Plan.

39. "Debtor Releasing Party" has the meaning set forth in Article XI.B hereof.

40. "Debtor(s)" means individually, Parent and each of its subsidiaries listed on Plan Schedule 1 hereto, and, collectively, Parent and all of its subsidiaries listed on Plan Schedule 1 hereto, in each case, in their capacities as debtors in the Chapter 11 Cases.

41. "Debtor(s) in Possession" means, individually, each Debtor, as debtor in possession in their Chapter 11 Cases as of the Petition Date and, collectively, all Debtors, as debtors in possession in the Chapter 11 Cases.

42. "DIP Agent" means the administrative agent and collateral agent under the DIP Facility, and any successors thereto.

43. "DIP Facility" means that certain senior secured superpriority post-petition credit facility to be made available to the Debtors pursuant to the terms set forth in the term sheet attached as Exhibit H to the Disclosure Statement.

44. "DIP Facility Claim" means any Claim of the DIP Agent, any DIP Lender or any other party arising from, under or in connection with the DIP Facility.

45. "DIP Facility Motion" means the motion filed by the Debtors to obtain entry of the DIP Orders.

46. "DIP Facility Secured Loan Agreement" means, collectively, the agreement(s) documenting the terms of the DIP Facility, including any and all schedules and exhibits thereto.

47. "DIP Lenders" means the banks, financial institutions and other parties identified as lenders under the DIP Facility from time to time.

48. "DIP Orders" means, collectively, the Interim DIP Order and Final DIP Order.

49. "Disallowed Claim" means a Claim, or any portion thereof, that is: (a) not listed on the schedules filed by the Debtors pursuant to section 521 of the Bankruptcy Code, or is listed therein as contingent, unliquidated, disputed or in an amount equal to zero, and whose Holder has failed to file a timely proof of claim; or (b) disallowed by Final Order of the Bankruptcy Court.

50. "Disclosure Statement" means that certain Disclosure Statement for the Prepackaged Joint Plan of Reorganization for Ablest Inc., et al. under Chapter 11 of the Bankruptcy Code, as amended, supplemented, or modified from time to time and describes this Plan, including all exhibits and schedules thereto and references therein that relate to this Plan.

51. "Disputed Claim or Equity Interest" means a Claim or Equity Interest, or any portion thereof: (a) that is the subject of an objection or request for estimation filed or is otherwise disputed by any of the Debtors or any other party in interest in accordance with applicable law and which objection has not been withdrawn, resolved, or overruled by a Final Order of the Bankruptcy Court; or (b) that is otherwise disputed by any of the Debtors or any other party in interest in accordance with applicable law, which dispute has not been withdrawn, resolved, or overruled by Final Order.

52. "Distribution Agent" means Reorganized Parent or any party designated by Reorganized Parent to serve as distribution agent under this Plan. For purposes of distributions under this Plan to the Holders of Allowed DIP Facility Claims and Allowed Prepetition Secured Loan Claims, the DIP Agent and the Prepetition Agents, respectively, will be and shall act as the Distribution Agent.

53. "D&O Liability Insurance Policies" means all insurance policies for directors' and officers' liability maintained by the Debtors as of the Petition Date.

54. "DRV Purchase Agreement" means the Purchase Agreement to be entered into among Reorganized Parent, the Consenting Equity Holder, SB Group Holdings, Inc. and Esperer Holdings, Inc., substantially in the form attached as Exhibit D hereto, pursuant to which Reorganized Parent will purchase on the Effective Dave (a) all of the outstanding capital stock of Decca Consulting, Inc., Decca Consulting Ltd., Resdin Industries Ltd., and Vaughan Business Solutions, Inc. and (b) certain agreements to which Esperer Holdings, Inc. is a party in consideration for New Common Stock.

55. "Effective Date" means the Business Day that this Plan becomes effective as provided in Article IX hereof.

56. "Eligible Participant" means each Prepetition First Lien Lender that, as of the Rights Offering Record Date, is an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act.

57. "Entity" means an "entity" as defined in section 101(15) of the Bankruptcy Code.

58. "Equity Interest" means any Equity Security in any Debtor, including, without limitation, all issued, unissued, authorized or outstanding shares of stock, together with: (a) any options, warrants or contractual rights to purchase or acquire any such Equity Securities at any time with respect to such Debtor, and all rights arising with respect thereto and (b) the rights of any Entity to purchase or demand the issuance of any of the foregoing and shall include: (1) conversion, exchange, voting, participation, and dividend rights; (2) liquidation preferences; (3) options, warrants, and put rights; and (4) stock-appreciation rights.

59. "Equity Security" means an "equity security" as defined in section 101(16) of the Bankruptcy Code.

60. "Estates" means the bankruptcy estates of the Debtors created by virtue of section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

61. "Exculpated Parties" means, collectively: (a) the Debtors; (b) the Reorganized Debtors; (c) the current and former members of the Steering Committee; (d) the DIP Agent; (e) the DIP Lenders; (f) the Prepetition Secured Lenders; (g) the Backstop Investors; (h) the Prepetition Agents; (i) the Sorensen Parties; (j) the Participating Lenders and (k) the respective Related Persons of each of the foregoing Entities.

62. "Exculpation" means the exculpation provision set forth in Article XII.D hereof.

63. "Executory Contract" means a contract to which any Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

64. "Exhibit" means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement (as such exhibits are amended, modified or otherwise supplemented from time to time).

65. "Fifth Amendment First Lien Lender Warrants" has the meaning ascribed in the Prepetition First Lien Credit Agreement.

66. "Fifth Amendment Second Lien Lender Warrants" has the meaning ascribed in the Prepetition Second Lien Credit Agreement.

67. "File" or "Filed" or "Filing" means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

68. "Final DIP Order" means the order approving the DIP Facility on a final basis.

69. "Final Order" means an order of the Bankruptcy Court as to which the time to appeal, petition for certiorari, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, new trial, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or the Reorganized Debtors, or, in the event that an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, no stay pending appeal has been granted or such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or certiorari, new trial, reargument or rehearing

shall have been denied and the time to take any further appeal, petition for certiorari, or move for a new trial, reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not preclude such order from being a Final Order.

70. "General Unsecured Claim" means any Claim against any Debtor that is not a/an: (a) DIP Facility Claim; (b) Administrative Claim; (c) Priority Tax Claim; (d) Secured Tax Claim, (e) other Priority Claim; (e) Other Secured Claim; (f) Prepetition Secured Loan Agreement Claim; (g) Intercompany Claim; or (i) Equity Interest.

71. "Governmental Unit" means a "governmental unit" as defined in section 101(27) of the Bankruptcy Code.

72. "Holder" means an Entity holding a Claim against, or Equity Interest in, any Debtor as of the applicable date of determination or any authorized agent of such Entity who has completed and executed a Ballot in accordance with the voting instructions that are attached to the Ballot.

73. "Impaired" means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

74. "Indemnification Provision" means each of the indemnification provisions currently in place (whether in the bylaws, certificates of incorporation, board resolutions, employment contracts or otherwise) for the current and former directors, officers, employees, attorneys, other professionals and agents of the Debtors who served in such capacity on or any time after the Petition Date.

75. "Initial Distribution Date" means, subject to the "Classification and Treatment of Claims and Equity Interests" sections in Article III hereof, the date that is as soon as reasonably practicable after the Effective Date, when distributions under this Plan shall commence to Holders of Allowed Claims.

76. "Intercompany Claims" means any Claims of a Debtor against any other Debtor.

77. "Interim DIP Order" means the order entered by the Bankruptcy Court approving the DIP Facility on an interim basis.

78. "Lease Amendments" means the Lease Amendments, substantially in the form attached as Exhibit J hereto.

79. "Lender RSA" means that certain Amended and Restated Restructuring Support Agreement by and among the Debtors, the Consenting Equity Holder, and each of the Participating Lenders signatories thereto, substantially in the form attached as Exhibit B hereto.

80. "Lender RSA Motion" means a motion, in form and substance reasonably acceptable to the Required Backstop Investors, the Debtors and the Consenting Equity Holder that must be filed by the Debtors on or after the Petition Date seeking Bankruptcy Court approval of the Lender RSA and authorizing the Debtors to assume the Lender RSA.

81. "Lender RSA Order" means an order of the Bankruptcy Court granting the relief requested in the Lender RSA Motion and approving the Lender RSA and authorizing the Debtors to assume the Lender RSA Postpetition.

82. "Lien" means a "lien" as defined in section 101(37) of the Bankruptcy Code, and, with respect to any asset, includes, without limitation, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

83. "Litigation Claims" means the claims, rights of action, suits or proceedings, whether in law or in equity, whether known or unknown, that any Debtor or Estate may hold against any Entity, including, without limitation, the Causes of Action of the Debtors.

84. "Local Rules" means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

85. "Majority Participating Lenders" shall have the meaning set forth in the Lender RSA.

86. "Management Incentive Plan" means a post-Effective Date employee Management Incentive Plan, on the terms set forth in the Lender RSA, providing for the issuance from time to time of shares of the New Common Stock of the Reorganized Parent, including the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. The Management Incentive Plan shall be included in the Plan Supplement.

87. "New Board" means the initial board of directors of Reorganized Parent as designated pursuant to Section M of Article V of this Plan.

88. "New Capital Stock" means the New Common Stock and, where applicable, the New Warrants, all as authorized to be issued pursuant to this Plan.

89. "New Common Stock" means shares of common stock of Reorganized Parent, par value $0.01 per share, to be issued on the Effective Date pursuant to this Plan.

90. "New Securities and Debt Documents" means collectively, the New Common Stock, the New Warrants, the Post-Emergence Term Loan Agreement, the Post-Emergence ABL Loan Agreement, the Subordination and Intercreditor Agreement, and any and all other securities, notes, stock, instruments, certificates, and other documents or agreements required to be issued, executed or delivered pursuant to this Plan.

91. "New Warrants" means the Warrants, on the terms set forth in Exhibit K hereto, to be issued by the Reorganized Parent to the Prepetition Second Lien Lenders pursuant to this Plan, exercisable for New Common Stock.

92. "Notice Parties" means the entities listed in Article XV.K hereof.

93. "Option Agreement" means the Option Agreement, substantially in the form attached as Exhibit E hereto, to be entered into between Reorganized Parent and a newly formed holding company that will be the parent of the Butler Companies.

94. "Ordinary Course Professionals Order" means an order of the Bankruptcy Court, if any, approving a motion to employ ordinary course professionals in the Chapter 11 Cases.

95. "Other Secured Claim" means any Secured Claim other than an Administrative Claim, DIP Facility Claim, Secured Tax Claim, or Prepetition Secured Loan Agreement Claim.

96. "Parent" means New Koosharem Corporation, a California corporation."Parent Equity Interests" means all Equity Interests in Parent.

97. "Participating Lenders" shall have the meaning set forth in the Lender RSA.

98. "Person" means a "person" as defined in section 101(41) of the Bankruptcy Code and also includes any natural person, corporation, general or limited partnership, limited liability company, firm, trust, association, government, governmental agency or other Entity, whether acting in an individual, fiduciary or other capacity.

99. "Petition Date" means the date on which the Debtors commence the Chapter 11 Cases.

100. "Plan" means this Prepackaged Joint Plan of Reorganization for Ablest Inc., et al., including the Exhibits and Plan Schedules and all supplements, appendices, and schedules thereto, either in its present form or as the same may be altered, amended, modified or otherwise supplemented from time to time.

101. "Plan Schedule" means a schedule annexed to either this Plan or as an appendix to the Disclosure Statement (as amended, modified or otherwise supplemented from time to time).

102. "Plan Supplement" means, collectively, the compilation of documents and forms of documents, and all exhibits, attachments, schedules, agreements, documents and instruments referred to therein, ancillary or otherwise, including, without limitation, the Exhibits and Plan Schedules, all of which are incorporated by reference into, and are an integral part of, this Plan, as all of the same may be amended, modified, replaced and/or supplemented from time to time, which shall be filed with the Bankruptcy Court on or before 10 days prior to the Confirmation Hearing. For the avoidance of doubt, the Plan Supplement will include the Management Incentive Plan, the New Securities and Debt Documents, the Reorganized Parent Organizational Documents, the disclosure related to officers and directors required under Article V.M, and list of contracts, if any, to be rejected under Article VI.

103. "Post-Emergence ABL Agent" means Royal Bank of Canada in its capacity as administrative agent and/or collateral agent under the Post-Emergence ABL Loan Agreement, and its successors.

104. "Post-Emergence ABL Loan Agreement" means that certain agreement providing for a secured asset based revolving loan, which shall be contained or described in the Plan Supplement.

105. "Post-Emergence Term Loan Agent" means Credit Suisse AG, acting through one or more of its branches or affiliates, in its capacity as administrative agent and/or collateral agent under the Post-Emergence Term Loan Agreement, and its successors.

106. "Post-Emergence Term Loan Agreement" means that certain agreement providing for a secured term loan in the principal amount of $350 million, which shall be contained or described in the Plan Supplement.

107. "Postpetition" means the time period beginning immediately upon the filing of the Chapter 11 Cases and ending on the Effective Date.

108. "Prepetition Agents" means collectively, the Prepetition First Lien Agent and the Prepetition Second Lien Agent.

109. "Prepetition First Lien Agent" means Bank of the West in its capacity as administrative agent and/or collateral agent under the Prepetition First Lien Credit Agreement, and its successors.

110. "Prepetition First Lien Agent Professionals" means Katten Muchin Rosenman LLP and Cousins Chipman & Brown LLP.

111. "Prepetition First Lien Credit Agreement" means that certain First Lien Credit and Guaranty Agreement (as amended, restated, supplemented or otherwise modified from time to time), dated as of July 12, 2007, by and among the Borrower, as borrower, the Prepetition Guarantors, as guarantors, the Prepetition First Lien Agent, as administrative and collateral agent, and the Prepetition First Lien Lenders party thereto.

112. "Prepetition First Lien Lender Warrants" has the meaning ascribed to "First Lien Lender Warrants" in the Prepetition First Lien Credit Agreement.

113. "Prepetition First Lien Lenders" means the banks, financial institutions and other parties identified as "Lenders" in the Prepetition First Lien Credit Agreement from time to time.

114. "Prepetition First Lien Loan Claim" means any Claim arising under the Prepetition First Lien Credit Agreement and the "Transaction Documents" as defined therein.

115. "Prepetition First Lien Loans" means "Loans" as such term is defined in the Prepetition First Lien Credit Agreement that are outstanding on the Petition Date.

116. "Prepetition Guarantors" means the Debtors other than the Parent and the Borrower.

117. "Prepetition Intercreditor Agreement" means that certain Intercreditor Agreement (as amended, restated, supplemented or otherwise modified from time to time), dated as of July 12, 2007, by and among the Borrower, Bank of the West, in its capacity as collateral agent under the Prepetition First Lien Credit Agreement and BNP Paribas, in its capacity as collateral agent under the Prepetition Second Lien Credit Agreement.

118. "Prepetition Second Lien Agent" means Wilmington Trust, National Association (as successor by merger to Wilmington Trust FSB) in its capacity as successor administrative agent and/or collateral agent to BNP Paribas, under the Prepetition Second Lien Credit Agreement and the Prepetition Intercreditor Agreement, respectively, and its successors.

119. "Prepetition Second Lien Agent Professionals" means Dechert LLP.

120. "Prepetition Second Lien Credit Agreement" means that certain Second Lien Credit and Guaranty Agreement (as amended, restated, supplemented or otherwise modified from time to time), dated as of July 12, 2007, by and among the Borrower, as borrower, the Prepetition Guarantors, as guarantors, BNP Paribas, as administrative and collateral agent, and the Prepetition Second Lien Lenders party thereto.

121. "Prepetition Second Lien Lender Warrants" has the meaning ascribed to "Second Lien Lender Warrants" in the Prepetition Second Lien Credit Agreement.

122. "Prepetition Second Lien Lenders" means the banks, financial institutions and other parties identified as "Lenders" in the Prepetition Second Lien Credit Agreement from time to time.

123. "Prepetition Second Lien Loan Claim" means any Claim arising under the Prepetition Second Lien Credit Agreement and the "Transaction Documents" as defined therein.

124. "Prepetition Second Lien Loans" means "Loans" as such term is defined in the Prepetition Second Lien Credit Agreement that are outstanding on the Petition Date.

125. "Prepetition Secured Lenders" means collectively, the Prepetition First Lien Lenders and the Prepetition Second Lien Lenders.

126. "Prepetition Secured Loan Agreements" means collectively, the Prepetition First Lien Credit Agreement and the Prepetition Second Lien Credit Agreement.

127. "Prepetition Secured Loans" means collectively, the Prepetition First Lien Loans and the Prepetition Second Lien Loans.

128. "Prepetition Secured Loan Claim" means any Prepetition First Lien Loan Claim or Prepetition Second Lien Loan Claim.

129. "Prepetition Warrants" means, collectively, the 2010 Term Loan Lender Warrants, the Fifth Amendment First Lien Lender Warrants, the Prepetition First Lien Lender Warrants, the Fifth Amendment Second Lien Lender Warrants and the Prepetition Second Lien Lender Warrants.

130. "Priority Claim" means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

131. "Priority Tax Claim" means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

132. "Pro Rata" means the proportion that (a) the Allowed principal amount of a Claim in a particular Class (or several Classes taken as a whole) bears to (b) the aggregate Allowed principal amount of all Claims in such Class (or several Classes taken as a whole), unless this Plan provides otherwise.

133. "Professional" means: (a) any Entity employed in the Chapter 11 Cases pursuant to section 327, 328, 363 or 1103 of the Bankruptcy Code or otherwise and (b) any Entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

134. "Professional Fee Claim" means a Claim under sections 328, 330(a), 331, 363, 503 or 1103 of the Bankruptcy Code for Accrued Professional Compensation.

135. "Professional Fee Escrow Account" means an account to be funded by the Debtors upon receipt of the proceeds of the Rights Offering, pursuant to Article II.A.1 of the Plan, in an amount equal to the Professional Fee Reserve Amount.

136. "Professional Fee Reserve Amount" means the aggregate amount of unpaid Professional Fee Claims through the Effective Date, as estimated in accordance with Article II.A.1 of the Plan.

137. "Proof of Claim" means a proof of Claim or Equity Interest Filed against any Debtor in the Chapter 11 Cases.

138. "Reinstated" means, with respect to any Claim: (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the holder of such Claim in accordance with Section 1124 of the Bankruptcy Code or (b) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) reinstating the maturity of such Claim as such maturity existed before such default; (iii) compensating the holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a non-monetary obligation, other than a default arising from failure to operate a non-residential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder of such Claim (other than any Debtor or an insider of any Debtor) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim.

139. "Related Persons" means, with respect to any Person, such Person's predecessors, successors, assigns and present and former Affiliates (whether by operation of law or otherwise) and subsidiaries, and each of their respective current and former officers, directors, principals, employees, shareholders, members (including ex officio members), general partners, limited partners, agents, managers, managing members, financial advisors, attorneys, accountants, investment bankers, investment advisors, consultants, representatives, and other professionals, in each case acting in such capacity on or any time before or after the Petition Date, and any Person claiming by or through any of them.

140. "Related Party Notes" means those certain notes listed on Schedule 1 to the Sorensen Support Agreement and identified as "Related Party Notes" therein.

141. "Release Matter" means: (a) the Debtors, (b) the Debtors' restructuring, (c) the conduct of the Debtors' businesses, (d) the Chapter 11 Cases, (e) the Prepetition Secured Loans, (f) the subject matter of, or the transactions or events giving rise to, any Claim or interest that is treated in the Plan, (g) the business or contractual arrangements between any Debtor and any agent thereof, (h) the Rights Offering, (i) the Backstop Agreement, (j) the Lender RSA, (k) the Sorensen Support Agreement, (l) the DIP Facility, (m) the Disclosure Statement, (n) the Plan, (o) the solicitation of votes on the Plan and any transactions related thereto, and (p) the restructuring of Claims and interests prior to or in the Chapter 11 Cases, which Claims are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date.

142. "Released Party" means collectively, each in its capacity as such: (a) the Debtors; (b) the Reorganized Debtors; (c) the current and former members of the Steering Committee; (d) the DIP Agent; (e) the DIP Lenders; (f) the Prepetition Secured Lenders; (g) the Backstop Investors; (h) the Prepetition Agents; (i) the Sorensen Parties; (j) the Participating Lenders and (k) the respective Related Persons of each of the foregoing Entities.

143. "Reorganized Borrower" means the Borrower, as reorganized pursuant to his Plan on or after the Effective Date.

144. "Reorganized Debtors" means: (a) Reorganized Parent and (b) each other Debtor, as reorganized pursuant to this Plan on or after the Effective Date.

145. "Reorganized Parent" means the Parent, as reorganized pursuant to this Plan on or after the Effective Date.

146. "Reorganized Parent Organizational Documents" means the certificate of incorporation and by-laws or other applicable organizational documents of the Reorganized Parent.

147. "Required Backstop Investors" means Backstop Investors representing 60% or more of the Backstop Proportions of all Backstop Investors.

148. "Restricted Stock Award Agreement" means the Restricted Stock Award Agreement, substantially in the form attached as Exhibit I hereto.

149. "Rights Offering" means that certain rights offering of Rights Offering Securities to be offered to the Eligible Participants, the terms of which are set forth in Article V.G of this Plan.

150. "Rights Offering Purchase Price" means $225.0 million in Cash for the Rights Offering Securities. When used with respect to a particular Rights Offering Purchaser, an amount of Cash equal to $175.0 million of the Rights Offering Purchase Price multiplied by such Rights Offering Purchaser's subscribed-for portion of the Rights Offering Securities. When used with respect to a particular Backstop Investor, the sum of: (a) an amount of Cash equal to $50.0 million of the Rights Offering Purchase Price multiplied by such Backstop Investor's Backstop Proportion; and (b) an amount of Cash equal to $175.0 million of the Rights Offering Purchase Price multiplied by such Backstop Investor's Backstop Proportion of all of the Rights Offering Securities that are eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that are not subscribed for by such Prepetition First Lien Lenders.

151. "Rights Offering Purchaser" means an Eligible Participant who timely and properly executes and delivers the Subscription Documents to the Debtors or other Entity specified in the Subscription Documents prior to the expiration of the Subscription Deadline.

152. "Rights Offering Record Date" means the date for determining which Prepetition Secured Lenders are Eligible Participants and shall be March 20, 2014.

153. "Rights Offering Securities" means the New Common Stock.

154. "SCIF" means the State Compensation Insurance Fund.

155. "SCIF Claims" means all Claims by SCIF against any of the Debtors in connection with the SCIF Settlement Agreement, which Claims shall not exceed $22,900,000.

156. "SCIF Settlement Agreement" means that certain Confidential Settlement Agreement dated as of November 3, 2012 by and between SCIF and Parent and its subsidiaries, as amended by that certain First Amendment to Confidential Settlement Agreement dated October 7, 2013.

157. "Secured Claim" means a Claim that is secured by a Lien on property in which any Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in such Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

158. "Secured Tax Claim" means any Secured Claim which, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code.

159. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§ 77c-77aa, as now in effect or hereafter amended, and the rules and regulations promulgated thereunder, and any similar federal, state or local law.

160. "Solicitation" means the solicitation of votes of those parties in Classes 4 and 5 to accept or reject the Plan.

161. "Sorensen Parties" means, collectively, (i) the Consenting Equity Holder, (ii) the Butler Companies, (iii) Shannon Sorensen, Stephanie Sorensen, John Sorensen, Paul Sorensen, Allyson Sorensen, the Sorensen Family Trust U/D/T July 26, 1991, as amended, SB Group Holdings, Inc., Battle Mountain Specialty Insurance, Inc., Esperer Holdings, Inc., SSST Holdings, LLC, 1640 Grove, LLC, and (iv) New Butler Holdco (as defined in the Sorensen Support Agreement".

162. "Sorensen Support Agreement" means the Sorensen Support Agreement, entered into by and among (i) the Parent (ii) the Backstop Investors and (iii) each of the Sorensen Parties, substantially in the form attached as Exhibit C hereto.

163. "SSA Motion" means a motion, in form and substance reasonably acceptable to the Required Backstop Investors, the Debtors and the Consenting Equity Holder that must be filed by the Debtors on or after the Petition Date seeking Bankruptcy Court approval of the Sorensen Support Agreement and authorizing the Debtors to assume the Sorensen Support Agreement.

164. "SSA Order" means an order of the Bankruptcy Court granting the relief requested in the SSA Motion and approving the Sorensen Support Agreement and authorizing the Debtors to assume the Sorensen Support Agreement Postpetition.

165. "Stamp or Similar Tax" means any stamp tax, recording tax, personal property tax, real estate transfer tax, sales tax, use tax, transaction privilege tax (including, without limitation, such taxes on prime contracting and owner-builder sales), privilege taxes (including, without limitation, privilege taxes on construction contracting with regard to speculative builders and owner builders), and other similar taxes imposed or assessed by any Governmental Unit.

166. "Steering Committee" means that certain committee comprised of certain Lenders under the Prepetition First Lien Credit Agreement and certain Lenders under the Prepetition Second Lien Credit Agreement, represented by the Steering Committee Professionals.

167. "Steering Committee Professionals" means, collectively: (a) Milbank, Tweed, Hadley & McCloy LLP, (b) Morris, Nichols, Arsht & Tunnell LLP, (c) Zarco Einhorn Salkowski & Brito, P.A., (d) Halloran & Sage LLP., (e) Winston & Strawn, LLP, (f) Stikeman

Elliot LLP, (g) any other attorneys or financial and diligence advisors retained by the Steering Committee as provided for in the Lender RSA and (h) any successor law firm or financial or diligence advisor to any of the foregoing entities or individuals.

168. "Stockholders Agreement" means the Stockholders Agreement, substantially in the form attached as Exhibit F hereto.

169. "Subordination and Intercreditor Agreement" means the intercreditor agreement to be entered into as of the Effective Date, by and among the Reorganized Parent, the Post-Emergence Term Loan Agent and the Post-Emergence ABL Agent.

170. "Subscription Commencement Date" means the date on which the Subscription Period commences, which shall be March 11, 2014.

171. "Subscription Deadline" means the date on which the Rights Offering shall expire as set forth in the Subscription Documents, which shall be March 27, 2014.

172. "Subscription Documents" means, collectively, that certain subscription form and subscription agreement to be distributed to Eligible Participants pursuant to which each Eligible Participant may exercise its Subscription Rights.

173. "Subscription Period" means the time period during which the Eligible Participant may subscribe to purchase the Rights Offering Securities, which period shall commence on the Subscription Commencement Date and expire on the Subscription Deadline.

174. "Subscription Right" means the right of Eligible Participant to participate in the Rights Offering, which right shall be non-Transferable and non-certificated as set forth in Article V.G of this Plan.

175. "Subsidiaries" means the Entities listed on Plan Schedule 1 other than the Parent.

176. "Transaction Expenses" means the Transaction Expenses as defined in Section 35 of the Lender RSA.

177. "Transfer" or "Transferable" means, with respect to any security or the right to receive a security or to participate in any offering of any security, including the Rights Offering: (a) the sale, transfer, pledge, hypothecation, encumbrance, assignment, constructive sale, participation in, or other disposition of such security or right or the beneficial ownership thereof, (b) the offer to make such a sale, transfer, constructive sale, or other disposition, and (c) each option, agreement, arrangement, or understanding, whether or not in writing and whether or not directly or indirectly, to effect any of the foregoing. The term "constructive sale" for purposes of this definition means (i) a short sale with respect to such security or right, (ii) entering into or acquiring an offsetting derivative contract with respect to such security or right, (iii) entering into or acquiring a futures or forward contract to deliver such security or right, or (iv) entering into any transaction that has substantially the same effect as any of the foregoing. The term "beneficially owned" or "beneficial ownership" as used in this definition shall include, with respect to any security or right, the beneficial ownership of such security or right by a Person and by any direct or indirect subsidiary of such Person.

178. "Unexpired Lease" means a lease to which any Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

179. "Unimpaired" means, with respect to a Class of Claims or Equity Interests that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

180. "Voting Agent" means Kurtzman Carson Consultants LLC, and any successor.

181. "Voting Classes" means, collectively, Classes 4 and 5.

182. "Voting Deadline" means March 27, 2014 at 5:00 p.m. prevailing Pacific Time for all Holders of Claims, which is the date and time by which all Ballots must be received by the Voting Agent, or such other date and time as may be established by the Debtors with respect to any Voting Class.

183. "Voting Record Date" means the date for determining which Holders of Claims are entitled to receive the Disclosure Statement and vote to accept or reject this Plan, as applicable, which date is March 20, 2014 for all Holders of Claims.

## ARTICLE II.
## ADMINISTRATIVE, DIP FACILITY AND PRIORITY TAX CLAIMS

**A.** Administrative Claims

Subject to sub-paragraph (1) below, on the later of the Effective Date or the date on which an Administrative Claim becomes an Allowed Administrative Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim either (i) payment in full in Cash for the unpaid portion of such Allowed Administrative Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that Administrative Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtors or Reorganized Debtors in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

1. Professional Compensation and Reimbursement Claims

Professional Fee Claims. Professionals or other Entities asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Reorganized Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Professional Fee Claim; provided that the Reorganized Debtors will pay Professionals in the ordinary course of business for any work performed after the Effective Date, including those fees and expenses incurred by Professionals in connection with the implementation and consummation of the Plan, in each case without further application or notice to or order of the Bankruptcy Court; provided, further, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professionals Order. Objections to any Professional Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 60 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of the Professional Fee Claim.

Professional Fee Escrow Account. On the Effective Date, the Debtors shall establish the Professional Fee Escrow Account and fund such account with Cash equal to the Professional Fee Reserve Amount. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Each Holder of an Allowed Professional Fee Claim will be paid by the Reorganized Debtors in Cash from the Professional Fee Escrow Account within five (5) Business Days of entry of the order approving such Allowed Professional Fee Claim. If the Professional Fee Escrow Account is depleted, each Holder of an Allowed Professional Fee Claim will be paid the full amount of such Allowed Professional Fee Claim by the Reorganized Debtors in Cash within five (5) Business Days of entry of the order approving such Allowed Professional Fee Claim. All amounts remaining in the Professional Fee Escrow Account after all Allowed Professional Fee Claims have been paid in full shall revert to the Debtors and be distributed pursuant to the Plan.

Professional Fee Reserve Amount. Prior to the Effective Date, the Professionals have provided good faith estimates of their Professional Fee Claims through the Effective Date for the purpose of determining the amount held in the Professional Fee Escrow Account and have deliver such estimates to the Debtors. If a Professional has not provided such an estimate, the Debtors may, in their reasonable discretion, estimate the Professional Fee Claims of such Professional for the purpose of determining the amount held in the Professional Fee Escrow Account.

Transaction Expenses, DIP Agent Fees and Expenses, DIP Lenders' Fees and Expenses. The Transaction Expenses and the reasonable fees and expenses, including the reasonable fees and expenses of attorneys or financial advisors, incurred by the Backstop Investors, the Prepetition Agents, the DIP Agent's, the DIP Lenders' and the Steering Committee members' professionals will be paid as administrative expenses as set forth in any applicable orders entered by the Bankruptcy Court or in the ordinary course or pursuant to the Backstop Agreement or the Lender RSA, as the case may be. Nothing herein shall require any professionals, including the Prepetition First Lien Agent Professionals, the Prepetition Second Lien Agent Professionals, other parties entitled to be paid its Transaction Expenses, DIP Agent fees and expenses, DIP Lenders' fees and expenses, or Prepetition Agents' fees and expenses, to file an application with, or otherwise seek approval of, the Bankruptcy Court as a condition precedent to the payment of such fees and expenses.

**B.** DIP Facility Claims

Unless otherwise agreed to by the DIP Lenders, the Allowed DIP Facility Claims will be indefeasibly paid and satisfied in full in Cash on the Effective Date in full satisfaction, settlement, discharge and release of, and in exchange for, such DIP Facility Claims in accordance with any applicable order entered by the Bankruptcy Court. Upon indefeasible payment and satisfaction in full of all Allowed DIP Facility Claims, the DIP Facility Secured Loan Agreement as well as all related and ancillary documents thereto, and all Liens and security interests granted to secure the DIP Facility Claims, will be immediately terminated, extinguished and released, and the DIP Agent will promptly execute and deliver to the Reorganized Debtors, at the Reorganized Debtors' sole cost and expense, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Reorganized Debtors. Notwithstanding the above, any indemnity provisions contained in any agreement or related document in connection with the DIP Facility will survive such termination, release and satisfaction in the manner and to the extent set forth therein.

**C.** Priority Tax Claims

On or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the

date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or prior to the Effective Date will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtors or Reorganized Debtors: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; or (b) such other less favorable treatment as agreed to in writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that such parties may further agree for the payment of such Allowed Priority Tax Claim at a later date. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree or order converting or dismissing the Chapter 11 Cases provided, however, that the Debtors may prepay any or all such Claims at any time, without premium or penalty.

## ARTICLE III.
## CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

**A.** Summary

The Plan is a single plan of reorganization for the jointly administered Chapter 11 Cases, but does not constitute a substantive consolidation of the Debtors' Estates. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors. Therefore, except as expressly specified herein, all Claims against a particular Debtor are placed in Classes for each of the Debtors (as designated by subclasses A through V for each of the twenty two Debtors). Class 9 Claims shall not have any subclasses and Class 10 Claims shall only have subclasses A through U for each of the twenty one Subsidiaries. All Claims and Equity Interests, except Administrative Claims, DIP Facility Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, DIP Facility Claims and Priority Tax Claims have not been classified as described in Article III.B of the Plan.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including, without limitation, voting, Confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled prior to the Effective Date.

Summary of Classification and Treatment of Classified Claims and Equity Interests

| Class | Claim | Status | Voting Rights |
|---|---|---|---|
| 1 | Priority Claims | Unimpaired | Deemed to Accept |
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Secured Tax Claims | Unimpaired | Deemed to Accept |
| 4 | Prepetition First Lien Loan Claims | Impaired | Entitled to Vote |
| 5 | Prepetition Second Lien Loan Claims | Impaired | Entitled to Vote |
| 6 | SCIF Claims | Unimpaired | Deemed to Accept |
| 7 | General Unsecured Claims | Unimpaired | Deemed to Accept |

| Class | Claim | Status | Voting Rights |
|---|---|---|---|
| 8 | Prepetition Warrants | Impaired | Deemed to Reject |
| 9 | Equity Interests in Parent | Impaired | Deemed to Reject |
| 10 | Equity Interests in Subsidiaries | Unimpaired | Deemed to Accept |

**B.** Classification and Treatment of Claims and Equity Interests

1. Class 1 – Priority Claims

- Classification: Class 1 consists of the Priority Claims.

- Treatment: The legal, equitable and contractual rights of the Holders of Class 1 Claims are unaltered by the Plan. With respect to each Class 1 Claim that becomes due and payable prior to the Effective Date, on or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 1 Claim is an Allowed Class 1 Claim on the Effective Date or (ii) the date on which such Class 1 Claim becomes an Allowed Class 1 Claim, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtors or Reorganized Debtors and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code.

- Voting: Class 1 is an Unimpaired Class, and the Holders of Class 1 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims will not be entitled to vote to accept or reject the Plan.

2. Class 2 – Other Secured Claims

- Classification: Each Class 2 Claim is an Other Secured Claim against the applicable Debtors. With respect to each applicable Debtors this Class will be further divided into subclasses designated by letters of the alphabet (Class 2.1, Class 2.2 and so on), so that each holder of any Other Secured Claim against such Debtor is in a Class by itself, except to the extent that there are Other Secured Claims that are substantially similar to each other and may be included within a single Class, and except for a precautionary class of otherwise unclassified Other Secured Claims.

- Treatment: The legal, equitable and contractual rights of the Holders of Class 2 Claims are unaltered by the Plan. With respect to each Class 2 Claim that becomes due and payable prior to the Effective Date, on or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 2 Claim is an

Allowed Class 2 Claim on the Effective Date or (ii) the date on which such Class 2 Claim becomes an Allowed Class 2 Claim, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash equal to the amount of such Allowed Class 2 Claim; (B) such other less favorable treatment as to which the Debtors or Reorganized Debtors and the Holder of such Allowed Class 2 Claim will have agreed upon in writing; (C) any defaults shall be cured and shall be paid or satisfied in accordance with and pursuant to the terms of the applicable agreement between the Debtors and the Holder of the Allowed Class 2 Claim; or (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code. Each Holder of an Allowed Other Secured Claim will retain the Liens securing its Allowed Other Secured Claim as of the Effective Date until full and final payment of such Allowed Other Secured Claim is made as provided herein. On the full payment or other satisfaction of such obligations, the Liens securing such Allowed Other Secured Claim will be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

- Voting: Class 2 is an Unimpaired Class, and the Holders of Class 2 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 2 Claims will not be entitled to vote to accept or reject the Plan.

3. Class 3 – Secured Tax Claims

- Classification: Each Class 3 Claim is a Secured Tax Claim against the applicable Debtors. With respect to each applicable Debtor, this Class will be further divided into subclasses designated by letters of the alphabet (Class 3.1, Class 3.2 and so on), so that each holder of any Secured Tax Claim against such Debtor is in a Class by itself, except to the extent that there are Secured Tax Claims that are substantially similar to each other and may be included within a single Class, and except for a precautionary class of otherwise unclassified Secured Tax Claims.

- Treatment: The legal, equitable and contractual rights of the Holders of Class 3 Claims are unaltered by the Plan. On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is an Allowed Class 3 Claim as of the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 3 Claim, at the election of the Debtors or Reorganized Debtors: (A) Cash in an amount equal to the amount of such Allowed Class 3 Claim; or (B) such other less favorable treatment as agreed to in

writing by the Debtors or Reorganized Debtors, as applicable, and such Holder; provided, however, that such parties may further agree for the payment of such Allowed Class 3 Claim at a later date; provided, further, that Class 3 Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto in the discretion of the Debtors or Reorganized Debtors without further notice to or order of the Bankruptcy Court. Each Holder of an Allowed Class 3 Claim will retain the Liens securing its Allowed Class 3 Claim as of the Effective Date until full and final payment of such Allowed Class 3 Claim is made as provided herein. On the full payment or other satisfaction of such obligations, the Liens securing such Allowed Class 3 Claim will be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

- Voting: Class 3 is an Unimpaired Class, and the Holders of Class 3 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Claims will not be entitled to vote to accept or reject the Plan.

4. Class 4 – Prepetition First Lien Loan Claims

- Classification: Class 4 consists of all Allowed Prepetition First Lien Loan Claims.

- Allowance: The Prepetition First Lien Loan Claims are deemed Allowed in an aggregate principal amount equal to $492 million, plus accrued interest and fees.

- Treatment: Treatment:

- On the Initial Distribution Date, in full and final satisfaction, settlement, release, and discharge and in exchange for all Allowed Class 4 Claims, all Allowed Class 4 Claims shall be indefeasibly satisfied through the distribution by the Reorganized Debtors to each Holder of an Allowed Class 4 Claim of:

  1) its Pro Rata share of $365 million in Cash; and

  2) a Subscription Right.

- Voting: Class 4 is Impaired, and Holders of Class 4 Claims are entitled to vote to accept or reject the Plan.

5. Class 5 – Prepetition Second Lien Loan Claims

- Classification: Class 5 consists of all Allowed Prepetition Second Lien Loan Claims.

- Allowance: The Prepetition Second Lien Loan Claims are deemed Allowed in an aggregate principal amount equal to $159 million, plus accrued interest and fees.

- Treatment: Treatment:

- On the Initial Distribution Date, in full and final satisfaction, settlement, release, and discharge and in exchange for all Allowed Class 5 Claims, all Allowed Class 5 Claims shall be indefeasibly satisfied through the distribution by the Reorganized Debtors to each Holder of an Allowed Class 5 Claim of:

  1) its Pro Rata share of $12 million in Cash; and

  2) its Pro Rata share of the New Warrants.

- Voting: Class 5 is Impaired, and Holders of Class 5 Claims are entitled to vote to accept or reject the Plan.

6. Class 6 – SCIF Claims

- Classification: Class 6 consists of the SCIF Claims.

- Allowance: On the Effective Date, the SCIF Claims will be deemed Allowed in an aggregate amount equal to all amounts outstanding under the SCIF Settlement Agreement.

- Treatment: The legal, equitable and contractual rights of the Holders of Class 6 Claims are unaltered by the Plan. On the Initial Distribution Date, the Holders of Allowed Class 6 Claims will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 6 Claims: (A) Cash equal to the unpaid amount under the SCIF Settlement Agreement; or (B) such other treatment as to which the Debtors or Reorganized Debtors and the Holders of Allowed Class 6 Claims will have agreed upon in writing with the consent of the Required Backstop Investors.

- Voting: Class 6 is an Unimpaired Class, and the Holders of Class 6 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims will not be entitled to vote to accept or reject the Plan.

7. Class 7 – General Unsecured Claims

- Classification: Class 7 consists of the General Unsecured Claims.

- Treatment: With respect to each Class 7 Claim that becomes due and payable prior to the Effective Date, on or as soon as reasonably practicable after the Effective Date, solely to the extent that any of the legal, equitable and contractual rights in respect of any Class 7 Claim under applicable non-bankruptcy law, each Allowed Class 7 Claim will be, at the Debtors' option: (i)

Reinstated, and paid without default interest, subject to the terms and conditions thereof, in Cash on the later to occur of the Effective Date or when such Claims become due in the ordinary course of the Debtors' business operations; or (ii) otherwise rendered not impaired pursuant to section 1124 of the Bankruptcy Code, including with respect to payment on the Effective Date or as soon as practicable thereafter, except to the extent that the Reorganized Debtors and such Holder agree to other less favorable treatment in writing.

- Related Party Notes: On the Initial Distribution Date, in full and final satisfaction, settlement and discharge of all Claims related to or arising under the Related Party Notes, the Holders of Related Party Notes shall contribute such Related Party Notes to the Company in exchange for New Common Stock as set forth in the Sorensen Support Agreement.

- Specified Related Party Claims: In full and final satisfaction, settlement and discharge of certain specified related party claims identified in Schedule 2 hereto, the Debtors and certain non-debtor parties have agreed to the treatment of such claims as set forth in Schedule 2 hereto.

- Voting: Class 7 is an Unimpaired Class, and the Holders of Class 7 Claims will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, Therefore, Holders of Class 7 Claims are not entitled to vote to accept or reject the Plan.

8. Class 8 – Prepetition Warrants

- Classification: Class 8 consists of the Prepetition Warrants.

- Treatment: On the Effective Date, all Class 8 Prepetition Warrants will be deemed canceled, settled, released, and discharge and the Class 8 Prepetition Warrants will be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Class 8 Claims will not receive any distribution on account of their Prepetition Warrants.

- Voting: Class 8 is Impaired, and the Holders of Class 8 Claims are deemed to reject the Plan.

9. Class 9 - Equity Interests in Parent

- Classification: Class 9 consists of the Parent Equity Interests.

- Treatment: On the Effective Date, all Class 9 Parent Equity Interests will be deemed canceled and Class 9 Parent Equity Interests will be of no further force and effect, whether surrendered for cancellation or otherwise. Holders of Class 9 Claims will not receive any distribution on account of their Parent Equity Interests.

- Voting: Class 9 is Impaired, and the Holders of Class 9 Claims are deemed to reject the Plan.

10. Class 10 – Equity Interests in Subsidiaries

- Classification: Class 10 consists of the Equity Interests in the Subsidiaries.

- Treatment: On the Effective Date, the Reorganized Parent or the Reorganized Borrower, as applicable, will own, directly or indirectly, 100% of the Equity Interests in the Subsidiaries.

- Voting: Class 10 is an Unimpaired Class, and the Holders of Class 10 Equity Interests will be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 10 Equity Interests are not entitled to vote to accept or reject the Plan.

**C.** Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtors' rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims, including the right to cure any arrears or defaults that may exist with respect to contracts to be assumed under the Plan.

**D.** Discharge of Claims

Except as otherwise provided in the Plan and effective as of the Effective Date: (i) the rights afforded herein and the treatment of all Claims and Equity Interests will be in exchange for and in complete satisfaction, settlement, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property, or Estates; (ii) the Plan will bind all Holders of Claims and Equity Interests, notwithstanding whether any such Holders abstained from voting to accept or reject the Plan or voted to reject the Plan; (iii) all Claims and Equity Interests will be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto will be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (iv) all Entities will be precluded from asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, each of their successors and assigns, and each of their assets and properties, any other Claims or Equity Interests based upon any documents, instruments or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date.

## ARTICLE IV.
## ACCEPTANCE OR REJECTION OF THE PLAN

**A.** Presumed Acceptance of Plan

Classes 1, 2, 3, 6, 7, and 10 are Unimpaired under the Plan, and are, therefore, presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

**B.** Presumed Rejection of Plan

Classes 8 and 9 are Impaired and Holders of Class 8 and 9 Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

**C.** Voting Classes

Each Holder of an Allowed Claim as of the applicable Voting Record Date in each of the Voting Classes (Classes 4 and 5) will be entitled to vote to accept or reject the Plan.

**D.** Acceptance by Impaired Classes of Claims

Pursuant to section 1126(c) of the Bankruptcy Code and except as otherwise provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims has accepted the Plan if the Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in such Class actually voting have voted to accept the Plan.

**E.** Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

The Debtors request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors (subject to any consents that may be required under the Lender RSA or the Backstop Agreement) reserve the right to modify the Plan or any Exhibit thereto or Plan Schedule in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

## ARTICLE V.
## MEANS FOR IMPLEMENTATION OF THE PLAN

**A.** General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan (including, without limitation, the treatment of the Consenting Equity Holder under the Plan) will constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan. Without limiting the foregoing, the treatment of the Sorensen Parties as set forth in the Plan will constitute a good faith compromise and settlement of all Claims and Equity Interests among the Sorensen Parties and the Debtors pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases and other benefits provided under the Plan.

**B.** Corporate Existence

On or prior to the Effective Date, the Parent will be merged with and into a newly formed Delaware corporation, with the newly formed Delaware corporation surviving the merger and becoming the parent entity of the Debtor entities. Following this merger, the certificate of incorporation and by-laws of the surviving corporation will be substantially in the form of the Reorganized Parent Organizational Documents. All other Debtors will continue to exist after the Effective Date as separate legal entities, with all the powers of corporations, limited liability companies, memberships and partnerships pursuant to the applicable law in their respective jurisdictions of incorporation or organization.

**C.** Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or the Confirmation Order, on or after the Effective Date, all property and assets of the Estates (including, without limitation, Causes of Action and, unless otherwise waived or released pursuant to an order of the Bankruptcy Court or the Plan, Avoidance Actions) and any property and assets acquired by the Debtors pursuant to the Plan, will vest in the Reorganized Debtors, free and clear of all Liens, Claims, charges or other encumbrances. Except as may be otherwise provided in the Plan, on and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors will pay the charges that they incur after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court.

**D.** Post-Emergence Term Loan Agreement, Post-Emergence ABL Loan Agreement and Sources of Cash for Plan Distribution

On the Effective Date, the applicable Reorganized Debtors will be authorized to execute and deliver the Post-Emergence Term Loan Agreement and the Post-Emergence ABL Loan Agreement, and will be authorized to execute, deliver, file, record and issue any other notes, guarantees, deeds of trust, documents (including UCC financing statements), amendments to the foregoing, or agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Post-Emergence Term Loan Agreement or the Post-Emergence ABL Loan Agreement, as applicable).

Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for the Reorganized Debtors to make payments required pursuant to the Plan will be obtained from the Reorganized Debtors' Cash balances, including Cash from operations, the Rights Offering Purchase Price, and the Post-Emergence Term Loan Agreement. Cash payments to be made pursuant to the Plan will be made by the Reorganized Debtors.

**E.** New Common Stock Issued Under the Plan

On the Effective Date, Reorganized Parent will distribute the New Common Stock pursuant to the terms set forth in the Plan, including, without limitation, pursuant to the Rights Offering, the Backstop Agreement, the DRV Purchase Agreement, the Restricted Stock Award Agreement and the Sorensen Support Agreement, in each case subject to each such recipient entering into the Stockholders Agreement.

**F.** New Warrants Issued Under the Plan

On the Effective Date, Reorganized Parent will issue the New Warrants to the Holders of Class 5 Claims, pursuant to the terms set forth herein and in the Reorganized Parent Organizational Documents.

**G.** Rights Offering and Backstop Commitment

1. Issuance of Subscription Rights.

Each Prepetition First Lien Lender (that is an Eligible Participant) will receive Subscription Rights to subscribe for its Pro Rata share of the Rights Offering Securities for an aggregate purchase price in Cash equal to $175 million. In accordance with the terms and conditions of the Backstop Agreement, each Backstop Investor (that is an Eligible Participant) has committed to subscribe for its Backstop Proportion of all of the Rights Offering Securities that are eligible to be subscribed for by the Prepetition First Lien Lenders (that are Eligible Participants) that are not subscribed for by such Prepetition First Lien Lenders. Furthermore, in accordance with the terms and conditions of the Backstop Agreement, each Backstop Investor (that is an Eligible Participant) has committed to subscribe for its Backstop Proportion of additional Rights Offering Securities for an aggregate purchase price in Cash equal to $50 million. The Rights Offering Securities will be issued to the Eligible Participants (including the Backstop Investors), for the Rights Offering Purchase Price.

2. Subscription Period.

The Rights Offering will commence on the Subscription Commencement Date and expire on the Subscription Deadline. Each Eligible Participant that wishes to participate in the Rights Offering will be required to affirmatively elect to exercise its Subscription Rights, and provide written notice thereof to the Entities specified in the Subscription Documents, on or prior to the Subscription Deadline in accordance with the terms of the Plan and the Subscription Documents. All remaining Rights Offering Securities will be allocated to the Backstop Investors on the Subscription Deadline, and will be purchased by the Backstop Investors on the Effective Date, all in accordance with the terms and conditions of the Backstop Agreement.

3. Exercise of Subscription Rights and Payment of Rights Offering Purchase Price.

On the Subscription Commencement Date, the Prepetition First Lien Agent posted on the Prepetition First Lien Lenders' website on Intralinks the Subscription Documents and the related materials listed below. Each Eligible Participant known as of the Rights Offering Record Date had access through Intralinks to the Subscription Documents, together with appropriate instructions for the proper completion, due execution, and timely delivery of the Subscription Documents, as well as instructions for the payment of the eventual Rights Offering Purchase Price for that portion of the Subscription Rights sought to be exercised by such Person. The Debtors may adopt such additional detailed procedures consistent with the provisions of the Plan as the Debtors may deem necessary to effectuate, or desirable to more efficiently administer the exercise of the Subscription Rights and ascertain payment of the Rights Offering Purchase Price, to the extent authorized by the Bankruptcy Court.

4. No Assignment; No Revocation.

Except as set forth in the Backstop Agreement, the Subscription Rights will not be assignable, and cannot be assigned by the Eligible Participants. Any impermissible assignment, or attempted assignment, will be null and void. Once an Eligible Participant has exercised any of its Subscription Rights by properly executing and delivering the Subscription Documents to the Debtors or other Entity specified in the Subscription Documents, such exercise may only be revoked, rescinded or annulled in the sole discretion of the Debtors or Reorganized Debtors or as provided for in the Backstop Agreement.

5. Distribution of Rights Offering Securities.

On the Effective Date, Reorganized Parent or another applicable Distribution Agent will distribute the Rights Offering Securities purchased by each Rights Offering Purchaser or Backstop Investor to such Rights Offering Purchaser or Backstop Investor; provided, however, that, as a condition precedent to the Rights Offering Purchaser or Backstop Investor to receive its share of Rights Offering Securities, such Rights Offering Purchaser or Backstop Investor must first execute the Stockholders Agreement.

6. Validity of Exercise of Subscription Rights.

All questions concerning the timeliness, validity, form, and eligibility of any exercise, or purported exercise, of Subscription Rights will be determined by the Debtors or Reorganized Debtors. The Debtors, in their discretion reasonably exercised in good faith, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as they may determine, or reject the purported exercise of any Subscription Rights. Subscription Documents will be deemed not to have been received or accepted until all irregularities have been waived or cured within such time as the Debtors determine in their discretion reasonably exercised in good faith. The Debtors will use commercially reasonable efforts to give written notice to any Eligible Participant regarding any defect or irregularity in connection with any purported exercise of Subscription Rights by such Person and may permit such defect or irregularity to be cured within such time as they may determine in good faith to be appropriate; provided, however, that neither the Debtors and Reorganized Debtors nor any of their Related Persons will incur any liability for giving, or failing to give, such notification and opportunity to cure.

7. Rights Offering Proceeds.

The proceeds of the Rights Offering will fund Cash payments required to be made under the Plan, including, without limitation, payments in respect of Allowed Claims, Chapter 11 Transaction Expenses and repayment of the DIP Facility Claims, and be used for general corporate purposes by the Debtors to the extent approved by the Bankruptcy Court, and by the Reorganized Debtors after the Effective Date.

**H.** Sorensen Party Transactions

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the DRV Purchase Agreement and the Restricted Stock Award Agreement and will be authorized to execute and deliver any other agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the DRV Purchase Agreement or the Restricted Stock Award Agreement).

Concurrently with the closing of the Rights Offering, the Reorganized Parent will deliver or grant to certain of the Sorensen Parties who have timely executed the Stockholders Agreement: (a) New Common Stock of the Reorganized Parent in consideration for contributing new assets to the Reorganized Parent under the terms of the DRV Purchase Agreement, (b) New Common Stock under the terms of the Restricted Stock Award Agreement, (c) New Common Stock in connection with the conversion of certain Related Party Notes under the terms of the Sorensen Support Agreement, and (d) an option to designate and purchase additional New

Common Stock for Cash in an aggregate amount of $4 million under the terms of the Sorensen Support Agreement.

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the Option Agreement, and will be authorized to execute and deliver any other agreements in connection therewith without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Option Agreement).

**I.** Management Incentive Plan

Following the Effective Date, the Reorganized Parent will adopt and implement the Management Incentive Plan, which would, subject to certain terms and conditions, provide for, the issuance of up to 9.35% of the New Common Stock for grant to key executives of the Company, of which, up to 4% may be granted to executives of the Company, other than the Consenting Equity Holder, on the Effective Date. At least 5.35% of such New Common Stock will be held for potential future grants to executives, including the Consenting Equity Holder, at the discretion of the compensation committee of the New Board.

**J.** Issuance of New Securities and Related Documentation

On the Effective Date, the Reorganized Parent will be authorized to, and will, issue and execute, as applicable, the New Securities and Debt Documents, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. The (a) issuance, distribution and exercise of the Subscription Rights, (b) issuance and distribution of the New Common Stock in connection with the Subscription Rights, Backstop Agreement, DRV Purchase Agreement, Sorensen Support Agreement, and Restricted Stock Award Agreement, (c) issuance and distribution of the New Warrants, and (d) issuance and distribution of New Common Stock upon exercise of the New Warrants, will be made in reliance on the exemption from registration provided by section 1145(a) of the Bankruptcy Code, or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, and will be exempt from registration under applicable securities laws. Without limiting the effect of section 1145 of the Bankruptcy Code, or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, all financing documents, agreements, and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of the Plan, including, without limitation, the Post-Emergence Term Loan Agreement, the Post-Emergence ABL Loan Agreement, the Post-Emergence Term Loan Agreement, the DRV Purchase Agreement, the Sorensen Support Agreement, the New Common Stock and any other agreement or document related to or entered into in connection with any of the foregoing, will become, and the Backstop Agreement will remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by such applicable agreement).

Upon the Effective Date, after giving effect to the transactions contemplated hereby, the authorized capital stock or other equity securities of the Reorganized Debtors will be that number of shares of New Capital Stock as may be designated in the Reorganized Parent Organizational Documents. In connection with the distribution of New Capital Stock to current or former employees of the Debtors, the Reorganized Parent may take whatever actions are necessary to comply with applicable federal, state, local and international tax withholding obligations, including withholding from distributions a portion of the New Capital Stock and selling such

securities to satisfy tax withholding obligations including, without limitation, income, social security and Medicare taxes.

**K.** Release of Liens, Claims and Equity Interests

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estates will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or interests will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Reorganized Debtors such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Reorganized Debtors.

**L.** Certificate of Incorporation and Bylaws

The Reorganized Parent Organizational Documents shall succeed the certificate of incorporation, by-laws and other organizational documents of the Parent to satisfy the provisions of the Plan and the Bankruptcy Code, and will (i) include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code; (ii) authorize the issuance of New Capital Stock in an amount not less than the amount necessary to permit the distributions thereof required or contemplated by the Plan; and (iii) to the extent necessary or appropriate, include such provisions as may be needed to effectuate and consummate the Plan and the transactions contemplated herein. After the Effective Date, the Reorganized Parent may amend and restate its certificate of incorporation, by-laws, and other applicable organizational documents, as permitted by applicable law.

**M.** Directors and Officers of Reorganized Parent

The New Board will initially be comprised of the following five individuals: Alvaro Jose Aguirre, Greg Netland, Steve Giusto, Gary DiCamillo and D. Stephen Sorensen. Further details regarding these individuals is provided in Exhibit I to the Disclosure Statement.

As of the Effective Date, D. Stephen Sorensen will be the Chief Executive Officer of the Reorganized Parent, employed on the terms set forth in the employment agreement, substantially in the form attached as Exhibit H hereto. As of the Effective Date, the initial officers of the Reorganized Debtors, other than as described above will be the officers of the Debtors existing immediately prior to the Effective Date and the existing directors of the Reorganized Debtors, other than Reorganized Parent, will be the directors of such Debtors existing immediately prior to the Effective Date.

To the extent not previously disclosed, the Debtors will disclose, prior to the Confirmation Hearing, the affiliations of each Person proposed to serve on the initial board of directors or as an officer of the Reorganized Debtors, and, to the extent such Person is an insider other than by virtue of being a director or officer, the nature of any compensation for such Person. Each such director and each officer will serve from and after the Effective Date pursuant to applicable law and the terms of the Reorganized Parent Organizational Documents and the other constituent and organizational documents of the Reorganized Debtors. The existing board of directors of Parent will be deemed to have resigned on and as of the Effective Date, in each

case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

**N.** Corporate Action

Each of the Debtors and the Reorganized Debtors, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan, including, without limitation, the distribution of the securities to be issued pursuant hereto in the name of and on behalf of the Reorganized Debtors and in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers or directors of the Debtors or the Reorganized Debtors and as applicable or by any other Person (except for those expressly required pursuant to the Plan).

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to the Plan that would otherwise require approval of the stockholders, directors or members of any Debtor (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the stockholders, directors, managers or partners of such Debtors, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in the Plan involving the legal or corporate structure of any Debtor or any Reorganized Debtors, as applicable, and any legal or corporate action required by any Debtor or any Reorganized Debtor as applicable, in connection with the Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers or directors of any Debtor or any Reorganized Debtors, as applicable, or by any other Person. On the Effective Date, the appropriate officers of each Debtor and each Reorganized Debtors, as applicable, are authorized to issue, execute, and deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in the Plan in the name of and on behalf of the Debtor and each Reorganized Debtors, as applicable, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The secretary and any assistant secretary of each Debtor and each Reorganized Debtor, as applicable, will be authorized to certify or attest to any of the foregoing actions.

**O.** Cancellation of Notes, Certificates and Instruments

On the Effective Date and provided that the New Securities and Debt Documents have been authorized by the Bankruptcy Court, executed by the Reorganized Debtors and delivered, all notes, stock, instruments, certificates, agreements and other documents evidencing the DIP Facility Claims, the Prepetition First Lien Loan Claim, the Prepetition Second Lien Loan Claim, the Prepetition Intercreditor Agreement, the Related Party Notes, the Prepetition Warrants and the Parent Equity Interests will be canceled, and the obligations of the Debtors thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. On the day following the date that the final distribution is made by Prepetition Agents, the Prepetition Agents will be released and discharged from any further

responsibility under the Prepetition Secured Loan Agreements; provided, however, that any and all rights of indemnification applicable to the Prepetition Agents, respectively, under the Prepetition Secured Loan Agreements and related documents shall survive and remain in full force and effect; provided further, however, until the Prepetition Agents' fees and expenses have been paid in full, the Prepetition Agents will retain their respective charging liens under the Prepetition Secured Loan Agreements with respect to any cash distributions to be made under the Plan by the Prepetition Agents.

**P.** Intercompany Claims

On the Effective Date, all net Allowed Intercompany Claims (taking into account any setoffs of Intercompany Claims) held by the Debtors between and among the Debtors or between one or more Debtors and any Affiliate of one of the Debtors that is not itself a Debtor shall, at the election of the Reorganized Debtors, be either (a) Reinstated, (b) released, waived, and discharged, (c) treated as a dividend, or (d) contributed to capital or exchanged for equity.

**Q.** Lease Amendments

On the Effective Date, the applicable Reorganized Debtors will be authorized to deliver the Lease Amendments and will be authorized to execute and deliver any other agreements in connection therewith, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than expressly required by the Lease Amendments).

**R.** Plan Supplement, Other Documents and Orders and Consents Required Under the Lender RSA and the Backstop Agreement

So long as the Lender RSA or the Backstop Agreement, as applicable, have not been terminated, the Plan, the Confirmation Order and all other documents to be Filed as part of the Plan Supplement and the other documents and orders referenced herein, or otherwise to be executed in connection with the transactions contemplated hereunder, shall be subject to the consents and the approval rights, as applicable, of (a) the Backstop Investors to the extent set forth in the Lender RSA and the Backstop Agreement, (b) the Participating Lenders to the extent set forth in the Lender RSA and (c) the Consenting Equity Holder to the extent set forth in the Lender RSA and the Sorensen Support Agreement. To the extent that there is any inconsistency between the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, on the one hand, and the Plan, on the other hand, as to such consents and the approval rights and the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, as applicable, has not been terminated, then the consents and the approval rights required in the Lender RSA, the Backstop Agreement, or the Sorensen Support Agreement, as applicable, shall govern.

## ARTICLE VI.
## TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

**A.** Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Contracts and Unexpired Leases of the Debtors will be deemed assumed in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except for those Executory Contracts (including, without limitation, employment agreements) and Unexpired Leases that:

- have been rejected by order of the Bankruptcy Court;
- are the subject of a motion to reject pending on the Effective Date;

- are identified in the Plan Supplement with the consent of the Required Backstop Investors (in either case which list may be amended by the Debtors to add or remove Executory Contracts and Unexpired Leases by filing with the Bankruptcy Court an amended list and serving it on the affected contract parties at least ten (10) days prior to the Confirmation Hearing); or

- are rejected pursuant to the terms of the Plan.

Without amending or altering any prior order of the Bankruptcy Court approving the assumption or rejection of any Executory Contract or Unexpired Lease, entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such assumptions and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. To the extent any provision in any Executory Contract or Unexpired Lease assumed pursuant to the Plan (including, without limitation, any "change of control" provision) restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the Reorganized Debtors' assumption of such Executory Contract or Unexpired Lease, then such provision will be deemed modified such that the transactions contemplated by the Plan will not entitle the non-debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Each Executory Contract and Unexpired Lease assumed pursuant to this Article of the Plan will revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

**B.** Assignment of Executory Contracts or Unexpired Leases

In the event of an assignment of an Executory Contract or Unexpired Lease, at least twenty (20) days prior to the Confirmation Hearing, the Debtors will serve upon counterparties to such Executory Contracts and Unexpired Leases, a notice of the proposed assumption and assignment, which will: (a) list the applicable cure amount, if any; (b) identify the party to which the Executory Contract or Unexpired Lease will be assigned; (c) describe the procedures for filing objections thereto; and (d) explain the process by which related disputes will be resolved by the Bankruptcy Court; additionally, the Debtors will file with the Bankruptcy Court a list of such Executory Contracts and Unexpired Leases to be assigned and the proposed cure amounts. Any applicable cure amounts will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash on the Effective Date or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree.

Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assignment or any related cure amount must be filed, served and actually received by the Debtors at least five (5) days prior to the Confirmation Hearing. Any counterparty to an Executory Contract and Unexpired Lease that fails to object timely to the proposed assignment or cure amount will be deemed to have consented to such assignment of its Executory Contract or Unexpired Lease. The Confirmation Order will constitute an order of the Bankruptcy Court approving any proposed assignments of Executory Contracts or Unexpired Leases pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

In the event of a dispute regarding (a) the amount of any cure payment, (b) the ability of any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assigned or (c) any other matter pertaining to assignment, the applicable cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assignment. If an objection to assignment or

cure amount is sustained by the Bankruptcy Court, the Reorganized Debtors in their sole option, may elect to reject such Executory Contract or Unexpired Lease in lieu of assuming and assigning it.

**C.** Rejection of Executory Contracts or Unexpired Leases

All Executory Contracts and Unexpired Leases designated for rejection in the Plan Supplement will be deemed rejected as of the Effective Date. The Confirmation Order will constitute an order of the Bankruptcy Court approving the rejections described in this Article of the Plan pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

**D.** Claims on Account of the Rejection of Executory Contracts or Unexpired Leases

All Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. The Debtor or Reorganized Debtor, as the case may be, will provide notice of such rejection and specify the appropriate deadline for the filing of such Proof of Claim.

Any Entity that is required to file a Proof of Claim arising from the rejection of an Executory Contract or an Unexpired Lease that fails to timely do so will be forever barred, estopped and enjoined from asserting such Claim, and such Claim will not be enforceable, against the Debtors, the Reorganized Debtors or the Estates, and the Debtors, the Reorganized Debtors and their Estates and property will be forever discharged from any and all indebtedness and liability with respect to such Claim unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. All such Claims will, as of the Effective Date, be subject to the permanent injunction set forth in Article XII.F of the Plan. All claims arising from the rejection of any Executory Contract or Unexpired Lease shall be treated as General Unsecured Claims, subject to any applicable limitation or defense under the Bankruptcy Code and applicable law. Rejection damages claims are Class 7 Claims.

**E.** Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash as and when due in the ordinary course or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree.

Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption must be filed, served and actually received by the Debtors at least ten (10) days prior to the Confirmation Hearing. Any counterparty to an Executory Contract and Unexpired Lease that fails to object timely to the proposed assumption will be deemed to have assented and will be deemed to have forever released and waived any objection to the proposed assumption other than with respect to any alleged cure amount, which may be asserted at any time. In the event of a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. If an objection to cure is sustained by the Bankruptcy Court, the Debtors or Reorganized Debtors, as applicable, in their sole option, may elect to reject such Executory Contract or Unexpired Lease in lieu of assuming it.

**F.** Assumption of Director and Officer Insurance Policies

The Debtors, and upon the Effective Date, the Reorganized Debtors, will assume all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Unless previously effectuated by separate order entered by the Bankruptcy Court, entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not discharge, impair or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not impair or otherwise modify any rights of the Reorganized Debtors under the D&O Liability Insurance Policies.

**G.** Indemnification Provisions

All indemnification provisions currently in place (whether in the by-laws, certificate of incorporation, board resolutions, contracts, or otherwise) for the following: (i) Prepetition Agents; (ii) Prepetition Secured Lenders; (iii) the current and former members of the Steering Committee; (iv) the Backstop Investors; (v) the Participating Lenders; and (vi) directors, officers and employees of the Debtors who served in such capacity as of the Petition Date with respect to or based upon any act or omission taken or omitted in such capacities will be Reinstated (or assumed, as the case may be), and will survive effectiveness of the Plan. No such Reinstatement or assumption shall in any way extend the scope or term of any indemnification provision beyond that contemplated in the underlying contract or document as applicable.

**H.** Compensation and Benefit Programs

Except as otherwise provided in the Plan (including the compensation for the Consenting Equity Holder pursuant to an employment agreement as described herein, which will exclusively address the benefits for the Consenting Equity Holder), or any order of the Bankruptcy Court, all employment and severance policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to its employees, retirees, and non-employee directors and the employees and retirees of its subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans (other than equity incentive plans, which will be replaced by the Management Incentive Plan), life, and accidental death and dismemberment insurance plans, are treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code. Any payment obligations under any assumed employment contracts and benefit plans that have been or purport to have been accelerated as a result of the commencement of the Chapter 11 Cases or the consummation of any transactions contemplated by the Plan will be Reinstated and such acceleration will be rescinded and deemed not to have occurred.

The Debtors maintain what is commonly referred to as a non-qualified deferred compensation plan that defers payment of compensation of approximately 50 current or former employees of the Debtors. Such plan is administered pursuant to that certain Select Staffing Amended and Restated Deferred Compensation Plan, effective December 28, 2008 (the "Deferred Compensation Plan"), and that certain Amended and Restated Trust Under the Select Staffing Deferred Compensation Plan, dated December 18, 2008 (the "Trust"). The Deferred Compensation Plan was frozen or suspended on December 27, 2011 such that further deferrals are no longer permitted under the Deferred Compensation Plan. As of November 3, 2013, the cash surrender value of the assets in the Trust was $4,797,196.70 and the benefit liability to

Deferred Compensation Plan participants was $5,394,831.89. The Trustee of the Deferred Compensation Plan is Reliance Trust Company and the Third Party Plan Administrator is The Newport Group.

**I.** Workers' Compensation Benefits

Except as otherwise provided in the Plan, as of the Effective Date, the Debtors and the Reorganized Debtors will continue to honor their obligations under: (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, and any other policies, programs, and plans regarding or relating to workers' compensation and workers' compensation insurance, All such contracts and agreements are treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan will not impair or otherwise modify any rights of the Reorganized Debtors under any such contracts, agreements, policies, programs or plans regarding or relating to workers' compensation or workers' compensation insurance.

## ARTICLE VII.
PROVISIONS GOVERNING DISTRIBUTIONS

**A.** Dates of Distributions

Except as otherwise provided in the plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions provided in the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all debts of the Debtors shall be deemed fixed and adjusted pursuant to the Plan and the Reorganized Debtors shall have no liability on account of any Claims or Equity Interests except as set forth in the Plan and in the Confirmation Order. All payments and all distributions made by the Reorganized Debtors under the Plan shall be in full and final satisfaction, settlement and release of all Claims against the Reorganized Debtors.

**B.** Distribution Agent

Except as provided therein, all distributions under the Plan shall be made by the Reorganized Parent or the Prepetition Agents, respectively, as Distribution Agent, or by such other Entity designated by the Reorganized Parent as a Distribution Agent on the Effective Date. The Distribution Agent shall not be required to give any bond or surety or other security for the performance of the Reorganized Debtors' duties as Distribution Agent unless otherwise ordered by the Bankruptcy Court. For purposes of distributions under this Plan to the Holders of Allowed DIP Facility Claims and Allowed Prepetition Secured Loan Claims, the DIP Agent and the Prepetition Agents, respectively, will be and shall act as the Distribution Agent.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof. If the Distribution Agent is an entity other than the Reorganized Parent, such entity shall be paid its reasonable fees and expenses, including the reasonable fees and expenses of its attorneys or other professionals.

**C.** Cash Distributions

Distributions of Cash may be made either by check drawn on a domestic bank or wire transfer from a domestic bank, at the option of the Reorganized Debtors, except that Cash payments made to foreign creditors may be made in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

**D.** Rounding of Payments

Whenever payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole dollar or zero if the amount is less than one dollar. To the extent Cash, notes, warrants, shares, stock are to be distributed under the Plan remain undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash, notes, or shares shall be treated as "Unclaimed Property" under the Plan.

Whenever payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole dollar. To the extent that any Cash or any shares of New Capital Stock to be distributed under the Plan remain undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash or shares shall be treated as "Unclaimed Property" under the Plan.

No fractional shares shall be issued or distributed under the Plan. Each Person entitled to receive shares of New Capital Stock shall receive the total number of whole shares of New Capital Stock to which such Person is entitled. Whenever any distribution to a particular Person would otherwise call for distribution of a fraction of shares of New Capital Stock, the actual distribution of shares of such stock shall be rounded to the next lower whole number.

**E.** Distributions on Account of Claims Allowed After the Effective Date

Except as otherwise agreed by the Holder of a particular Claim, or as provided in the Plan, all distributions shall be made pursuant to the terms of the Plan and the Confirmation Order. Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for United States federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim). Whenever any payment of a fraction of a dollar would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest dollar.

**F.** General Distribution Procedures.

The Reorganized Debtors, or any other duly appointed Distribution Agent, shall make all distributions of Cash or other property required under the Plan, unless the Plan specifically

provides otherwise. All Cash and other property held by the Reorganized Debtors for distribution under the Plan shall not be subject to any claim by any Person, except as provided under the Plan.

**G.** Address for Delivery of Distributions.

Distributions to Holders of Allowed Claims, to the extent provided for under the Plan, shall be made (1) at the address set forth on any proofs of claim filed by such Holders (to the extent such proofs of claim are filed in the Chapter 11 Cases), (2) at the addresses set forth in any written notices of address change delivered to the Debtors, (3) at the addresses in the Debtors' books and records, (4) in accordance with the DIP Facility Secured Loan Agreement, (5) in accordance with the Prepetition First Lien Credit Agreement, or (6) in accordance with the Prepetition Second Lien Credit Agreement.

**H.** Undeliverable Distributions and Unclaimed Property.

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtors as undeliverable, no further distribution shall be made to such Holder, and the Reorganized Debtors shall have no obligation to make any further distribution to the Holder, unless and until the Reorganized Debtors is notified in writing of such Holder's then current address.

Any Entity which fails to claim any Cash within one year from the date upon which a distribution is first made to such entity shall forfeit all rights to any distribution under the Plan. Entities which fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtors or the Reorganized Debtors or against any Holder of an Allowed Claim to whom distributions are made by the Reorganized Debtors.

**I.** Withholding Taxes.

Pursuant to section 346(f) of the Bankruptcy Code, the Reorganized Debtors shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. From and as of the Effective Date, the Reorganized Debtors shall comply with all reporting obligations imposed on it by any Governmental Unit in accordance with applicable law with respect to such withholding taxes. As a condition to receiving any distribution under the Plan, the Reorganized Debtors may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to the Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Reorganized Debtors to comply with applicable tax reporting and withholding laws.

**J.** Setoffs.

The Reorganized Debtors may, to the extent permitted under applicable law, setoff against any Allowed Claim and any distributions to be made pursuant to the Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Reorganized Debtors may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with the Plan; provided, however, that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any such claims, rights and causes of action that the Reorganized Debtors possesses against such Holder.

**K.** Surrender of Cancelled Instruments or Securities

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by the instruments, securities, notes, or other documentation canceled pursuant to Article V.O of the Plan, the Holder of such Claim will tender the applicable instruments, securities, notes or other documentation evidencing such Claim (or a sworn affidavit identifying the instruments, securities, notes or other documentation formerly held by such Holder and certifying that they have been lost), to Reorganized Parent or another applicable Distribution Agent unless waived in writing by the Debtors or the Reorganized Debtors, as applicable.

**L.** Lost, Stolen, Mutilated or Destroyed Securities

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by the Plan, deliver to Reorganized Parent and other applicable Distribution Agents: (x) evidence reasonably satisfactory to Reorganized Parent and other applicable Distribution Agents of such loss, theft, mutilation, or destruction; and (y) such security or indemnity as may be required by Reorganized Parent and other applicable Distribution Agents to hold such party harmless from any damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Allowed Equity Interest. Upon compliance with Article VII.K of the Plan as determined by the Debtors or Reorganized Debtors by a Holder of a Claim or Equity Interest evidenced by a security or note, such Holder will, for all purposes under the Plan, be deemed to have surrendered such security or note to Reorganized Parent and other applicable Distribution Agents.

## ARTICLE VIII.
## PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

**A.** Disputed Claims

In the event a Claim is not an Allowed Claim as of the Effective Date, the Holder of such Claim or the Reorganized Debtors may commence an action or proceeding to determine the amount and validity of such Claim in (a) any venue in which such Claim could have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced, or (b) the Bankruptcy Court; provided, that the parties may agree that any dispute will be determined, resolved or adjudicated in the appropriate non-bankruptcy forum and not before the Bankruptcy Court.

**B.** Procedures Regarding Disputed Claims

No payment or other distribution or treatment shall be made on account of a Disputed Claim, even if a portion of the Claim is not disputed, unless and until such Disputed Claim becomes an Allowed Claim and the amount of such Allowed Claim is determined by a Final Order or by stipulation between the Debtors and the Holder of the Claim. No distribution or other payment or treatment shall be made on account of a Disallowed Claim at any time.

The Debtors (prior to the Effective Date) or the Reorganized Debtors (after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain

jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to such objection. Any Final Order of the Bankruptcy Court that estimates a Disputed Claim pursuant to the Plan shall irrevocably constitute and be a conclusive and final determination of the maximum allowable amount of Claim, should it become an Allowed Claim. Accordingly, the Holder of a Disputed Claim that is estimated by the Bankruptcy Court pursuant to the Plan will not be entitled to any subsequent reconsideration or upward adjustment of the maximum allowable amount of such Claim as a result of any subsequent adjudication or actual determination of the allowed amount of such Disputed Claim or otherwise, and the Holder of such Claim shall not have recourse to the Debtors or the Reorganized Debtors in the event the allowed amount of the Claim of such Holder is at any time later determined to exceed the estimated maximum allowable amount.

**C.** Allowance of Claims

Following the date on which a Disputed Claim becomes an Allowed Claim after the Initial Distribution Date, the Reorganized Debtors shall pay directly to the Holder of such Allowed Claim the amount provided for under the Plan, as applicable, and in accordance therewith.

1. Allowance of Claims

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Reorganized Debtors will have and will retain any and all rights and defenses that the Debtors had with respect to any Claim or Equity Interest, except with respect to any Claim or Equity Interest deemed Allowed under the Plan or by orders of the Bankruptcy Court. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order and the DIP Orders), no Claim or Equity Interest will become an Allowed Claim unless and until such Claim or Equity Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim or Equity Interest.

2. Prosecution of Objections to Claims and Equity Interests

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors, will have the exclusive authority to File objections to Claims and settle, compromise, withdraw or litigate to judgment objections to any and all Claims, regardless of whether such Claims or Equity Interests are in an Unimpaired Class or otherwise; provided, however, this provision will not apply to Professional Fee Claims, the Transaction Expenses, or the DIP Facility Claim. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim or Equity Interest without any further notice to or action, order or approval of the Bankruptcy Court. The Reorganized Debtors will have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court.

3. Estimation

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Equity Interest pursuant to applicable law and (b) any contingent or unliquidated Claim or Equity Interest pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Equity Interest,

contingent Claim or Equity Interest or unliquidated Claim or Equity Interest, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned Claim or Equity Interests and objection, estimation and resolution procedures are cumulative and not exclusive of one another, Claim or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

## ARTICLE IX.
## CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

**A.** Conditions Precedent to Confirmation

Confirmation of the Plan will be conditioned upon the satisfaction or waiver pursuant to the provisions of Article IX.C of the Plan of the following:

- The Plan and all schedules, documents, supplements and exhibits to the Plan will have been filed in form and substance acceptable to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and Backstop Agreement.

- None of the Plan, the Disclosure Statement or any other Plan-related documents, notices, exhibits, appendices of the Debtors, or orders of the Bankruptcy Court (including, without limitation, documents included in the Plan Supplement), shall have been amended or modified, or shall have become the subject of a motion seeking to amend or modify same, if such amendment, modification or filing is materially inconsistent with the Lender RSA or the Backstop Agreement in a manner that is not acceptable to the Required Backstop Investors and the Majority Participating Lenders, in their sole discretion.

- The Lender RSA Order shall have been entered by the 45th day after the Petition Date (or, if such day is not a Court Date (as defined in the Lender RSA), the next succeeding Court Date), (ii) the Confirmation Hearing shall have concluded by the 90th day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and (iii) the Confirmation Order shall have been entered by the Bankruptcy Court by the earlier of the 92nd day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and June 30, 2014.

- The entry of an order by the Bankruptcy Court approving the Disclosure Statement and other Solicitation materials shall have occurred by the 60th day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date), (ii) the Confirmation Hearing shall have concluded by the 100th day after the Petition Date (or if such day is not a Court Date, the next succeeding Court Date) and (iii) the Confirmation Order shall have been entered by the Bankruptcy Court by the 102nd day after the Petition Date (or if such day is not a Court Date, the next succeeding Court Date).

- The Confirmation Order, as entered, is in form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and the Backstop Agreement.

- The Debtors shall have filed the Lender RSA Motion, the Backstop Agreement Assumption Motion and the SSA Motion by the third Court Date after the Petition Date.

- Each of the Lender RSA Order, the SSA Order and the Backstop Agreement Assumption Order shall have been entered by the Bankruptcy Court by the 45th day after the Petition Date (or, if such day is not a Court Date, the next succeeding Court Date) and shall be in form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and the Backstop Agreement.

- The Debtors shall have filed the DIP Facility Motion on or before the first Court Date after the Petition Date.

- Each of the DIP Orders shall be in form and substance acceptable to the Required Backstop Investors. The Interim DIP Order shall have been entered on by the 7th day after the Petition Date and the Final DIP Order shall have been entered by the 45th day after the Petition Date.

- No Debtor shall have breached any of its representations, warranties, covenants and agreements under the Lender RSA or the Backstop Agreement in any material respect.

- The Lender RSA shall not have been terminated by the Required Backstop Investors, the Debtors or the Consenting Equity Holder.

- The Sorensen Support Agreement shall not have been terminated.

- No Event of Default (as defined in the DIP Facility Secured Loan Agreement) under the DIP Facility shall have occurred.

- Neither of the DIP Orders shall have been vacated by any court of competent jurisdiction.

- No material term or condition of the DIP Facility or either DIP Order shall have been modified, amended, or supplemented in a manner that is materially adverse to the Backstop Investors without the prior consent of the Required Backstop Investors,

- Each of the Reorganized Parent Organizational Documents and the organizational documents of each of the other Debtors are in form and substance satisfactory to the Required Backstop Investors.

- There has been no material breach by any of the Debtors or by the Consenting Equity Holder of any of their respective obligations under the Lender RSA, or any other agreement governing the

restructuring contemplated therein, or, if any such breach has occurred and is curable, such breach has been cured by 10 days after receipt of written notice and opportunity to cure from the Majority Participating Lenders or the Required Backstop Investors.

- No court of competent jurisdiction or other competent governmental or regulatory authority shall have issued an order making illegal or otherwise restricting, preventing, or prohibiting the restructuring transactions contemplated in the Lender RSA or this Plan, in a manner that cannot be reasonably remedied by the Debtors or the Backstop Investors.

- None of the Debtors or the Consenting Equity Holder has filed any motion in the Chapter 11 Cases under section 363, 364, or 365 of the Bankruptcy Code that is materially inconsistent with the terms and conditions of the Lender RSA in a manner that is not reasonably acceptable to the Required Backstop Investors and the Majority Participating Lenders.

- The Backstop Agreement has not terminated or been terminated and remains in full force and effect.

- No order has been entered by the Bankruptcy Court invalidating or disallowing any Prepetition First Lien Lender Claim or any Prepetition Second Lien Lender Claim of any Backstop Investor or any documents governing or giving rise to such Claim.

- No governmental authority, including any regulatory authority or court of competent jurisdiction, shall have issued of any ruling or order enjoining the consummation of a material portion of the Plan.

- No event, development, condition or state of affairs will exist or have occurred which resulted, or would reasonably be expected to result in, a material adverse effect on (i) the business, properties, financial condition or results of operations of the Companies, taken as a whole, or (ii) the ability of the Debtors to implement the restructuring of the Companies in accordance with the Lender RSA (together, a "Material Adverse Effect"); provided, however, that the voluntary filing or announcement of the voluntary Chapter 11 Cases made pursuant to the Lender RSA shall not constitute a Material Adverse Effect, or be taken into account in determining whether any Material Adverse Effect has occurred.

- Each other Backstop Investor shall have fulfilled its obligations under Section 2 of the Backstop Agreement; provided, however, that such condition shall be deemed to be satisfied and each non-defaulting Backstop Investor shall be obligated to fund its share of such defaulting Backstop Party's Purchase Commitment (as defined in the Backstop Agreement) and Backstop Commitment (as defined in the Backstop Agreement), each to the extent provided in Section 5(c) of the Backstop Agreement, if (x) the aggregate amount to be funded by the non-defaulting Backstop Investors pursuant to Section 2 of the Backstop Agreement and

after giving effect to the funding contemplated by this proviso is less than or equal to (y) the amount that would have been required to be funded by the non-defaulting Backstop Investors pursuant to Section 2 of the Backstop Agreement assuming no other persons participated in the Rights Offering and the defaulting Backstop Investors performed their respective obligations under Section 2 of the Backstop Agreement.

- The representations and warranties of the Debtors contained in the Backstop Agreement shall be true and correct in all material respects at and as of the Confirmation Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), and the Debtors shall have performed or complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed or complied with by them prior to or at and as of the Confirmation Date.

- Each of the Plan and all documents related to the Plan that are to be approved by the Bankruptcy Court are be in form and substance reasonably acceptable to the Required Backstop Investors.

- One of the Debtors or a non-Debtor subsidiary of a Reorganized Debtor shall have entered into an employment agreement with each of Barry Ahearn and Dean Foley, in each case, in form and substance reasonably acceptable to the Required Backstop Investors.

- No taxing authority having appropriate jurisdiction over the Company shall have reasonably and in good faith asserted a claim for the payment of taxes by the Company relating to periods on or prior to the consummation of the restructuring that exceeds, in the aggregate, the amount of tax liabilities of the Company reasonably expected by the Backstop Investors to exist as of the date of consummation of the restructuring.

- The Required Backstop Investors shall be reasonably satisfied with the proposed allocation of shares of common stock to be issued on or promptly following the Effective Date under the MIP (as defined in the Lender RSA).

- The Subscription Documents shall be in form and substance reasonably acceptable to the Required Backstop Investors.

- Each of the Debtors and the Consenting Equity Holder and the other Sorensen Parties have performed all obligations required of them under the Lender RSA, the Backstop Agreement and the Sorensen Support Agreement.

**B.** Conditions Precedent to Consummation

Consummation of the Plan will be conditioned upon the satisfaction or waiver pursuant to the provisions of Article IX.C of the Plan of the following:

- Immediately prior to the effectiveness of the Plan pursuant to Article IX, each of the conditions precedent to confirmation of the Plan either remain satisfied or have been waived pursuant to the provisions of Article IX.C of the Plan.

- The Confirmation Order shall have been entered and either (a) become a Final Order or (b) the 14-day stay contemplated by Bankruptcy Rule 3020(e) in respect thereof shall have been terminated unless waived by the Debtors, and (c) the Confirmation Order shall otherwise be in a form and in substance reasonably satisfactory to the Debtors, the Required Backstop Investors and the Consenting Equity Holder and consistent with the terms of the Lender RSA and Backstop Agreement, and no stay of the Confirmation Order will have been entered and be in effect. The Confirmation Order will provide that, among other things, the Debtors or the Reorganized Debtors, as appropriate, are authorized to take all actions necessary or appropriate to consummate the Plan, including, without limitation, entering into, implementing and consummating the contracts, instruments, releases and other agreements or documents created in connection with or described in the Plan.

- The Bankruptcy Court will have entered one or more Final Orders (which may include the Confirmation Order) authorizing the assumption and rejection of Executory Contracts and Unexpired Leases by the Debtors as contemplated in the Plan and the Plan Supplement.

- The representations and warranties of the Debtors contained in the Backstop Agreement shall be true and correct in all material respects at and as of the Effective Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), and the Debtors shall have performed or complied in all material respects with all agreements and covenants required by the Backstop Agreement to be performed or complied with by them prior to or at and as of the Effective Date.

- All documents and agreements and all schedules, exhibits, and ancillary agreements thereto necessary to implement the Plan, including, without limitation, the Post-Emergence Term Loan Agreement, the Post-Emergence ABL Loan Agreement and the Subordination and Intercreditor Agreement will have been (a) approved by the Required Backstop Investors, (b) tendered for delivery, and (c) effected by, executed by, or otherwise deemed binding upon, all Entities party thereto. All conditions precedent

to such documents and agreements will have been satisfied or waived pursuant to the terms of such documents or agreements.

- All material consents, actions, documents, certificates and agreements necessary to implement the Plan will have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

- The Debtors will have received the Rights Offering Purchase Price, in Cash, net of any fees or expenses authorized by order of the Bankruptcy Court to be paid from the Rights Offering Purchase Price.

- The Debtors will have received (i) the stock to be purchased under the DRV Purchase Agreement, (ii)any and all consents necessary to consummate the transactions set forth in the DRV Purchase Agreement, (iii) the Transferred Agreement (as defined in the DRV Purchase Agreement), and (iv) the Option Agreement.

- All Transaction Expenses have been paid in full.

- The Confirmation Date will have timely occurred.

- The Effective Date will have occurred within 17 days after the entry of the Confirmation Order.

**C.** Waiver of Conditions

The conditions to Confirmation of the Plan and to Consummation of the Plan set forth in this Article IX may be waived by the Debtors without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan subject to any consents that may be required under the Lender RSA or the Backstop Agreement to the extent that such agreements have not been terminated. To the extent that a condition to Consummation of the Plan requires the consent of the Required Backstop Investors, or the Majority Participating Lenders, respectively, such conditions may only be waived by the Debtors with the consent of the Required Backstop Investors or the Majority Participating Lenders, as the case may be. The failure to satisfy or waive a condition to Consummation may be asserted by the Debtors or the Reorganized Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtors or Reorganized Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time.

**D.** Effect of Non Occurrence of Conditions to Consummation

If the Consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (a) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (b) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; (c) constitute an allowance of any Claim or Equity Interest; or (d) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

## ARTICLE X.
DEBTORS' RELEASES

Notwithstanding anything to the contrary in the Plan, the failure of the Bankruptcy Court to approve any or all of the provisions set forth in Article XI of the Plan shall not constitute a failure of any condition to either Confirmation or the effectiveness of the Plan, but without prejudice to the respective parties' rights under the Lender RSA or the Backstop Agreement.

## ARTICLE XI.
RELEASE, INJUNCTION AND RELATED PROVISIONS

**A.** General

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan, takes into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise. As of the Effective Date, any and all contractual, legal and equitable subordination rights, whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise, relating to the allowance, classification and treatment of all Allowed Claims and their respective distributions and treatments under the Plan will be settled, compromised, terminated and released pursuant to the Plan; provided, however, that nothing contained in the Plan will preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan.

In accordance with the provisions of the Plan and pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date (1) the Reorganized Debtors may, in their sole and absolute discretion, compromise and settle Claims against them and (2) the Reorganized Debtors may, in their sole and absolute discretion, compromise and settle Causes of Action against other Entities.

**B.** Release

EFFECTIVE AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, THE ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED AND CONFIRMED, THE DEBTORS AND REORGANIZED DEBTORS, IN THEIR INDIVIDUAL CAPACITIES AND AS DEBTORS IN POSSESSION (COLLECTIVELY, THE "DEBTOR RELEASING PARTIES") WILL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER PROVIDED A FULL DISCHARGE, WAIVER AND RELEASE TO THE RELEASED PARTIES (AND EACH SUCH RELEASED PARTY SO RELEASED SHALL BE DEEMED FOREVER RELEASED, WAIVED AND DISCHARGED BY THE DEBTOR RELEASING PARTIES) AND THEIR RESPECTIVE PROPERTIES FROM ANY AND ALL CLAIMS, CAUSES OF ACTION, LITIGATION CLAIMS AND ANY OTHER DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, ACTIONS, REMEDIES, AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE OR THEREAFTER ARISING, IN LAW, AT EQUITY, WHETHER FOR TORT, CONTRACT, OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES

EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN ANY WAY IN WHOLE OR IN PART TO THE DEBTORS, THE CHAPTER 11 CASES, INCLUDING, WITHOUT LIMITATION, THE PREPETITION SECURED LOANS, THE BACKSTOP AGREEMENT, THE LENDER RSA, THE RIGHTS OFFERING, THE SORENSEN SUPPORT AGREEMENT, THE DIP FACILITY, THE DISCLOSURE STATEMENT, THE PLAN OR THE SOLICITATION OF VOTES ON THE PLAN THAT SUCH DEBTOR RELEASING PARTY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR EQUITY INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT FOR OR ON BEHALF OF THE DEBTORS, THEIR ESTATES OR THE REORGANIZED DEBTORS (WHETHER DIRECTLY OR DERIVATIVELY) AGAINST ANY OF THE RELEASED PARTIES; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (I) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT; (II) ANY CAUSES OF ACTION ARISING FROM FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT AS DETERMINED BY FINAL ORDER OF THE BANKRUPTCY COURT OR ANY OTHER COURT OF COMPETENT JURISDICTION; AND/OR (III) THE RIGHTS OF SUCH DEBTOR RELEASING PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT. THE FOREGOING RELEASE SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THIS RELEASE. NOTWITHSTANDING THE FOREGOING, THE DEBTORS ARE NOT RELEASING THE DEBTORS (BUT THEY ARE RELEASING THE RELATED PERSONS TO THE DEBTORS PURSUANT TO THIS PARAGRAPH.

## ARTICLE XII.
THIRD PARTY RELEASE

**A.** Creditors Release

AS OF AND SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, EACH CREDITOR RELEASING PARTY, FOR ITSELF AND ITS RESPECTIVE RELATED PERSONS, IN EACH CASE IN THEIR CAPACITY AS SUCH RELATED PERSON, SHALL BE DEEMED TO HAVE RELEASED (I) EACH OTHER CREDITOR RELEASING PARTY AND (II) THE SORENSEN PARTIES AND EACH NON-DEBTOR AFFILIATE OF ANY SORENSEN PARTY FROM ANY AND ALL DIRECT CLAIMS AND CAUSES OF ACTION HELD BY SUCH CREDITOR RELEASING PARTY WHATSOEVER, OR IN ANY MANNER ARISING FROM OR RELATED TO, IN WHOLE OR IN PART, THE RELEASE MATTERS; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (i) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT AND/OR (ii) THE RIGHTS OF SUCH CREDITOR RELEASING PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION

WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT.

THE FOREGOING RELEASE SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THIS RELEASE.

**B.** Sorensen Parties and Affiliates Release

AS OF AND SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, EACH OF THE SORENSEN PARTIES AND EACH OF THEIR NON-DEBTOR AFFILIATES SHALL BE DEEMED TO HAVE RELEASED EACH OF THE CREDITOR RELEASING PARTIES AND THEIR RESPECTIVE RELATED PERSONS, EACH IN ITS CAPACITY AS SUCH RELATED PERSON, FROM ANY AND ALL DIRECT CLAIMS AND CAUSES OF ACTION HELD BY SUCH SORENSEN PARTY OR ANY NON-DEBTOR AFFILIATE OF SUCH SORENSEN PARTY WHATSOEVER, OR IN ANY MANNER ARISING FROM OR RELATED TO, IN WHOLE OR IN PART, THE RELEASE MATTERS; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISIONS OF THIS RELEASE SHALL NOT OPERATE TO WAIVE OR RELEASE (i) ANY CAUSES OF ACTION EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR THE PLAN SUPPLEMENT AND/OR (ii) THE RIGHTS OF SUCH SORENSEN PARTY OR ANY NON-DEBTOR AFFILIATE OF SUCH SORENSEN PARTY TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR ASSUMED PURSUANT TO THE PLAN OR ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT.

THE FOREGOING RELEASES SHALL BE EFFECTIVE AS OF THE EFFECTIVE DATE WITHOUT FURTHER NOTICE TO OR ORDER OF THE BANKRUPTCY COURT, ACT OR ACTION UNDER APPLICABLE LAW, REGULATION, ORDER, OR RULE OR THE VOTE, CONSENT, AUTHORIZATION OR APPROVAL OF ANY PERSON AND THE CONFIRMATION ORDER WILL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES RELEASED PURSUANT TO THESE RELEASES.

**C.** Discharge of Claims

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtors or any of their assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date, the Debtors and their Estates will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and

other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**D.** Exculpation

The Exculpated Parties will neither have nor incur any liability to any Entity for any claims or Causes of Action arising before, on or after the Petition Date and prior to or on the Effective Date for any act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan, the Disclosure Statement, the Lender RSA, the Backstop Agreement, the Sorensen Support Agreement, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors, the approval of the Disclosure Statement or confirmation or Consummation of the Plan; provided, however, that the foregoing provisions will have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order of the Bankruptcy Court or other court of competent jurisdiction to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party will be entitled to rely upon the advice of counsel concerning its duties pursuant to, or in connection with, the above referenced documents, actions or inactions; provided, further, however that the foregoing provisions will not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or the Plan Supplement.

**E.** Preservation of Rights of Action

1. Maintenance of Causes of Action

Except as otherwise provided in Article XI or elsewhere in the Plan or the Confirmation Order, after the Effective Date, the Reorganized Debtors will retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action and Litigation Claims, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Cases. The Reorganized Debtors, as the successors in, interest to the Debtors and the Estates, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of the Litigation Claims without notice to or approval from the Bankruptcy Court.

2. Preservation of All Causes of Action Not Expressly Settled or Released

Unless a Cause of Action or Litigation Claim against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including, without limitation, the Confirmation Order), the Debtors expressly reserve such Cause of Action or Litigation Claim for later adjudication by the Debtors or the Reorganized Debtors (including, without limitation, Causes of Action and Litigation Claims not specifically identified or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action or Litigation Claims upon or after the Confirmation of the Plan or Consummation of the Plan based on the

Disclosure Statement, the Plan or the Confirmation Order, except where such Causes of Action or Litigation Claims have been expressly released in the Plan (including, without limitation, and for the avoidance of doubt, the release contained in Article XI of the Plan) or any other Final Order (including, without limitation, the Confirmation Order). In addition, the Debtors and the Reorganized Debtors expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which any Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

**F.** Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY SUIT, ACTION OR OTHER PROCEEDING, OR CREATING, PERFECTING OR ENFORCING ANY LIEN OF ANY KIND, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, EQUITY INTEREST, OR REMEDY RELEASED OR TO BE RELEASED, EXCULPATED OR TO BE EXCULPATED, OR DISCHARGED OR TO BE DISCHARGED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER. BY ACCEPTING DISTRIBUTIONS PURSUANT TO THE PLAN, EACH HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST WILL BE DEEMED TO HAVE SPECIFICALLY CONSENTED TO THIS INJUNCTION. ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASES UNDER SECTION 105 OR 362 OF THE BANKRUPTCY CODE, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE, WILL REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE.

## ARTICLE XIII.
BINDING NATURE OF PLAN

ON THE EFFECTIVE DATE, AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE PLAN WILL BIND, AND WILL BE DEEMED BINDING UPON, ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS, AND SUCH HOLDER'S RESPECTIVE SUCCESSORS AND ASSIGNS, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NOTWITHSTANDING WHETHER OR NOT SUCH HOLDER (I) WILL RECEIVE OR RETAIN ANY PROPERTY OR INTEREST IN PROPERTY UNDER THE PLAN, (II) HAS FILED A PROOF OF CLAIM OR INTEREST IN THE CHAPTER 11 CASES OR (III) FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN OR AFFIRMATIVELY VOTED TO REJECT THE PLAN.

## ARTICLE XIV.
RETENTION OF JURISDICTION

**A.** Retention of Jurisdiction

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Cases and all Entities with respect to all matters related to the Chapter 11 Cases, the Debtors and this Plan as legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including, without limitation, the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of any Claim or Equity Interest;

2. grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan, for periods ending on or before the Confirmation Date; provided, however, that, from and after the Effective Date, the Reorganized Debtors shall pay Professionals in the ordinary course of business for any work performed after the Effective Date and such payment shall not be subject to the approval of the Bankruptcy Court;

3. resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease to which any Debtor is party or with respect to which any Debtor or Reorganized Debtor may be liable and to adjudicate and, if necessary, liquidate, any Claims arising therefrom, including, without limitation, those matters related to any amendment to this Plan after the Effective Date to add Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed;

4. resolve any issues related to any matters adjudicated in the Chapter 11 Cases;

5. ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of this Plan;

6. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other Causes of Action that are pending as of the Effective Date or that may be commenced in the future, and grant or deny any applications involving the Debtors that may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date, provided that the Reorganized Debtors shall reserve the right to commence actions in all appropriate forums and jurisdictions;

7. enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan and all other contracts, instruments, releases and other agreements or documents adopted in connection with this Plan, the Plan Supplement or the Disclosure Statement;

8. resolve any cases, controversies, suits or disputes that may arise in connection with the Consummation, interpretation or enforcement of this Plan or any Entity's obligations incurred in connection with this Plan;

9. hear and determine all Causes of Action that are pending as of the Effective Date or that may be commenced in the future;

10. issue injunctions and enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of this Plan, except as otherwise provided in this Plan;

11. enforce the terms and condition of this Plan and the Confirmation Order;

12. resolve any cases, controversies, suits or disputes with respect to the release, the Exculpation, the Indemnification and other provisions contained in Article XII hereof and enter such orders or take such others actions as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;

13. hear and determine the Litigation Claims by or on behalf of the Debtors or Reorganized Debtors;

14. enter and implement such orders or take such others actions as may be necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;

15. resolve any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document adopted in connection with this Plan or the Disclosure Statement; and

16. enter an order concluding or closing the Chapter 11 Cases.

**B.** Failure of Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter, including the matters set for in Article XIV.A of the Plan, the provisions of this Article XIV shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

## ARTICLE XV.
MISCELLANEOUS PROVISIONS

**A.** Dissolution of the Committee

On the Effective Date, the Committee (if any) and any other statutory committee formed in connection with the Chapter 11 Cases shall dissolve automatically and all members thereof shall be released and discharged from all rights, duties and responsibilities arising from, or related to, the Chapter 11 Cases.

**B.** Payment of Statutory Fees

All outstanding fees payable pursuant to section 1930 of title 28, United States Code shall be paid on the Effective Date. All such fees payable after the Effective Date shall be paid prior to the closing of the Chapter 11 Case when due or as soon thereafter as practicable.

**C.** Payment of Fees and Expenses of Prepetition Agents

On the Effective Date or as soon as reasonably practicable thereafter, to the extent not previously paid during the pendency of the Chapter 11 Cases and subject to the terms of the Prepetition Secured Loan Agreements, the Reorganized Debtors shall pay in full in Cash all outstanding reasonable and documented fees and expenses of the Prepetition Agents and their respective counsel, including, without limitation, all prepetition and Postpetition expenses incurred by the Prepetition Agents and their respective counsel.

**D.** Modification of Plan

Effective as of the date hereof and subject to the limitations and rights contained in this Plan and in the Lender RSA and the Backstop Agreement: (a) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan prior to the entry of the Confirmation Order; and (b) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as applicable, may, after notice and hearing and entry of an order of the Bankruptcy Court, amend or modify this Plan, in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan. A

Holder of a Claim or Equity Interest that has accepted this Plan shall be deemed to have accepted this Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of such Claim or Equity Interest of such Holder.

**E.** Revocation of Plan

The Debtors reserve the right to revoke or withdraw this Plan prior to the Confirmation Date and to File subsequent chapter 11 plans, but without prejudice to the respective parties' rights under the Lender RSA or the Backstop Agreement. If the Debtors revoke or withdraw this Plan, or if confirmation of this Plan or Consummation of this Plan does not occur, then: (1) this Plan shall be null and void in all respects; (2) any settlement or compromise embodied in this Plan, assumption or rejection of Executory Contracts or Unexpired Leases effected by this Plan and any document or agreement executed pursuant hereto shall be deemed null and void except as may be set forth in a separate order entered by the Bankruptcy Court; and (3) nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Entity; (b) prejudice in any manner the rights of the Debtors or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtors or any other Entity.

**F.** Successors and Assigns

This Plan shall be binding upon and inure to the benefit of the Debtors, and their respective successors and assigns, including, without limitation, the Reorganized Debtors. The rights, benefits, and obligations of any Person or Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person or Entity.

**G.** Reservation of Rights

Except as expressly set forth herein, this Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and this Plan is Consummated. Neither the filing of this Plan, any statement or provision contained herein, nor the taking of any action by the Debtors or any other Entity with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) the Debtors with respect to the Holders of Claims or Equity Interests or other Entity; or (2) any Holder of a Claim or an Equity Interest or other Entity prior to the Effective Date.

**H.** Further Assurances

The Debtors or the Reorganized Debtors, as applicable, all Holders of Claims and Equity Interests receiving distributions hereunder and all other Entities shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order. On or before the Effective Date, the Debtors shall File with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

**I.** Additional Debtors

The Debtors reserve the right to commence Chapter 11 Case(s) on behalf of Additional Debtor(s) through the Confirmation Date. Upon entry of an order jointly administering such Additional Debtor's chapter 11 case with the Chapter 11 Cases, such Additional Debtor shall automatically become a party to this Plan. Each holder of a Claim that accepts distributions

pursuant to this Plan is conclusively deemed to have agreed to the inclusion of any Additional Debtors to all of the provisions set forth in this Plan.

**J.** Severability

If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, but subject to the consent of the Required Backstop Investors, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**K.** Service of Documents

All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

ABLEST INC.
3820 State Street
Santa Barbara, California 93105
Attn: D. Stephen Sorensen
Tel: (805) 882-2200
Fax: (805) 898-7111
Email: steve@select.com

with copies to counsel for the Debtors (which shall not constitute notice):

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
4 Times Square
New York, New York 10036
Attention: Kenneth S. Ziman
Tel: (212) 735-3310
Email: ken.ziman@skadden.com

– and –

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
300 South Grand Avenue, Suite 3400
Los Angeles, CA 90071
Attention: Glenn S. Walter
Tel: (213) 687-5149
Email: glenn.walter@skadden.com

– and –

PACHULSKI STANG ZIEHL & JONES LLP
10100 Santa Monica Boulevard, 13th Floor
Los Angeles, CA 90067
Attention: Jeffrey N. Pomerantz
Tel: (310) 277-6910
Email: jpomerantz@pszjlaw.com

– and –

PACHULSKI STANG ZIEHL & JONES LLP
150 California St., 15th Floor
San Francisco, CA 94111
Attention: Joshua M. Fried
Tel: (415) 263-7000
Email: jfried@pszjlaw.com

with copies to counsel for the Steering Committee (which shall not constitute notice):

MILBANK, TWEED, HADLEY & MCCLOY LLP
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017
Attention: Mark Shinderman
Tel: (213) 892-4411
Email: mshinderman@milbank.com
Attention: Brett Goldblatt
Tel: (213) 892-4471
Email: bgoldblatt@milbank.com

with copies to counsel for the Consenting Equity Holder (which shall not constitute notice):

COLE, SCHOTZ, MEISEL, FORMAN & LEONARD, P.A.
301 Commerce Street, Suite 1700
Fort Worth, TX 76102
Attention: Michael D. Warner
Tel: (817) 810-5265
Email: mwarner@coleschotz.com

– and –

COLE, SCHOTZ, MEISEL, FORMAN & LEONARD, P.A.
Court Plaza North
25 Main Street

Hackensack, NJ 07601
Attention: Adam J. Sklar
Tel: (201) 525-6234
Email: asklar@coleschotz.com

with copies to counsel for the Prepetition First Lien Agent (which shall not constitute notice):

KATTEN MUCHIN ROSENMAN LLP
515 S. Flower Street, Suite 1000
Los Angeles, CA 90071-2212
Attn: William B. Freeman
Tel: (213) 788-7450
Email: bill.freeman@kattenlaw.com

– and –

KATTEN MUCHIN ROSENMAN LLP
575 Madison Avenue
New York, NY 10022-2585
Attn: Karen B. Dine
Tel: (212) 940-8772
Email: karen.dine@kattenlaw.com

with copies to counsel for the Prepetition Second Lien Agent (which shall not constitute notice):

DECHERT LLP
1095 Avenue of the Americas
New York, New York 10036-6797
Attn: Allan S. Brilliant, Craig P. Druehl and James O. Moore
Tel: (212) 641-5616
Email: allan.brilliant@dechert.com
Email: craig.druehl@dechert.com
Email: james.moore@dechert.com

**L.** Exemption from Certain Transfer Taxes Pursuant to Section 1146(a) of the Bankruptcy Code

To the extent permitted by applicable law, pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any Stamp or Similar Tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate federal, state or local governmental officials or agents or taxing authority to forgo the collection of any such Stamp or Similar Tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such Stamp or Similar Tax or governmental assessment. Such exemption specifically applies, without limitation, to (i) all actions, agreements and documents necessary to evidence and implement the provisions of and the distributions to be made under this Plan, including the Post-Emergence Term Loan Agreement and the Post-Emergence ABL Loan

Agreement, (ii) the issuance of New Common Stock and the New Warrants (under this Plan and pursuant to the Rights Offering), (iii) the maintenance or creation of security or any Lien as contemplated by the Post-Emergence Term Loan Agreement and the Post-Emergence ABL Loan Agreement; and (iv) assignments executed in connection with any transaction occurring under the Plan.

**M.** Governing Law

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of Delaware, without giving effect to the principles of conflicts of law of such jurisdiction.

**N.** Tax Reporting and Compliance

The Reorganized Debtors are hereby authorized, on behalf of the Debtors, to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtors are for all taxable periods ending after the Petition Date through, and including, the Effective Date.

**O.** Schedules

All exhibits and schedules to this Plan, including the Exhibits and Plan Schedules, are incorporated and are a part of this Plan as if set forth in full herein.

**P.** No Strict Construction

This Plan is the product of extensive discussions and negotiations between and among, inter alia, the Debtors, the Backstop Investors, the Steering Committee, the Prepetition Secured Lenders and their respective professionals. Each of the foregoing was represented by counsel of its choice who either (a) participated in the formulation and documentation of, or (b) was afforded the opportunity to review and provide comments on, this Plan, the Disclosure Statement, Exhibits and Plan Schedules, and the agreements and documents ancillary or related thereto. Accordingly, unless explicitly indicated otherwise, the general rule of contract construction known as "contra proferentem" or other rule of strict construction shall not apply to the construction or interpretation of any provision of this Plan, the Disclosure Statement, Exhibits and Plan Schedules, and the documents ancillary and related thereto.

**Q.** Conflicts

In the event that a provision of the Disclosure Statement conflicts with a provision of this Plan, the terms of this Plan shall govern and control to the extent of such conflict.

**R.** Confirmation Request

The Debtors request the Bankruptcy Court confirm the Plan and that it do so, if applicable, pursuant to section 1129(b) of the Bankruptcy Code notwithstanding any rejection of the Plan by an Impaired Class.

Dated: March 11, 2014

Respectfully submitted,

ABLEST INC., on behalf of itself and its affiliates listed below

Name: D. Stephen Sorensen
Title: Chief Executive Officer

NEW KOOSHAREM CORPORATION
KOOSHAREM, LLC,
TANDEM STAFFING SOLUTIONS, INC.
SELECT PEO, INC.
SELECT SPECIALIZED STAFFING, INC.
SELECT TRUCKING SERVICES, INC.
SELECT NURSING SERVICES, INC.
REMEDY STAFFING, INC.
WESTAFF, INC.
WESTAFF (USA), INC.
WESTAFF SUPPORT, INC.
REAL TIME STAFFING SERVICES, INC.
SELECT TEMPORARIES, INC.
SELECT PERSONNEL SERVICES, INC.
SELECT CORPORATION
REMEDYTEMP, INC.
REMEDY TEMPORARY SERVICES, INC.
REMEDY INTELLIGENT STAFFING, INC.
REMX, INC.
REMSC LLC
REMUT LLC

SCHEDULE 1

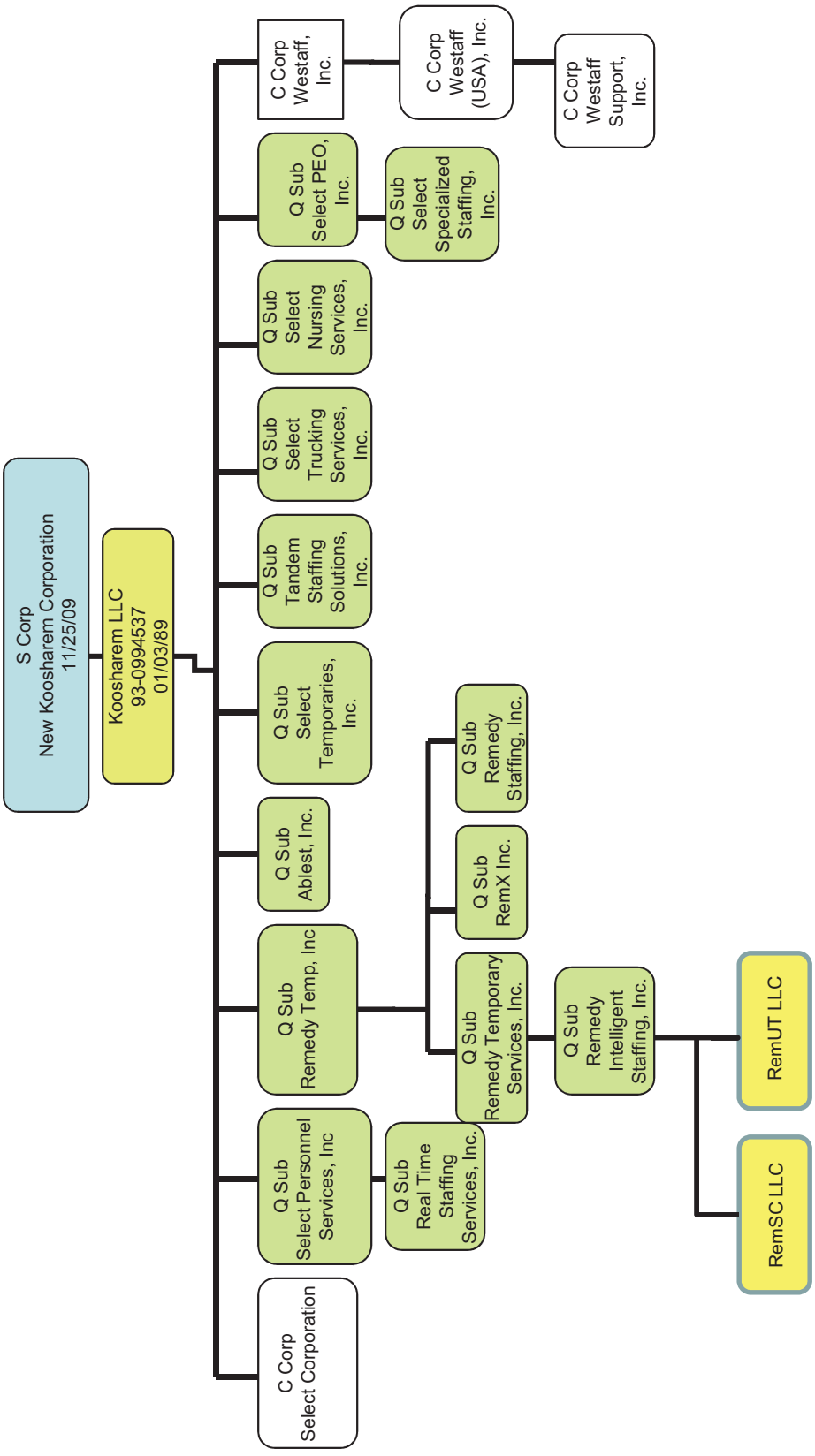
The Debtors

The Debtors, along with the last four digits of each Debtor's federal tax identification number, are:

1. Ablest Inc. (8462);
2. New Koosharem Corporation (9356);
3. Koosharem, LLC (4537);
4. Real Time Staffing Services, Inc. (8189);
5. Remedy Intelligent Staffing, Inc. (0963);
6. Remedy Staffing, Inc. (0080);
7. RemedyTemp, Inc. (0471);
8. Remedy Temporary Services, Inc. (7385);
9. RemX, Inc. (7388);
10. Select Corporation (6624);
11. Select Nursing Services, Inc. (5846);
12. Select PEO, Inc. (8521);
13. Select Personnel Services, Inc. (8298);
14. Select Specialized Staffing, Inc. (5550);
15. Select Temporaries, Inc. (7607);
16. Select Trucking Services, Inc. (5722);
17. Tandem Staffing Solutions, Inc. (5919);
18. Westaff, Inc. (6151);
19. Westaff (USA), Inc. (5781);
20. Westaff Support, Inc. (1039);
21. RemSC LLC (8072); and
22. RemUT LLC (0793).

EXHIBIT B

ORGANIZATIONAL CHART OF THE DEBTORS


S Corp
New Koosharem Corporation
11/25/09
Koosharem LLC
93-0994537
01/03/89
C Corp
Select Corporation
Q Sub
Select Personnel
Services, Inc
Q Sub
Real Time
Staffing
Services, Inc.
Q Sub
Remedy Temp, Inc
Q Sub
Remedy
Temporary
Services, Inc.
Q Sub
Remedy
Staffing, Inc.
Q Sub
RemX Inc.
Q Sub
Remedy
Intelligent
Staffing, Inc.
RemSC LLC
RemUT LLC
Q Sub
Ablest, Inc.
Q Sub
Select
Temporaries,
Inc.
Q Sub
Tandem
Staffing
Solutions,
Inc.
Q Sub
Select
Trucking
Services,
Inc.
Q Sub
Select
Nursing
Services,
Inc.
Q Sub
Select PEO,
Inc.
Q Sub
Select
Specialized
Staffing,
Inc.
C Corp
Westaff,
Inc.
C Corp
Westaff
(USA), Inc.
C Corp
Westaff
Support,
Inc.

# EXHIBIT C

## THE REORGANIZED DEBTORS' FINANCIAL PROJECTIONS

# Ablest Inc., et al

## DISCLOSURE STATEMENT

## EXHIBIT C

## THE REORGANIZED DEBTORS' FINANCIAL PROJECTIONS

# EXHIBIT C

## THE REORGANIZED DEBTORS' FINANCIAL PROJECTIONS

***Projected Financial Information***

The Debtors believe that the Plan meets the Bankruptcy Code's requirements that the Plan confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. In this regard, the management of the Debtors developed and refined the Business Plan and prepared consolidated financial projections (the ''*Projections*'') for the years ending December 28, 2014 through December 30, 2018 (the ''*Projection Period*''). The Projections have been prepared on a consolidated basis consistent with the Company's financial reporting practices and include all Debtor entities, and, upon emergence from Chapter 11, Decca Consulting, Inc., Decca Consulting Ltd, Resdin Industries, Inc. and Vaughan Business Solutions, Inc. (collectively, "DRV").

The Debtors do not, as a matter of course, make public projections of their anticipated financial position or results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests after the Confirmation Date, or to include such information in documents required to be filed with the Securities and Exchange Commission or otherwise make such information public.

ALTHOUGH EVERY EFFORT WAS MADE TO BE ACCURATE, THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (''*AICPA*'') OR IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES (''*U.S. GAAP*''), THE FINANCIAL ACCOUNTINGS STANDARDS BOARD (''FASB''), OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROJECTIONS. FURTHERMORE, NEITHER THE DEBTORS' INDEPENDENT AUDITORS, NOR ANY OTHER INDEPENDENT ACCOUNTANTS, HAVE COMPILED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE PROJECTIONS CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE ON SUCH INFORMATION OR ITS ACHIEVABILITY, AND ASSUME NO RESPONSIBILITY FOR, AND DISCLAIM ANY ASSOCIATION WITH, THE PROSPECTIVE FINANCIAL INFORMATION. WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED ON A VARIETY OF ASSUMPTIONS, WHICH MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY ANY OF THE DEBTORS, OR ANY OTHER

PERSON, THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS. HOLDERS OF CLAIMS AND INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN REACHING THEIR DETERMINATIONS OF WHETHER TO ACCEPT OR REJECT THE PLAN. NEITHER THE DEBTORS' INDEPENDENT AUDITORS NOR THEIR FINANCIAL ADVISORS HAVE EXPRESSED AN OPINION ON OR MADE ANY REPRESENTATION REGARDING THE ACHIEVABILITY OF THE FINANCIAL PROJECTIONS.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: These Projected Financial Statements contain statements which constitute ''forward-looking statements'' within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the private Securities Litigation Reform Act of 1995. ''Forward-looking statements'' in these Projected Financial Statements include the intent, belief or current expectations of the Debtors and members of their management team with respect to the timing of, completion of and scope of the current restructuring, reorganization plan, strategic business plan, bank financing, and debt and equity market conditions and the Debtors' future liquidity, as well as the assumptions upon which such statements are based. While management believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, holders of claims and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those contemplated by the forward-looking statements in the Projected Financial Statements include, but are not limited to, those risks and uncertainties set forth in the section of the Offering Memorandum and Disclosure Statement entitled ''RISK FACTORS'' and other adverse developments with respect to the Debtors' liquidity position or operations of the various businesses of the Reorganized Debtors, adverse developments in the bank financing market or public or private markets for debt or equity securities, or adverse developments in the timing or results of the Debtors' current strategic business plan (including the current timeline to emerge from Chapter 11) and the possible negative effects that could result from potential economic and political factors around the world in the various foreign markets in which the Reorganized Debtors operate.

***Summary of Significant Assumptions***

The projections were developed by management and are based upon: a) current and projected market conditions in each of the Debtors' respective markets; b) the contribution of DRV pursuant to the Plan of Reorganization; c) no other material acquisitions or divestures; d) emergence from Chapter 11 at or around May 25, 2014 under the terms contemplated in the Plan ("Emergence"); and e) the ability to close on exit financing at rates similar to those described in the notes to the Projections. Consistent with the Debtors' financial reporting, the Projections are consolidated and in U.S. dollars.

The Projections presented herein show the combined results of the Debtors and DRV.

The projected consolidated financial statements set forth below have been prepared based on an assumed Effective Date of May 25, 2014. Although the Debtors presently intend to seek to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when the Effective Date actually will occur.

*Note about Fresh Start Accounting*

The foregoing assumptions and resulting computations were made solely for purposes of preparing the Projections. The FASB has issued Accounting Standards Codification (''ASC'') Topic 852 Reorganizations (''FASB ASC 852''). The Reorganized Debtors will be required to determine the amount by which their reorganization value as of the Effective Date exceeds, or is less than, the fair value of their assets as of the Effective Date. Such determination will be based upon the fair values as of that time, which could be materially higher or lower than the values assumed in the foregoing computations and may be based on, among other things, a different methodology with respect to the valuation of Reorganized Debtors' reorganization value. In all events, such valuation, as well as the determination of the fair value of Reorganized Debtors' assets and the determination of their actual liabilities, will be made as of the Effective Date, and the changes between the amounts of any or all of the foregoing items as assumed in the Projections and the actual amounts thereof as of the Effective Date may be material.

The Projections have been prepared to reflect a simplified ''fresh-start'' presentation, assuming an Effective Date of May, 2014. The Projections reflect an upward adjustment to goodwill and other intangible assets of $271 million, accounting for the reorganization value of assets and liabilities in excess of amounts allocable to identifiable assets based on the midpoint of the estimated reorganization equity value of approximately $380 million, see Article III(N)(4), entitled ''SUMMARY OF THE PLAN—Summary Results of Valuation Analysis.''

*Significant Assumptions*

**Net Sales:** The Reorganized Debtors' net sales projections are based on an analysis of the business prospects prepared by management. The Debtors used accepted industry research and their own expertise to form their opinions on the industry outlook. The Debtors' sales forecast is driven by full time employee growth and pricing assumptions within Commercial[1], Specialty[2], and Licensee[3] business lines, consultant placement growth and pricing assumptions within the DRV business line; smaller business lines are driven by year over year growth.

The Projections for 2014 through 2018 assume annual growth rates for Commercial, Licensee, Specialty and Other as follows:

[1] Commercial consists of light industrial and office/clerical sales from Debtors' owned branches.
[2] Specialty consists primarily of IT, finance and accounting sales from Debtors' owned branches.
[3] Licensee consists of sales from Debtors' licensee branches.

| Revenue Category (%) | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Commercial | (5.1) | 3.2 | 4.1 | 4.8 | 4.1 |
| Specialty | (3.6) | 4.8 | 5.6 | 6.4 | 5.6 |
| Licensees | (5.9) | 3.2 | 4.1 | 4.7 | 4.2 |
| DRV | 23.3 | 16.5 | 15.5 | 5.0 | 5.0 |
| Other | (13.8) | 4.1 | 4.5 | 4.4 | 7.1 |

**Cost of Sales and Selling, General and Administrative Expenses (COS / SG&A):**

**COS:** The most significant portion of COS expenditures are Associate Wages[4] and related taxes. For the Debtors, Associate Wages and related taxes represent an estimated 96.0% of COS in 2014. The Projections estimate Debtors' Associate Wages based on a percentage of Company and Licensee sales. For 2014, the Debtors' Associate Wages are projected to be 73.95% of Company and Licensee sales. The 2015-2018 Projections assume a slight, gradual margin improvement to 73.75% over the forecast horizon. DRV's Cost of Sales (primarily consultant day rates) is forecasted to be approximately 92.1% of DRV's sales. Payroll taxes are calculated as a percentage of Associate Wages.

In addition to Associate Wages and related taxes, workers compensation comprises an estimated 3.0% of projected 2014 COS for the Debtors. The Projections assumes workers compensation expense is 3.57% of Debtors' Associate Wages in FY 2014 and is increased by 2% per annum thereafter (e.g. to 3.64% in FY 2015).

**SG&A:** SG&A expense represents expenses incurred for corporate/regional/field wages, margin to licensees, rent, telephone and utilities, insurance, depreciation and amortization and miscellaneous other expenses. SG&A expense and other costs are generally assumed to increase at the rate of sales or inflationary levels throughout the Projection Period. As a percentage of net sales, SG&A (excluding Licensee Margin, Depreciation & Amortization) is as follows:

| SG&A % of Sales | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Ablest et al | 8.0 | 7.9 | 7.8 | 7.8 | 7.7 |
| DRV | 3.3 | 3.1 | 2.9 | 2.8 | 2.8 |
| Total | 7.7 | 7.5 | 7.4 | 7.3 | 7.3 |

**Depreciation and Amortization:** Depreciation and amortization expenses (''*D&A*'') are comprised of recurring depreciation expense using accelerated or straight line depreciation methods for fixed assets employed during the projection period. D&A also includes the amortization of intangible assets, which, beginning in the first quarter following the Effective Date, are impacted by adjustments recorded in conjunction with the implementation of Fresh Start accounting.

**Restructuring Expense And Non-Recurring Expense:** Other unusual/non-recurring items primarily related to consulting and legal fees related to workers compensation.

[4] Associate Wages are wages paid to employees whose time is billed to customers.

**Interest Expense:** Interest expense is based upon projected debt levels and applicable interest rates, as outlined in the Debt Structure section below. Interest expense also includes the non-cash amortization of certain transaction fees associated with Emergence and the DIP facility**.**

**Other Non-Operating Income/Expense:** Other non-operating income/expense is primarily comprised of cancellation of debt (''*COD*'') income resulting from the settlement of the Debtors' pre-petition debt balances at the Effective Date. Late fees on overdue invoices are also included.

**Income Tax Expense:** For the Projections, the Debtor has estimated its post-Emergence effective tax rates as a C corporation, after giving effect to the transactions contemplated in the Plan of Reorganization, and after utilizing available net operating losses and expected tax credits, which are assumed to be available through the Projection period. The Debtors' forecast that they will begin paying cash taxes upon Emergence in 2014.

| **(%)** | **Partial Year 2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|
| Effective Tax Rate | 13.4 | 11.8 | 13.3 | 13.7 | 13.7 |

**Debt Structure:** Upon Emergence, the Debtors' long-term debt structure is expected to include the New Asset-Based Revolving Credit Facility component of the Exit Financing (with up to a $120 million commitment, undrawn at Emergence, and with the entirety of the letter of credit subfacility utilized in support of $60 million in letters of credit issued concurrent with Emergence) and the First Lien Term Loan component of the Exit Financing (with an outstanding principal amount of $350 million). Approximately $0.4 million of subordinated seller notes are expected to be reinstated. While declining, the debt remains outstanding throughout the Projection Period. Free cash flow is assumed to pay down the New Revolving Loan Facility and the First Lien Term Loan is amortized at 1% per annum prior to maturity. Debt at DRV is anticipated to be approximately $15 million as of May 25, 2014, and will be paid off at Emergence.

**Capital Expenditures:** Capital expenditures were derived based upon anticipated requirements emanating from the Debtors' revenue plan, facilities maintenance, and restructuring activities. Capital expenditures are forecasted at $6.0 million in 2014 and $9.7 million in 2015. Capital expenditures are forecasted at $2.9 million for 2016 and growing 2.8% per annum thereafter. DRV has no material capital expenditures.

The ‘‘SOURCES AND USES,’’ set forth below, presents the estimated sources and uses of funds for the Restructuring Transactions. The actual amounts are subject to adjustment and may differ at the time of the consummation of the Restructuring Transactions, depending on several factors, including differences in estimated transaction fees and expenses, differences between actual and projected operating results and any differences in the contemplated debt financings when consummated.

**ABLEST, INC., DRV ET AL**
**SOURCES AND USES**
**MAY 25, 2014**
**(UNAUDITED)**
**(DOLLARS IN MILLIONS)**

| SOURCES (1) | | | USES (1) | | |
|---|---|---|---|---|---|
| Cash on Balance Sheet (2) | $ | 19.6 | Estimated SCIF Settlement | $ | 22.4 |
| Cash Collateral Release (3) | | 45.8 | Estimated Deferred Payroll Related Obligations | | 138.5 |
| New ABL Revolver (4) | | - | Estimated Financing Fees & Expenses | | 15.0 |
| New Debt | | 350.0 | Estimated Professional Fees | | 20.7 |
| New Equity | | 225.0 | Estimated Plane Liability Payoff | | 11.0 |
| | | | Accounts Payable & Seller Note | | 5.9 |
| | | | Repayment of DIP Loan | | 35.0 |
| | | | Repayment to First Lien | | 365.0 |
| | | | Repayment to Second Lien | | 12.0 |
| | | | Repayment of DRV Debt | | 14.8 |
| **Total** | **$** | **640.4** | **Total** | **$** | **640.4** |

(1) Cash items only.
(2) Estimated cash on hand prior to Emergence: $19.8 million. Estimated cash on hand after Emergence: $0.4 million (including $0.2 million expected cash on hand at DRV).
(3) $45.8 million in letters of credit are to be issued to the Debtors' primary workers compensation insurer, resulting in the release of an equal amount of cash collateral currently on deposit.
(4) $120 million facility; $60 million of LCs assumed to be issued and undrawn, reducing ABL Revolver availability.

The projected consolidated balance sheet as of May 25, 2014, set forth below, presents: (a) the projected consolidated financial position of the Debtors as of May 25, 2014, prior to the consummation of the transactions contemplated in the Prepackaged Plan; (b) the pro forma adjustments to such projected consolidated financial position required to reflect consummation of the transactions contemplated by the Prepackaged Plan (‘‘Emergence Adjustments’’);and, (c) the pro forma projected consolidated financial position of Reorganized Debtors as of May 25, 2014, after giving effect to (a) the Emergence Adjustments and (b) the contribution of DRV. The Emergence Adjustments set forth in the columns captioned ‘‘Recapitalization Adjustments’’ and ‘‘Fresh-Start’’ reflect the anticipated effects of the consummation of the transactions contemplated by the Prepackaged Plan. The various Balance Sheet Adjustments are described in greater detail in the ‘‘NOTES TO REORGANIZED DEBTORS PROJECTED PRO FORMA CONSOLIDATED BALANCE SHEET.’’

# ABLEST, INC., DRV ET AL
# PROJECTED PRO FORMA CONSOLIDATED BALANCE SHEET
# MAY 25, 2014
# (UNAUDITED)
# (DOLLARS IN MILLIONS)

| | Projected 5/25/14 | Emergence Adjustments: Recapitalization Adjustments | Emergence Adjustments: DRV Contribution (a) | Emergence Adjustments: Fresh Start | Pro Forma 5/25/14 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 19.8 | $ (19.6) | $ 0.2 | | $ 0.4 |
| Accounts receivable, net | 186.1 | - | 14.3 | | 200.4 |
| Other receivables | 1.4 | - | | | 1.4 |
| Prepaid expenses and other current assets | 23.9 | (21.4) (b) | 0.7 | | 3.2 |
| Prepaid workers' compensation insurance | 80.8 | (45.8) (c) | | | 35.0 |
| Deferred tax assets | - | 10.2 (d) | | | 10.2 |
| **Total Current Assets** | **$ 312.0** | **$ (76.6)** | **$ 15.2** | **$ -** | **$ 250.6** |
| Fixed assets, net | 20.2 | - | 0.0 | | 20.2 |
| Prepaid workers compensation insurance | 34.5 | - | | | 34.5 |
| Capitalized restructuring/financing fees & other | 23.4 | 51.4 (b) | 0.3 | | 75.1 |
| Intangibles and goodwill | 249.0 | - | 13.8 | 270.8 (r) | 533.6 |
| **Total Assets** | **$ 639.1** | **$ (25.1)** | **$ 29.3** | **$ 270.8** | **$ 914.0** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current Liabilities: | | | | | |
| Disbursements outstanding | $ 6.8 | $ - | $ - | | $ 6.8 |
| Accounts payable | 20.1 | (11.9) (e) | 7.8 | | 16.1 |
| Workers compensation insurance reserve | 43.4 | - | | | 43.4 |
| Accrued payroll, benefits and related costs | 173.9 | (119.4) (f) | | | 54.5 |
| Accrued expenses - Other | 143.2 | (126.6) (g) | 0.1 | | 16.7 |
| DIP Term Loan | 35.0 | (35.0) (h) | | | - |
| Long-term debt, current portion | 534.5 | (534.5) (i,j) | | | - |
| Prepetition Revolver | 49.2 | (49.2) (k) | | | - |
| **Total Current Liabilities** | **$ 1,006.1** | **$ (876.6)** | **$ 7.9** | **$ -** | **$ 137.4** |
| New Revolving Credit Facility | - | - | | | - |
| New First Lien Term Loan | - | 350.0 (l) | | | 350.0 |
| Subordinated Seller Notes | 1.8 | (1.4) (m) | | | 0.4 |
| Workers' compensation insurance reserve | 36.0 | - | | | 36.0 |
| Deferred income taxes | 0.1 | (0.1) | | | - |
| Other long term liabilities | 8.0 | (2.6) (n) | 4.7 | | 10.2 |
| **Total Liabilities** | **$ 1,052.1** | **$ (530.7)** | **$ 12.6** | **$ -** | **$ 534.0** |
| **Total Shareholders' (Deficit) / Equity** | (413.0) | 505.5 (o,p) | 16.7 (q) | 270.8 (s) | 380.0 |
| **Total Liabilities and Shareholders' (Deficit) / Equity** | **$ 639.1** | **$ (25.1)** | **$ 29.3** | **$ 270.8** | **$ 914.0** |

Note: Incorporates estimate of fresh start accounting adjustments, actual fair market value adjustments could vary materially from those used in the projections.

THE PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS AND EXPLANATIONS UNDER THE CAPTION ‘‘—PROJECTED FINANCIAL INFORMATION.’’

*NOTES TO REORGANIZED DEBTORS PROJECTED PRO FORMA CONSOLIDATED BALANCE SHEET*

UPON EMERGENCE FROM CHAPTER 11, THE REORGANIZED DEBTORS WILL BE REQUIRED TO ADOPT ‘‘FRESH START ACCOUNTING’’ IN ACCORDANCE WITH FASB, ASC 852, WHICH REQUIRES THE REORGANIZED DEBTORS TO REVALUE ASSETS AND LIABILITIES AT THEIR ESTIMATED FAIR VALUE. FRESH START ACCOUNTING REFLECTS THE VALUE OF THE REORGANIZED DEBTORS AS DEFINED IN THE PREPACKAGED PLAN. UNDER FRESH START ACCOUNTING, THE REORGANIZED DEBTORS' ASSET VALUES ARE REMEASURED USING FAIR VALUE, AND ARE ALLOCATED IN CONFORMITY WITH FASB ASC TOPIC 805, ‘‘BUSINESS COMBINATIONS’’ (‘‘ASC 805’’). THE EXCESS OF REORGANIZATION VALUE OVER THE FAIR VALUE OF NET TANGIBLE AND IDENTIFIABLE INTANGIBLE ASSETS AND LIABILITIES IS RECORDED AS GOODWILL IN THE ACCOMPANYING STATEMENTS. THE FOREGOING ESTIMATES AND ASSUMPTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE REORGANIZED DEBTORS. ACCORDINGLY, THE REORGANIZED DEBTORS CANNOT PROVIDE ASSURANCE THAT THE ESTIMATES, ASSMPTIONS, AND VALUES REFLECTED IN THE VALUATIONS WILL BE REALIZED, AND ACTUAL RESULTS COULD VARY MATERIALLY. IN ACCORDANCE WITH ASC 805, THE PRELIMINARY ALLOCATION OF THE REORGANIZATION VALUE IS SUBJECT TO ADDITIONAL ADJUSTMENT WITHIN ONE-YEAR AFTER EMERGENCE FROM BANKRUPTCY TO PROVIDE THE REORGANIZED DEBTORS TIME TO COMPLETE THE VALUATION OF ASSETS AND LIABILITIES.

a) Based on projected book value at nearest fiscal period end for DRV of May 31, 2014.

b) Represents capitalization of professional fees.

c) Represents cash collateral release upon posting of letters of credit.

d) Represents capitalization of certain net operating losses expected to be available to the Company going forward.

e) Represents payment of certain professional fees expected to be incurred during the case, expected settlement payments for certain prepetition payables outstanding as of the filing date, and reinstatement of escheated checks outstanding as of the filing date.

f) Represents payment of prepetition deferred payroll obligations.

g) Represents payment of SCIF settlement amount, payment of tax obligations, and cancellation of prepetition accrued interest on the Existing Revolving Credit Facility, Existing First Lien Term Loan, Existing Second Lien Term Loan, and certain letters of credit backstopped by related parties.

h) Represents repayment of the DIP Term Loan.

i) Represents payment/cancellation of the Existing First Lien Term Loan.

j) Represents payment/cancellation of the Existing Second Lien Term Loan.

k) Represents payment/cancellation of the Existing Revolving Credit Facility.

l) Represents New First Lien Term Loan with $350 million outstanding principal amount.

m) Represents partial payment/cancellation of a seller note.

n) Represents equitization of certain related party obligations.

o) Includes rights offering of $225 million executed pursuant to the Plan of Reorganization.

p) Reflects cancellation of pre-petition equity account balances.

q) A portion of the cash proceeds from the transaction is assumed to be used to repay and retire the debt of the contributed DRV entities, totaling $15 million. The effect of this debt repayment is shown as an increase in the equity value of DRV.

r) Represents adjustments to reflect the reorganization value in excess of amounts allocable to identifiable assets based on the midpoint of the estimated reorganization equity value (approximately $380 million). Amounts will be further allocated when determined through additional valuations.

s) Reflects fresh start adjustment of equity value based on the midpoint of the estimated reorganization value (approximately $730 million), see Article III(N)(4), entitled ‘‘SUMMARY OF THE PLAN—Summary Results of Valuation Analysis.

The ‘‘PROJECTED PRO FORMA CONSOLIDATED BALANCE SHEETS,’’ set forth below, presents the projected consolidated financial position of the Reorganized Debtors combined with DRV as of May 25, 2014, after giving effect to the consummation of the transactions contemplated by the Prepackaged Plan, and as of each of fiscal year ending December 2014, 2015, 2016, 2017 and 2018.

**ABLEST, INC., DRV ET AL**
**PROJECTED PRO FORMA YEAR END CONSOLIDATED BALANCE SHEETS**
**(UNAUDITED)**
**(DOLLARS IN MILLIONS)**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 6.6 | $ 44.4 | $ 95.0 | $ 140.0 | $ 191.7 |
| Accounts Receivable, Net | 226.3 | 232.9 | 249.1 | 257.0 | 266.9 |
| Prepaid Workers' Compensation Insurance | 37.9 | 37.9 | 37.9 | 37.9 | 37.9 |
| Prepaid Expenses and Other Current Assets | 14.2 | 13.6 | 12.8 | 12.1 | 11.3 |
| **Total Current Assets** | **$ 285.0** | **$ 328.7** | **$ 394.8** | **$ 447.0** | **$ 507.8** |
| Fixed Assets, Net | 21.6 | 24.5 | 20.5 | 16.5 | 12.5 |
| Prepaid Workers Compensation Insurance | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 |
| Capitalized Restructuring/Financing Fees & Exp. | 62.0 | 50.6 | 39.2 | 27.8 | 16.4 |
| Other Long Term Assets | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| Intangibles and Goodwill | 528.0 | 518.4 | 509.1 | 500.0 | 491.0 |
| **Total Assets** | **$ 937.4** | **$ 963.2** | **$ 1,004.5** | **$ 1,032.2** | **$ 1,068.7** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $ 23.4 | $ 23.9 | $ 26.3 | $ 27.3 | $ 28.3 |
| Workers Compensation Insurance Reserve | 40.3 | 40.3 | 40.3 | 40.3 | 40.3 |
| Accrued Payroll, Benefits and Related Costs | 55.0 | 56.8 | 65.7 | 60.9 | 63.1 |
| Accrued Expenses - Other | 18.5 | 18.8 | 19.0 | 19.3 | 19.6 |
| Other Current Liabilities | 6.6 | 6.8 | 7.0 | 7.3 | 7.4 |
| **Total Current Liabilities** | **$ 143.7** | **$ 146.5** | **$ 158.3** | **$ 155.0** | **$ 158.8** |
| New Revolving Credit Facility | 2.5 | - | - | - | - |
| New First Lien Term Loan | 348.3 | 344.8 | 341.3 | 337.8 | 334.3 |
| Other Debt | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Workers' Compensation Insurance Reserve | 36.0 | 36.0 | 36.0 | 36.0 | 36.0 |
| Other Long Term Liabilities | 9.3 | 8.2 | 8.2 | 8.2 | 8.2 |
| **Total Liabilities** | **$ 540.2** | **$ 535.9** | **$ 544.1** | **$ 537.3** | **$ 537.6** |
| **Total Shareholders' Equity** | 397.3 | 427.3 | 460.3 | 494.8 | 531.1 |
| **Total Liabilities and Shareholders' Equity** | **$ 937.4** | **$ 963.2** | **$ 1,004.5** | **$ 1,032.2** | **$ 1,068.7** |

THE PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS AND EXPLANATIONS UNDER THE CAPTION ‘‘— PROJECTED FINANCIAL INFORMATION.’’

The ‘‘PROJECTED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS,’’ set forth below presents the projected consolidated results of operations of the Reorganized Debtors and DRV for the period commencing May 25, 2014, after giving effect to the consummation of the transactions contemplated by the Prepackaged Plan to occur on the Effective Date, and for the fiscal years ending December 2014, 2015, 2016, 2017 and 2018. 2014 is a partial year consisting of the fiscal periods after Emergence.

**ABLEST, INC., DRV ET AL**
**PROJECTED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**
**(DOLLARS IN MILLIONS)**

| | Partial Year 2014 (1) | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Revenue** | **$ 1,267.7** | **$ 2,162.3** | **$ 2,272.4** | **$ 2,382.5** | **$ 2,442.5** |
| **Operating Expenses:** | | | | | |
| COGS | 1,089.3 | 1,866.3 | 1,962.1 | 2,057.1 | 2,108.6 |
| SG&A | 93.8 | 161.3 | 167.3 | 174.2 | 177.9 |
| Licensee Margin | 29.4 | 48.3 | 50.3 | 52.6 | 53.8 |
| Depreciation & Amortization | 9.0 | 16.3 | 16.3 | 16.1 | 15.9 |
| Restructuring & Nonrecurring Expenses | 4.6 | - | - | - | - |
| **Operating Profit** | **$ 41.6** | **$ 70.2** | **$ 76.5** | **$ 82.3** | **$ 86.2** |
| Consolidated Interest Expense, net (2) | 22.6 | 37.9 | 40.2 | 44.3 | 46.1 |
| Other Non-Operating (Income) / Expense (3) | (0.9) | (1.8) | (1.8) | (1.9) | (2.0) |
| Income Tax Expense | 2.7 | 4.0 | 5.1 | 5.5 | 5.8 |
| **Net Income** | **$ 17.3** | **$ 30.0** | **$ 33.0** | **$ 34.5** | **$ 36.3** |
| **Memo: Adjusted EBITDA (4)** | **$ 57.1** | **$ 89.5** | **$ 95.8** | **$ 101.7** | **$ 105.5** |

(1) Post-Emergence fiscal periods only.

(2) Includes non-cash amortization of transaction fees.

(3) Primarily includes late fees on unpaid invoices.

(4) Adjusted EBITDA is calculated as operating profit plus depreciation, amortization and restructuring and nonrecurring expenses. Adjusted EBITDA and its related metrics are calculated figures used as proxies by the Debtors for recurring operating profit. However, neither Adjusted EBITDA nor its related metrics are measurements of performance under U.S. GAAP and may not be comparable to similarly titled measures of other companies.

THE PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS AND EXPLANATIONS UNDER THE CAPTION ‘‘— PROJECTED FINANCIAL INFORMATION.’’

The ‘‘PROJECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS,’’ set forth below presents the projected cash flows of the Reorganized Debtors and DRV commencing May 25, 2014, after giving effect to the consummation of the transactions contemplated by the Prepackaged Plan to occur on the Effective Date, and for the fiscal years ending December 2014, 2015, 2016, 2017 and 2018. 2014 is a partial year consisting of the fiscal periods after Emergence.

**ABLEST, INC., DRV ET AL**
**PROJECTED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**
**(DOLLARS IN MILLIONS)**

| | Partial Year 2014 (1) | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Net Income** | **$ 17.4** | **$ 30.0** | **$ 33.0** | **$ 34.5** | **$ 36.3** |
| **Non-cash items** | | | | | |
| Depreciation and amortization | 9.0 | 16.3 | 16.3 | 16.1 | 15.9 |
| Non-cash interest expense | 6.6 | 11.4 | 11.4 | 11.4 | 11.4 |
| Other non-cash addback | 1.0 | 1.7 | 1.8 | 1.8 | 1.9 |
| **Changes in Operating Assets and Liabilities** | | | | | |
| Accounts Receivable | (27.0) | (8.2) | (18.0) | (9.7) | (11.9) |
| Accounts Payable | 6.5 | 0.3 | 2.0 | 0.8 | 0.9 |
| Prepaid Workers' Comp | (2.9) | - | - | - | - |
| Accrued Payroll/Benefits | 0.4 | 1.8 | 8.9 | (4.8) | 2.3 |
| Other Assets and Liabilities | (0.8) | 0.2 | 1.7 | 1.3 | 1.4 |
| **Increase/(decrease) in cash from operations** | **$ 10.3** | **$ 53.5** | **$ 57.0** | **$ 51.5** | **$ 58.2** |
| Additions to fixed assets, net | (4.7) | (9.7) | (2.9) | (3.0) | (3.1) |
| Additions to intangibles | - | - | - | - | - |
| **Increase/(decrease) in cash from investing** | **$ (4.7)** | **$ (9.7)** | **$ (2.9)** | **$ (3.0)** | **$ (3.1)** |
| **Levered Free Cash Flow** | **$ 5.6** | **$ 43.9** | **$ 54.1** | **$ 48.5** | **$ 55.2** |
| Borrowing/(Repayments) of: | | | | | |
| New Revolving Credit Facility | - | - | - | - | - |
| First Lien Term Loan | (1.8) | (3.5) | (3.5) | (3.5) | (3.5) |
| Other Debt | (0.1) | (0.0) | - | - | - |
| **Increase/(decrease) in cash from financing** | **$ 0.6** | **$ (6.0)** | **$ (3.5)** | **$ (3.5)** | **$ (3.5)** |
| **Increase/(decrease) in cash** | **$ 6.2** | **$ 37.8** | **$ 50.6** | **$ 45.0** | **$ 51.7** |
| Beginning cash | 0.4 | 6.6 | 44.4 | 95.0 | 140.0 |
| **Ending cash** | **$ 6.6** | **$ 44.4** | **$ 95.0** | **$ 140.0** | **$ 191.7** |

(1) Post-Emergence fiscal periods only.

THE PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS AND EXPLANATIONS UNDER THE CAPTION ‘‘— PROJECTED FINANCIAL INFORMATION.’’

EXHIBIT D

2012 AUDITED FINANCIAL STATEMENT

# New Koosharem Corporation

**Consolidated Financial Statements**
**Years Ended December 30, 2012 and December 25, 2011**

**New Koosharem Corporation**
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**Report of Independent Auditors**

To the Shareholders of
New Koosharem Corporation

We have audited the accompanying consolidated financial statements of New Koosharem Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 30, 2012 and December 25, 2011, and the related consolidated statements of operations and comprehensive loss, shareholders' deficit and cash flows for the years then ended.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Koosharem Corporation and its subsidiaries at December 30, 2012 and December 25, 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP, 350 South Grand Avenue, Los Angeles, CA 90071*
*T: (213) 356 6000, F: (813) 637 4444, www.pwc.com/us*

***Emphasis of Matter***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations, has substantial working capital and capital deficiencies and has been in default under its credit agreements since May 1, 2010. As a result of being in default under its credit agreements, approximately $524 million of the Company's outstanding indebtedness has been reclassified to current within the accompanying consolidated balance sheets. On September 1, 2011, the Company received an adverse judgment in the amount of $51 million regarding its litigation with the California State Compensation Insurance Fund. This amount was subsequently reduced to $32 million as a result of a settlement agreement reached with the California State Compensation Insurance Fund. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PricewaterhouseCoopers LLP

May 15, 2013

# New Koosharem Corporation
## Consolidated Balance Sheets
## December 30, 2012 and December 25, 2011

*(in thousands of dollars, except share data)*

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 796 | $ 1,643 |
| Restricted cash | 1,590 | 590 |
| Accounts receivable | | |
| Trade, net of allowance for doubtful accounts of $10,881 and $12,742 as of December 30, 2012 and December 25, 2011, respectively | 228,842 | 208,859 |
| Notes and other receivables from related parties | 1,513 | 190 |
| Prepaid expenses and other current assets | 12,623 | 9,911 |
| Deferred tax assets | 79 | 77 |
| Prepaid workers' compensation insurance | 25,448 | 19,507 |
| Total current assets | 270,891 | 240,777 |
| Restricted cash | – | 1,004 |
| Property and equipment, net | 44,081 | 31,827 |
| Notes and other receivables from related parties | 314 | – |
| Prepaid workers' compensation insurance | 34,480 | 34,111 |
| Deferred tax assets | 232 | – |
| Goodwill | 170,869 | 170,869 |
| Intangibles, net | 91,694 | 102,443 |
| Other assets | 5,454 | 8,465 |
| Total assets | $ 618,015 | $ 589,496 |
| **Liabilities and Shareholders' Deficit** | | |
| Current liabilities | | |
| Long-term debt, current portion | $ 534,208 | $ 527,692 |
| Short-term borrowings | 49,208 | 59,491 |
| Factoring facility | 13,207 | – |
| Notes and other payables to related parties | 3,067 | 2,600 |
| Accounts payable | 26,769 | 29,748 |
| Accrued payroll, benefits and related costs | 109,905 | 60,485 |
| Accrued legal and consulting | 41,114 | 68,819 |
| Accrued expenses and capital lease obligations | 68,194 | 37,625 |
| Workers' compensation insurance reserve | 26,019 | 22,832 |
| Total current liabilities | 871,691 | 809,292 |
| Long-term debt, net of current portion | 8,777 | 12,735 |
| Workers' compensation insurance reserve | 34,985 | 29,608 |
| Deferred tax liabilities | – | 45 |
| Other long-term liabilities and capital lease obligations | 17,572 | 5,798 |
| Total liabilities | 933,025 | 857,478 |
| Commitments and contingencies | | |
| New Koosharem Shareholders' deficit | | |
| Common stock 2,000,000 shares authorized and 1,056,067 issued and outstanding as of December 30, 2012 and December 25, 2011 | 13,170 | 13,170 |
| Accumulated deficit | (263,591) | (220,735) |
| Accumulated other comprehensive income | 21 | 20 |
| Notes receivable from shareholders | (55,299) | (53,140) |
| Total New Koosharem shareholders' deficit | (305,699) | (260,685) |
| Deficit attributable to non-controlling interests | (9,311) | (7,297) |
| Total shareholders' deficit | (315,010) | (267,982) |
| Total liabilities and shareholders' deficit | $ 618,015 | $ 589,496 |

The accompanying notes are an integral part of these consolidated financial statements.

# New Koosharem Corporation
## Consolidated Statements of Operations and Comprehensive Loss
## For the Years Ended December 30, 2012 and December 25, 2011

*(in thousands of dollars, except share data)*

| | For the Years Ended | |
|---|---|---|
| | December 30, 2012 | December 25, 2011 |
| Revenues | $ 1,941,056 | $ 1,803,561 |
| Costs of revenues (exclusive of depreciation and amortization included below) | 1,683,239 | 1,539,028 |
| Gross profit | 257,817 | 264,533 |
| Franchise licensees' share of gross profit | 49,163 | 42,525 |
| **Operating expenses** | | |
| Selling and administrative expenses | 146,346 | 151,887 |
| Impairment of goodwill, intangibles and other long-lived assets | 221 | 740 |
| Depreciation and amortization | 18,704 | 21,190 |
| Income from operations | 43,383 | 48,191 |
| **Other income (expense)** | | |
| Interest income | 1,665 | 1,833 |
| Interest expense | (92,272) | (80,387) |
| Other, net | 2,534 | 2,396 |
| Total other expense, net | (88,073) | (76,158) |
| Loss before provision for income taxes | (44,690) | (27,967) |
| (Benefit) provision for income taxes | (62) | 146 |
| Net loss | $ (44,628) | $ (28,113) |
| Less: Loss attributable to non-controlling interests | (1,772) | (542) |
| Net loss attributable to New Koosharem Corporation | (42,856) | (27,571) |
| **Other comprehensive loss** | | |
| Unrealized gain on marketable securities, net of tax | 1 | 1 |
| Comprehensive loss | (44,627) | (28,112) |

The accompanying notes are an integral part of these consolidated financial statements.

# New Koosharem Corporation
## Consolidated Statements of Shareholders' Deficit
## For the Years Ended December 30, 2012 and December 25, 2011

*(in thousands of dollars, except share data)*

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Accumulated Deficit | Notes Receivable from Shareholders | Accumulated Other Comprehensive Income | New Koosharem Shareholders' Deficit | Non-controlling Interests | Total Shareholders' Deficit |
| **Balance at December 26, 2010** | 1,056,057 | $ 13,170 | $ (193,164) | $ (52,622) | $ 19 | $ (232,597) | $ (6,755) | $ (239,352) |
| Net loss | – | – | (27,571) | – | – | (27,571) | (542) | (28,113) |
| Other comprehensive income | – | – | – | – | 1 | 1 | – | 1 |
| Advances from shareholders | – | – | – | (518) | – | (518) | – | (518) |
| **Balance at December 25, 2011** | 1,056,057 | $ 13,170 | $ (220,735) | $ (53,140) | $ 20 | $ (260,685) | $ (7,297) | $ (267,982) |
| Net loss | – | – | (42,856) | – | – | (42,856) | (1,772) | (44,628) |
| Other comprehensive income | – | – | – | – | 1 | 1 | – | 1 |
| Newly consolidated variable interest entities | – | – | – | – | – | – | (242) | (242) |
| Advances to shareholders | – | – | – | (2,159) | – | (2,159) | – | (2,159) |
| **Balance at December 30, 2012** | 1,056,057 | $ 13,170 | $ (263,591) | $ (55,299) | $ 21 | $ (305,699) | $ (9,311) | $ (315,010) |

The accompanying notes are an integral part of these consolidated financial statements.

# New Koosharem Corporation
## Consolidated Statements of Cash Flows
## For the Years Ended December 30, 2012 and December 25, 2011

*(in thousands of dollars, except share data)*

| | For the Years Ended | |
|---|---|---|
| | December 30, 2012 | December 25, 2011 |
| **Cash flows from operating activities** | | |
| Net loss including non-controlling interests | $ (44,628) | $ (28,113) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortization | 18,704 | 21,190 |
| Impairment charges | 221 | 740 |
| Gain on forgiveness of debt | (986) | (1,040) |
| Gain on legal settlement | (19,933) | (5,512) |
| Amortization of debt issuance costs | 4,106 | 4,134 |
| Amortization of warrants | 1,406 | 1,207 |
| Bad debt expense | 1,613 | 1,755 |
| PIK “payment in kind” interest | 8,024 | 18,612 |
| Other non-cash additions to debt | 3,757 | 252 |
| Non-cash additions to related party notes receivable | (603) | – |
| Loss on investment | 176 | 266 |
| Loss on disposal of property and equipment | 92 | 9 |
| Deferred income taxes | (280) | 66 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (21,595) | (20,807) |
| Prepaid expense and other current assets | (165) | 1,155 |
| Prepaid workers' compensation insurance | (6,310) | (6,144) |
| Other assets | 128 | (3,070) |
| Accounts payable | (4,052) | 13,619 |
| Accrued payroll, benefits and related costs | 49,388 | 13,666 |
| Accrued legal and consulting | (9,938) | (1,163) |
| Accrued expenses | 29,812 | 7,417 |
| Workers' compensation insurance reserve | 9,825 | (14,826) |
| Other long-term liabilities | (459) | (130) |
| Net cash provided by operating activities | 18,303 | 3,283 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (5,556) | (4,277) |
| Proceeds from sale of property and equipment | 4 | 1 |
| Change in restricted cash | 4 | 2 |
| Purchases of intangible assets | (168) | – |
| Issuance of related party notes receivable | (1,167) | – |
| Net cash used in investing activities | (6,883) | (4,274) |
| **Cash flows from financing activities** | | |
| (Payments) borrowings on line of credit, net | (10,283) | 1,844 |
| Borrowings under factoring facility, net | 13,207 | – |
| Borrowings under revolver, net | 3,000 | – |
| Payments for debt issuance costs | (3,604) | – |
| Repayment of long-term debt | (9,871) | (32,166) |
| Principal payments under capital and other lease obligations | (4,308) | (4,501) |
| Advances to shareholders, net | – | (518) |
| Minority shareholder dividends paid | (408) | – |
| Net cash used in financing activities | (12,267) | (35,341) |
| Decrease in cash position | (847) | (36,332) |
| **Cash and cash equivalents** | | |
| Beginning of year | 1,643 | 37,975 |
| End of year | $ 796 | $ 1,643 |

The accompanying notes are an integral part of these consolidated financial statements.

# New Koosharem Corporation
## Consolidated Statements of Cash Flows
## For the Years Ended December 30, 2012 and December 25, 2011

*(in thousands of dollars, except share data)*

| | For the Years Ended December 30, 2012 | For the Years Ended December 25, 2011 |
|---|---|---|
| **Supplemental disclosure of cash flow information** | | |
| Cash paid during the period for: | | |
| Interest | $ 42,974 | $ 45,757 |
| Income taxes | 398 | 978 |
| **Supplemental disclosure of non-cash investing and financing activities** | | |
| Release of deposit related to workers' compensation litigation to shareholder | $ 2,100 | $ – |
| Contract liability for intangible asset purchases | 273 | – |
| Debt issuance costs | 2,528 | – |

The accompanying notes are an integral part of these consolidated financial statements.

# New Koosharem Corporation
## Notes to Consolidated Financial Statements

*(in thousands of dollars, except share data)*

### 1. Summary of Significant Accounting Policies

**Business**

New Koosharem Corporation ("Koosharem" or the "Company") is a national provider of temporary personnel. The Company provides temporary personnel to its customers under the customers' supervision in the following skill categories: clerical, light industrial, information technology and financial and accounting. Its customers are Fortune 1000 companies as well as small and mid-size local and regional companies that operate in manufacturing, service, retail, banking and governmental agencies industries, among others. The Company provides its services throughout the United States, through a network of 334 branches, of which 193 are Company-owned and 141 are independently managed franchises, with physical locations in 45 states.

The sales and delivery functions for Koosharem's clients are concentrated in and through its branch offices. The Company's headquarters provides support services to the branch offices in areas such as human resources, risk management, legal, marketing, and national sales initiatives, in addition to traditional "back office" support services such as payroll, billing, accounting, credit and collection, tax, and data processing, which are highly centralized.

Under the Company's traditional franchise agreements, the franchisee pays all lease and working capital costs relating to its office, including funding payroll and collecting clients' accounts. Generally, the franchisee pays the Company an initial franchise fee and continuing franchise fees, or royalties, at a standard rate of 7.0% of its gross billings. Franchisees that renew their franchise agreement may qualify for a reduced rate (ranging from 4% - 6.5%) based on gross billings. Additionally, a discounted rate is utilized with national accounts. The Company processes payroll and invoices clients, and the franchisee employs all management staff and temporary personnel affiliated with its office. As of December 30, 2012, there are only two traditional franchisees operating under these agreements. The Company no longer offers this form of franchise agreement.

Under the Company's licensed franchise agreements, the licensee pays the Company an initial franchise fee and pays all lease and operating costs relating to its office. The licensee employs all management staff affiliated with its office, but the Company employs all temporary personnel affiliated with the licensed franchise office, handles invoicing and collecting clients' accounts, and generally remits to the licensed franchisee 60% - 75% of the office's gross margin. As of December 30, 2012, there are 52 licensed franchisees operating under these agreements.

The Company's share of the licensee's gross margin, representing the continuing franchise fees, is generally not less than 7.5% of the licensed franchisee's gross billings. However, the Company's share of the licensee's gross margin is decreased for (i) national accounts for which the Company's fee is reduced to compensate for lower gross margins, (ii) sales incentive programs, and (iii) licensees that renew their franchise agreement, who may qualify for a reduced rate (ranging from 6.0% - 7.0%) based on gross revenues.

**Organization and Consolidation Policy**

The accompanying consolidated financial statements include the accounts of New Koosharem Corporation and its wholly-owned subsidiaries. In addition, Koosharem consolidates any variable interest entity ("VIE") in which Koosharem is the primary beneficiary and other companies under common control. The Company operates under the names of Select Staffing, Remedy Intelligent Staffing, RemX Financial Staffing, RemX IT Staffing, RemX OfficeStaff, RemX Scientific, RemX Engineering, Select Truckers Plus, Select Medical Staffing, SelectRemedy, Power Training Institute, Westaff, San Diego Personnel & Employment Agency, Inc., Good People Employment Services, and Trishan Air.

*(in thousands of dollars, except share data)*

On February 1, 2010, Koosharem Corporation (the "Old Company"), New Koosharem Corporation, and New Koosharem Merger Sub ("Merger Sub") entered into an agreement of merger to create a new holding company structure. This merger was facilitated by merging Merger Sub, which was a wholly owned subsidiary of New Koosharem at the point of merger, with and into the Old Company, such that the Old Company was the surviving corporation with New Koosharem Corporation becoming the parent of the reorganized group.

Per the terms of the merger agreement, each of the outstanding shares of Old Company common stock was converted to an equal number of shares of Parent common stock. In connection with the transaction all of the assets and liabilities of the Old Company were transferred to New Koosharem Corporation at their respective book values. Immediately following the merger, the Old Company converted into a California Limited Liability Corporation. The merger and conversion together qualify as a reorganization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, resulting in no tax impact to the Company. In accordance with Accounting Standards Codification Topic 805 (*Business Combinations*), the merger was determined to be a common control transaction. Accordingly, the transferred assets and liabilities were not recorded at fair value but were recorded at their historical carrying values.

*Consolidated Variable Interest Entities*
In accordance with Accounting Standards Codification ("ASC") Topic 810 (*Financial Accounting Standards Board Interpretation No. 46 (FIN 46R), "Consolidation of Variable Interest Entities"*), the Company consolidates VIEs for which it is the primary beneficiary. To be considered a primary beneficiary, the Company must have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could be potentially significant to the VIE. The following companies are considered VIEs of which the company is the primary beneficiary and are consolidated in these financial statements:

| Variable Interest Entities | Type of Corporation |
|---|---|
| Trishan Air, Inc. | S Corporation |
| Trishan Air, LLC | LLC |
| Kerry Acquisitions, LLC | LLC |
| POGO, Inc. ("POGO") | C Corporation |
| Dave Tonick Enterprises, Inc. ("Dave Tonick") | S Corporation |
| San Diego Personnel & Employment Agency, Inc. ("SDP") | C Corporation |

All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. For the carrying amounts and classification of the consolidated VIE's assets and liabilities, see "Supplementary Financial Information".

Trishan Air, Inc., Trishan Air, LLC and Kerry Acquisitions, LLC, (together, "Trishan"), are entities that were created to accommodate the leasing of aircraft to the Company. Lease payments made by the Company comprise the sole source of revenue for Trishan. During 2011, the Company had $1,000 held in a restricted cash account as collateral for a letter of credit supporting payments owed by Trishan related to one of the aircraft. During 2012, the letter of credit expired and was not renewed, and the funds remain in satisfaction of this loan requirement. Should additional financial support be needed by Trishan in the future, it is expected that the Company would provide such support due to the related party leasing relationship. There is no recourse from the creditors of Trishan to the general credit of the Company as the obligations are guaranteed by the primary shareholder.

SDP is a staffing company that services both government and commercial business. During 2012 and 2011, SDP generated a substantial portion of its revenues under a subcontracting arrangement with the Company. Under the terms of the agreement, SDP bills its customers for temporary personnel services and records a liability to the Company equal to 97.5% (the "liability percentage") of total billings for providing subcontracting services. SDP retains the remaining 2.5% (the "retention percentage") of gross billings. Effective August 13, 2012, the liability percentage changed to 96.5% and the retention percentage changed to 3.5%. For 2011 and future periods, the Company and SDP have agreed that SDP will accrue interest at 10% per annum on the average balance of outstanding invoices payable to SDP by the Company. During 2012, SDP entered into an Accounts Receivable Purchase and Security Agreement (the "Factoring Agreement") with a lender for a maximum of $13,600. The Company is a guarantor under the Factoring Agreement, and if SDP defaults on the payments, the Company could potentially be liable for the full amount.

POGO is a staffing company that services both government and commercial business. During 2012, the Company provided the majority of the financing for POGO's operations and continues to do so. As of December 30, 2012, the Company had made advances to POGO of $1,247. For the year ended December 30, 2012, POGO operated at a loss, and if it continues to do so the Company may not be able to recover this amount. The Company's involvement with POGO during 2011 was insignificant.

Dave Tonick is a staffing company that services commercial business. During 2012, the Company provided the majority of the financing for Dave Tonick's operations and continues to do so. As of December 30, 2012, and December 25, 2011, the Company had made cumulative advances to Dave Tonick of $967 and $1,039, respectively. During 2012 and 2011, Dave Tonick operated at a loss, and if it continues to do so the Company may not be able to recover these amounts.

*Unconsolidated Variable Interest Entities*
The Company has involvement with variable interest entities of which it is not the primary beneficiary, consisting of: providing certain back office support and paying invoices on behalf of the entities. The Company records a receivable from the variable interest entities for the amount of any invoices paid and a calculated amount for back office support. The maximum amount of exposure to the Company is limited to the carrying amount of the receivable, which is included in notes and other receivables from related parties in the accompanying consolidated balance sheets and was $1,827 and $190 as of December 30, 2012 and December 25, 2011, respectively.

**Basis of Presentation**
The Company has incurred operating losses during the last six fiscal years and has a shareholders' deficit of $315,010. At December 30, 2012, the Company had negative working capital of $600,800. Furthermore, the Company has been in default under its credit agreements since 2010 and, as a result, all of the Company's debt facilities have become immediately due and payable; accordingly, such debt has been classified as current in the consolidated balance sheets as of December 30, 2012 and December 25, 2011. On September 1, 2011, the Company received an adverse judgment in the amount of $51,016 regarding its litigation with the California State Compensation Insurance Fund ("SCIF"). The SCIF judgment amount was subsequently reduced to $32,153 as a result of a settlement agreement reached with the California State Compensation Insurance Fund. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company has continued to undertake initiatives to improve overall profitability and working capital, including: 1) improving collections of accounts receivable and reducing past due accounts; 2) improving individual branch profitability; 3) undertaking a comprehensive review of workers' compensation policies and procedures; 4) evaluating cost saving opportunities at each branch including a branch consolidation plan and headcount reductions; 5) negotiating for reductions of all commercial lease costs; and 6) eliminating lower margin customers. These continued cost saving initiatives are intended to allow the Company to operate profitably and to potentially comply with its post-restructuring loan covenant requirements, though no assurances can be provided that it will be successful in executing its plans or that such plans will have the desired effect. In addition, on November 19, 2012, the Company entered into a Forbearance Agreement with two-thirds of its lenders. The Forbearance Agreement provides for a forbearance of remedies by the First Lien Agreement lenders and the Second Lien Agreement lenders for a specified period of time in order for the Company to provide for the refinancing of its debt through the combination of debt financing and the sale of equity and assets. The Forbearance Agreement provides for the differing levels of debt payoffs based on the total value of the financing obtained. As part of the Forbearance Agreement, the Company is in active discussions with potential buyers of the Company's stock and assets with its investment bankers and simultaneously expects to restructure its debt facilities to provide for a more sustainable debt structure which would further enhance the Company's profitability and cash flow. The Forbearance Agreement expired on May 6, 2013 and has been extended to May 31, 2013; however, given that the Forbearance Agreement only provides a general outline of the terms which the lenders would be willing to accept in a restructuring, the execution of an extension would not mitigate a going concern conclusion.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

**Fiscal Year**
The Company's fiscal year ends on the last Sunday in December and consists of either 52 or 53 weeks. The fiscal years ended on December 30, 2012 and December 25, 2011 and contained 53 weeks and 52 weeks, respectively.

**Reclassifications**
Certain reclassifications have been made to the prior year consolidated financial statements to conform to current year presentation. Additionally, certain reclassifications have been made to the prior year consolidated financial statements to correct immaterial errors in balance sheet classifications. The Company assessed the materiality of the corrections and concluded that there were immaterial to the previously reported financial statements.

**Accounting Estimates**
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates in the Company's consolidated financial statements include those used in establishing the allowance for doubtful accounts, reserves for litigation, workers' compensation insurance reserves, and income tax accounts, as well as determining the value of long-lived assets, including goodwill and intangibles, and related impairments.

*(in thousands of dollars, except share data)*

**Fair Value of Financial Instruments**
The Company considers carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses to approximate fair values due to the short-term nature of these financial instruments. The fair value of the long-term debt instruments are determined using current applicable rates for similar instruments as of the balance sheet date (Level 2 Fair Value measurement). The carrying amounts and fair value of the debt instruments as of December 30, 2012 were as follows:

| | Carrying Value | Fair Value |
|---|---|---|
| First lien agreement | $ 403,579 | $ 393,166 |
| Second lien agreement | 121,252 | 30,600 |
| Revolving loan | 52,234 | 52,234 |
| Subordinated notes payable on acquisitions | 4,773 | 4,773 |
| Subordinated promissory note | 8,792 | 8,792 |
| Revolving loan – Koosharem | 3,000 | 3,000 |
| Notes payable to related parties | 3,067 | 3,067 |

ASC 820, *Fair Value Measurements*, established the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and U.S. government treasury securities.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives such as over the counter forwards, options and repurchase agreements.

Level 3: Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At each balance sheet date, the Company performs an analysis of all instruments subject to ASC 820 and includes in Level 3 all of those instruments whose fair value is based on significant unobservable inputs.

**Cash and Cash Equivalents**
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*(in thousands of dollars, except share data)*

**Restricted Cash**
Prior to 2011, the Company deposited $1,000 to collateralize a letter of credit issued in satisfaction with one of its loan requirements. During 2012, the letter of credit expired and was not renewed, and the funds remain in satisfaction of this loan requirement. The Company also maintains $590 in escrow to secure potential workers' compensation shortfalls in the State of Washington. As of December 30, 2012 and December 25, 2011, current and non-current restricted cash totaled $1,590 and $1,594, respectively.

**Concentrations of Credit Risk**
Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash and cash equivalents at financial institutions with high credit quality. At various times throughout the year, such cash balances are in excess of federally insured limits.

The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral. Concentrations of credit risk are limited due to the large number of customers comprising the Company's customer base and their dispersion across different business and geographic areas.

**Allowance for Doubtful Accounts**
Accounts receivable are carried at the amount estimated to be collectible. The Company maintains an allowance for doubtful accounts based upon management's analysis of historical write-off levels, current economic trends, routine assessment of its customers' financial strengths and any other known factors impacting collectability. The Company provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts and reserves for an account when it is considered uncollectible. Recoveries are recognized in the period they are received. The ultimate amount of accounts receivable that become uncollectible could differ from those estimated.

The following table summarizes the activity in the allowance for doubtful accounts:

| | | |
|---|---|---|
| **Balance at December 26, 2010** | $ | 13,090 |
| Additions | | 2,701 |
| Write-offs | | (3,021) |
| Recoveries | | (28) |
| **Balance at December 25, 2011** | $ | 12,742 |
| Additions | | 3,293 |
| Write-offs | | (5,095) |
| Recoveries | | (59) |
| **Balance at December 30, 2012** | $ | 10,881 |

**Property and Equipment**
Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives, ranging from three to seven years. Amortization of leasehold improvements is computed on a straight-line basis over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold, the related cost and accumulated depreciation are removed from the accounts and resulting gains and losses are included in operations in the year of disposal.

*(in thousands of dollars, except share data)*

During the year ended December 30, 2012, the Company determined that it had incorrectly classified an aircraft lease as an operating lease. After further review, the Company determined the lease should have been classified as a capital lease. In connection with this change in classification, the Company capitalized $16,664, net of related accumulated depreciation of $3,413, which has been recorded within property and equipment in the accompanying consolidated balance sheets. Furthermore, the Company recorded a cumulative catch-up loss of $316 during the year ended December 30, 2012, which represents the incremental charges associated with capital lease classification. The change has been accounted for as a correction of an error beginning December 26, 2011. The Company assessed the materiality of the correction and concluded that it was immaterial to previously reported annual amounts and that the correction of the error in 2012 would not be material to the current year results of operations. Accordingly, the Company corrected this error as of December 30, 2012 and did not restate its consolidated financial statements for the prior years impacted.

Property and equipment consist of the following:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| Furniture and fixtures | $ 5,545 | $ 5,445 |
| Computer and office equipment | 52,318 | 35,666 |
| Leasehold improvements | 7,583 | 6,396 |
| Transportation equipment | 35,782 | 18,707 |
| Software development costs | – | 13,718 |
| | 101,228 | 79,932 |
| Less: Accumulated depreciation | (57,147) | (48,105) |
| | $ 44,081 | $ 31,827 |

Depreciation expense was $7,514 and $6,608 for the years ended December 30, 2012 and December 25, 2011, respectively.

As of December 30, 2012 and December 25, 2011, property and equipment included assets of approximately $30,236 and $13,572, respectively, acquired under capital lease arrangements. Accumulated amortization of assets acquired under capital leases was approximately $8,745 and $2,415 as of December 30, 2012 and December 25, 2011, respectively.

**Internally Developed Software Costs**
Software development costs are accounted for in accordance with ASC 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*. Under this standard, costs incurred for conceptualizing and evaluating software alternatives are expensed as incurred. Costs during the application development stage, including software design, coding, configuration, testing and interfaces, are capitalized. These costs also include external consulting fees, software license fees and internal labor costs for those employees directly and indirectly involved with software development. The software development costs are reclassified to computer and office equipment once a system or module becomes active and is no longer considered to be in development. These software costs are amortized over their estimated useful life of seven years. Costs in the post-implementation stage/operation stage, including costs related to training, external support and software maintenance are expensed as incurred. Costs reclassified from software development costs to computer and office equipment for the years ended December 30, 2012 and December 25, 2011 were $15,266 and $0, respectively.

**Goodwill and Indefinite-lived Intangible Assets**
Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired. In accordance with ASC 350, *Intangibles –- Goodwill and Other*, the Company does not amortize goodwill but instead tests goodwill for impairment on an annual basis or more frequently if

the Company believes indicators of impairment may exist. Events or circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. Goodwill impairment testing is performed as of the first Sunday in October of each year.

For 2012, a qualitative assessment for the annual goodwill impairment test determined it was more likely than not that the fair value of the reporting units was more than their carrying value. In conducting the qualitative assessment, the Company assessed the totality of relevant events and circumstances that affect the fair value or carrying value of a reporting unit. Such events and circumstances included macroeconomic conditions, industry and competitive environment considerations, overall financial performance, reporting unit specific events and market considerations. The Company considered recent valuations of its reporting units, including the magnitude of the difference between the most recent fair value estimate and the carrying value. The Company considered both positive and adverse events and circumstances and assessed the extent to which each of the events and circumstances identified affected the comparison of a reporting unit's fair value with its carrying value. For 2011, the testing for a potential impairment involved a two step process. The first step involves comparing the estimated fair values of the Company's reporting units with their respective book values, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the carrying amount of the goodwill is compared with its implied fair value. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. For purposes of impairment testing in 2012, the Company considers its reporting units to be Commercial and Specialty. Based on the Company's analyses, no impairment charges were recognized as of December 30, 2012 and December 25, 2011.

Application of the step one goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a weighting of market earnings multiples and discounted cash flow methodologies. This requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth of the Company's business, the useful life over which cash flows will occur, terminal value assumptions and determination of the Company's weighted average cost of capital. The market earnings method utilizes public company information to determine enterprise value/revenues multiples and enterprise value/EBITDA multiples. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

Intangible assets with indefinite useful lives are not amortized but tested annually as of the first Sunday in October for impairment or more often if events or circumstances change that would create a triggering event. The Company has one indefinite-lived intangible asset, which is the Remedy trade name. The valuation of the trade name was derived from an income approach by which the relief from royalty method was applied valuing the savings as cash flow. The relief from royalty method requires assumptions to be made concerning forecasted net sales, a discount rate, and a royalty rate. The underlying concept of the relief from a royalty method is that the value of the name can be estimated by determining the cost savings the Company achieves by not having to license the name. Changes in projections or estimates, a deterioration of operating results and the related cash flow effect or a significant increase in the discount rate or decrease in the royalty rate could decrease the estimated fair value and result in impairments.

**Intangible Assets**
Intangible assets are stated at cost less accumulated amortization. For intangible assets with finite lives, the pattern in which the economic benefit of the assets will be consumed is evaluated based on projected usage or production of revenues. The Company considers certain factors when assigning useful lives such as legal, regulatory, and contractual provisions as well as the effects of obsolescence, demand, competition and other economic factors. Intangible assets are amortized using the straight-line method over estimated useful lives ranging from three to twenty years, as the straight-line method most closely reflects the pattern in which the economic benefits of the relationships are derived.

**Impairment of Long-Lived Assets**
The Company assesses potential impairments of its long-lived assets in accordance with the provisions of ASC 360, *Property, Plant, and Equipment*. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors considered by the Company include, but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. The Company has determined that its asset group for impairment testing is comprised of the assets and liabilities of each of its reporting units as this is the lowest level of identifiable cash flows. The Company has identified customer relationships as the primary asset because it is the principal asset from which the reporting units derive their cash flow generating capacity and has the longest remaining useful life. The recoverability is assessed by comparing the carrying value of the asset group to the undiscounted cash flows expected to be generated by these assets. Impairment losses are measured as the amount by which the carrying values of the primary assets exceed their fair values. Based on the Company's impairment tests, no impairment charges were recognized for the years ended December 30, 2012 and December 25, 2011, respectively.

**Deferred Financing Costs**
The Company has incurred debt issuance costs in connection with its long-term debt. These costs are capitalized as deferred financing costs and amortized over the term of the related debt using the effective interest method. Due to the Company being in default with respect to certain debt covenants (see Note 4), the Company has reclassified $3,517 and $7,237 of unamortized deferred financing costs to current as of December 30, 2012 and December 25, 2011, respectively. Amortization expense was $4,106 and $4,134 for the years ended December 30, 2012 and December 25, 2011, respectively, and is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss. In November 2012, the Company entered into a Forbearance Agreement with a majority of its lenders. As a condition of the Forbearance Agreement, the debt is planned to be restructured or paid off by May 2013. Thus, the Company has accelerated the period of amortization to May 2013 from June 2014. The Company has capitalized $6,128 in costs associated with the potential debt restructuring and equity sale associated with requirements of the Forbearance Agreement. These costs will be amortized as debt issuance costs over the term of the new debt facilities once the financing transaction is completed or written off if such financing is not consummated.

**Workers' Compensation**
The Company primarily self-insures itself for workers' compensation and establishes a cash reserve for estimated claims, representing the estimated ultimate cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported ("IBNR"). The estimated liabilities are not discounted and are based on information provided by the Company's insurance brokers, combined with its judgment regarding a number of assumptions and factors, including the frequency and severity of claims, claims development history, case jurisdiction, applicable legislation and claims settlement practices. The Company maintains stop-loss coverage with third party insurers to limit its individual claim exposure for many of its programs. The estimated amounts receivable from its third-party insurers under this coverage are recorded in non-

current prepaid workers' compensation insurance. Significant judgment is required to estimate IBNR amounts as parties have yet to assert such claims. If actual claims trends, including the severity or frequency of claims, differ from its estimates, the Company's financial results could be impacted.

For certain claims acquired in connection with business acquisitions, the Company has added an additional risk premium and claims handling fee to the actuarial loss estimate in order to reflect management's estimate of the fair value of the claims. Subsequent to the acquisition date, the claims are adjusted as the Company pays the claims or is released from risk.

**Revenue Recognition**
The Company generates revenue from the sale of temporary staffing services by its Company-owned operations, licensed franchise operations and from royalties on sales of such services by its traditional franchise operations. Temporary staffing revenues and the related labor costs and payroll taxes are recorded in the period in which the services are performed. The Company records the amount billed as revenues and the related labor costs and payroll taxes as cost of sales.

The Company follows ASC 605-45, *Principal Agent Considerations,* in the presentation of revenues and direct costs of revenues. This guidance requires the Company to assess whether it acts as a principal in the transaction or as an agent acting on behalf of others. Where the Company is the principal in the transaction and has the risks and rewards of ownership, the transactions are recorded gross in the consolidated statements of operations and comprehensive loss.

Under the Company's licensed franchise agreement, revenues generated by the franchise operation and the related costs of revenues are included in the Company's consolidated financial statements. The Company has the direct contractual relationship with the customer, holds title to the related customer receivables and is the legal employer of the temporary employees. Thus, certain risks associated with the licensed franchise operations remain with the Company. The net distribution paid to the licensee for the services rendered is based on a percentage of the gross margin generated by the licensed operation and is reflected as "Franchise licensees' share of gross profit" in the consolidated statements of operations and comprehensive loss.

Under the Company's non-licensed traditional franchise agreements, the franchisees pay the Company a royalty based on a percentage of net sales earned as well as initial start up fees. The royalties are recognized as earned and the initial franchise fees are recorded as deferred income when received and are recognized as revenue when the franchised locations are opened as all material services and conditions related to the franchise fee have been substantially performed.

**Advertising**
Advertising and promotional expenses are charged to expense when incurred and are included in selling and administrative expense in the consolidated statements of operations. Advertising expenses were $3,431 and $2,701 for the years ended December 30, 2012 and December 25, 2011, respectively.

**Income Taxes**
The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. Under this method, deferred income taxes are recognized for the estimated tax consequences in future years of differences between the tax bases of assets and liabilities and the financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income.

*(in thousands of dollars, except share data)*

Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when, in management's opinion, it is more likely than not that some portion of the deferred tax assets will not be realized. The provision for income taxes represents current taxes payable net of the change during the period in deferred tax assets and liabilities.

All of the companies consolidated in the financial statements, except Westaff, Inc., SDP and POGO, have elected to be treated as S Corporations or LLCs for federal and state income tax purposes. As a result, no liability for federal income taxes exists since such taxes, if any, are levied directly against the shareholders. Minimum state taxes imposed on S Corporations are included in the provision for income taxes in the accompanying consolidated statements of operations and comprehensive loss.

**Recent Accounting Pronouncements**
Effective January 1, 2012, the Company adopted the provisions of Accounting Standards Update ("ASU") No. 2011-08, *Testing Goodwill for Impairment* (Topic 350), which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The adoption of this standard did not have an impact on the Company's consolidated financial statements and footnote disclosures.

Effective January 1, 2012, the Company adopted the provisions of ASU No. 2011-05, *Comprehensive Income* (Topic 220): *Presentation of Comprehensive Income*, which requires that all non-owner changes in shareholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement would present total net income and its components followed consecutively by a second statement that would present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The effective date of certain provisions of this standard pertaining to the reclassification of items out of accumulated other comprehensive income has been deferred and is pending the issuance of further guidance on that matter. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

## 2. Goodwill and Intangibles

During the years ended December 30, 2012 and December 25, 2011, there was no activity in the goodwill account and the balance remained at $170,869 with accumulated goodwill impairment loss of $20,384.

Intangible assets are as follows:

| | December 30, 2012 | | |
|---|---|---|---|
| | Gross | Accumulated Amortization | Net |
| Customer relationships | $ 144,712 | $ (72,251) | $ 72,461 |
| Employee database | 14,915 | (14,616) | 299 |
| Trade names | 19,791 | (2,550) | 17,241 |
| Other | 17,850 | (16,157) | 1,693 |
| | $ 197,268 | $ (105,574) | $ 91,694 |

*(in thousands of dollars, except share data)*

| | December 25, 2011 | | |
|---|---|---|---|
| | Gross | Accumulated Amortization | Net |
| Customer relationships | $ 144,712 | $ (63,091) | $ 81,621 |
| Employee database | 14,915 | (13,580) | 1,335 |
| Trade names | 19,791 | (2,120) | 17,671 |
| Other | 17,409 | (15,593) | 1,816 |
| | $ 196,827 | $ (94,384) | $ 102,443 |

Amortization expense for the years ended December 30, 2012 and December 25, 2011 was $11,190 and $14,582, respectively. In addition to its amortizing intangible assets, the Company assigned an indefinite life to the Remedy trade name which is included within the trade names intangible assets. As of December 30, 2012 and December 25, 2011, the trade name had a carrying value of $12,950.

Future expected amortization expense associated with these amortizable intangibles is as follows:

| Years | Total |
|---|---|
| 2013 | $ 9,464 |
| 2014 | 9,137 |
| 2015 | 8,997 |
| 2016 | 8,797 |
| 2017 | 8,597 |
| Thereafter | 33,752 |
| Total | $ 78,744 |

The weighted average intangible amortization period as of December 30, 2012 for customer relationships, employee database and trade names was 12.5 years, 5.0 years and 6.4 years, respectively.

**3. Accrued Payroll Taxes**

As of December 30, 2012, the Company owed outstanding payroll tax liabilities of $88,203, of which $56,661 was past due. The past due payroll tax liabilities include employer portions of federal payroll tax, federal unemployment tax, and state unemployment tax of $29,996. In addition as of December 30, 2012, the Company owed $26,665 in past due unremitted employee withholdings. As of May 15, 2013, the Company owes past due state unemployment taxes in the amount of $6,312; all other payroll taxes and withholdings due as of December 30, 2012 have been paid.

# New Koosharem Corporation
## Notes to Consolidated Financial Statements

*(in thousands of dollars, except share data)*

### 4. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt consist of the following:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| First lien agreement | $ 403,579 | $ 400,660 |
| Second lien agreement | 121,252 | 121,252 |
| Revolving loan | 52,234 | 51,316 |
| Subordinated notes payable on acquisitions | 4,773 | 8,972 |
| Subordinated promissory note | 8,792 | 10,277 |
| Revolving loan – SDP | – | 10,283 |
| Revolving loan – Koosharem | 3,000 | – |
| Notes payable to related parties | 3,067 | 2,600 |
| Total debt | 596,697 | 605,360 |
| Long term debt, current portion | (586,483) | (589,783) |
| Creditor fees | (1,437) | (2,842) |
| Total long-term debt, net of current portion | $ 8,777 | $ 12,735 |

*First Lien Agreement*

On July 12, 2007, the Company entered into a First Lien Credit and Guaranty Agreement (the "First Lien Agreement") which provided for a term loan of $250,000, an accordion loan of up to $200,000, and a revolving loan commitment of up to $50,000. The revolving loan is available to finance working capital requirements, leasehold improvements, letters of credit and acquisitions. Interest on borrowings for the term loan and the revolving loan commitment is based on the banks' base rate plus an applicable margin from 2.75% to 3.25% per annum (depending on the leverage ratio) or the adjusted Eurodollar rate plus an applicable margin of 3.75% to 4.25% per annum (depending on the leverage ratio), at the Company's option, and is payable quarterly. In May 2010, the Company entered into an amendment to the First Lien Agreement and the Second Lien Agreement (the "Fifth Amendment"), discussed below. As part of the Fifth Amendment, additional interest was added, payable as payment-in-kind ("PIK"), at a rate of 1.25% to 1.75% (depending on the leverage ratio). Quarterly principal payments of $625 plus interest are required through March 31, 2014, with the remaining principal balance due upon maturity on June 30, 2014. Borrowings outstanding under the revolving loan are classified as short-term borrowings in the accompanying consolidated balance sheets. As of December 30, 2012 and December 25, 2011, borrowings outstanding under this revolving loan were $49,208 and $49,208, respectively. No letters of credit were outstanding under the revolving credit facility as of December 30, 2012 and December 25, 2011. A recurring commitment fee of 0.50% is charged on the unused portion of the revolving loan. The weighted average interest rate on borrowings was 10.25% (which includes weighted average default interest of 2.00% and weighted average PIK interest of 1.75%) for the years ended December 30, 2012 and December 25, 2011. PIK interest during the years ended December 30, 2012 and December 25, 2011, on the First Lien Agreement and the revolving loan was $8,024 and $7,826, respectively, and is included in the First Lien Agreement balance. Interest payable under the First Lien Agreement and revolving loan was $9,697 and $9,120 as of December 30, 2012 and December 25, 2011, respectively, and is included in accrued expenses and capital lease obligations on the accompanying consolidated balance sheets. The First Lien Agreement contains certain restrictions on payments to the principal shareholder as well as financial and non-financial covenants. The Company was not in compliance with its EBITDA, leverage and fixed charge financial covenants or its limitations on restricted payments to its shareholder as of December 30, 2012. The Company was not in compliance with its leverage and fixed charge financial covenants or its limitations on restricted payments to its shareholder as of December 25, 2011.

*Second Lien Agreement*
On July 12, 2007, the Company entered into a Second Lien Credit and Guaranty Agreement ("Second Lien Agreement") which provides a term loan of $100,000. The entire principal balance of the Second Lien term loan is due at maturity on December 31, 2014. Interest accrues based on the Adjusted Eurodollar rate plus 12.25% during the period through but excluding the date upon which the 2010 Term Loan obligations are paid in full. Thereafter, interest accrues at the base rate plus 5.25% or 6.25% per annum (depending on the leverage ratio) or the adjusted Eurodollar rate plus 6.25% or 7.25% per annum (depending on the leverage ratio), at the Company's option, and is payable quarterly or on shorter intervals for loans bearing interest at an adjustable Eurodollar rate. Effective as of the Fifth Amendment, and through the date upon which the 2010 Term Loan obligations were paid in full, 1.00% of the interest is payable in cash, and the remainder is payable as PIK. The weighted average interest rate on borrowings was 11.50% (which includes weighted average default interest of 2.00%) for the years ended December 30, 2012 and December 25, 2011. PIK interest during the years December 30, 2012 and December 25, 2011, was $0 and $10,787, respectively, and is included in the Second Lien Agreement balance. Interest payable under the Second Lien Agreement was $20,072 and $5,937 as of December 30, 2012 and December 25, 2011, respectively, and is included in accrued expenses and capital lease obligations on the accompanying consolidated balance sheets.

The Second Lien Agreement contains certain restrictions on payments to the principal shareholder and various financial and non-financial covenants including, among other things, certain levels of financial ratios with respect to leverage and fixed charges. The Company was not in compliance with its covenants as of December 30, 2012 and December 25, 2011.

All assets of the Company are provided as collateral for the First Lien and Second Lien Credit and Guaranty Agreements.

*Debt Amendments*
Each of the First Lien Agreement and Second Lien Agreement were amended (the "Amendment") on December 10, 2009. The Amendment changed the interest rate to be charged based on the "Leverage Ratio," as defined therein, to range from a low of the base rate plus 3.0% per annum or the adjusted Eurodollar rate plus 4.0% per annum to a high of 4.5% and 5.5%, respectively. Additionally, the Amendment allowed the Company to: (i) generally permit a merger, which was subsequently abandoned, and (ii) provide that, for purposes of determining compliance with the financial covenants contained therein, the lenders would accept the compliance certificates for the third fiscal quarter of 2009 and all prior fiscal periods previously delivered pursuant to the First Lien Agreement or Second Lien Agreement, respectively. Subsequently, each of the First Lien Agreement and Second Lien Agreements were amended on March 15, 2010. This amendment revised the Company's ability to opt to have interest calculated using the Eurodollar Rate during a period of default, specified certain revised financial covenants and modified various other aspects of the loan agreements. Each of the First Lien Agreement and Second Lien Agreements were further amended on April 13, 2010. These amendments provided an extension period through April 30, 2010 for the Company to deliver audited financial statements for the fiscal year 2009 as required under the loan agreement and specified certain revised financial covenants and modified various other aspects of the loan agreements.

Each of the First Lien Agreement and Second Lien Agreement were further amended under the Fifth Amendment which changed the cash interest rate on the First Lien to be charged based on the "Leverage Ratio," as defined therein, to range from a low of the base rate plus 2.75% per annum or the adjusted Eurodollar rate plus 3.75% per annum to a high of 3.25% and 4.25%, respectively. The Fifth Amendment includes a PIK feature that permits the Company to capitalize and add to the aggregate outstanding principal amount of the First Lien debt a portion of each interest payment due there under and defer payment thereof to the scheduled maturity date of June 30, 2014. The

PIK interest rate to be charged based on the "Leverage Ratio" as defined therein is to range from a low of 1.25% to 1.75% per annum for both base rate and Eurodollar Loans. The Fifth Amendment changed the cash interest rate on the Second Lien Agreement to be 1.00% during the period through but excluding the date upon which the 2010 Term Loan obligations are paid in full. On and after the date upon which the 2010 Term Loan obligations are paid in full, interest is charged based on the "Leverage Ratio," as defined therein, to range from a low of the base rate plus 5.25% per annum or the adjusted Eurodollar rate plus 6.25% per annum to a high of 6.25% and 7.25%, respectively. The Fifth Amendment also added default interest, at a rate of 3% per annum for the 2010 Term Loan, and 2% per annum for the remaining loans. The Fifth Amendment did not cure or waive any previous covenant violations; accordingly the Company was in default with their loan covenants subsequent to and preceding the execution of the Fifth Amendment due to its failure to deliver audited financial statements by April 30, 2010. As a result, the Company was required to pay default interest beginning on May 17, 2010.

The Fifth Amendment also granted the holders of Company debt warrants to purchase Company stock. (See Note 9.)

*2010 Term Loan*
The Company entered into a 2010 Term Loan as part of the Fifth Amendment. This Term Loan Agreement allowed the Company to obtain additional financing up to an aggregate of $45,000. The Company could make three (3) borrowings under the 2010 Term Loan, commencing on the closing date in the amount of $22,500, on the second borrowing date of July 15, 2010 in the amount of $12,500, and on the third borrowing date of October 15, 2010 in the amount of $10,000. Each of these borrowings was contingent on the Company being in compliance with all terms of the amendment. The aspects of the 2010 Term Loan have additional borrowing mechanics, specified certain financial covenants and modified various other aspects of the loan agreements. The Company only borrowed the first commitment of $22,500. Interest on the 2010 Term Loan is based on the base rate plus 10%, or the adjusted Eurodollar rate plus 11%, at the Company's option. The weighted average interest rate on the 2010 Term Loan was 13.25% (which includes weighted average default interest of 3.00%) and 16.02% (which includes weighted average default interest of 2.72%) for the year ended December 25, 2011 and for the year ended December 26, 2010, respectively. On July 25, 2011, the Company repaid the 2010 Term Loan. There was no interest payable under the 2010 Term Loan as of December 30, 2012 and December 25, 2011.

In connection with the Fifth Amendment, the Company incurred debt issuance and creditor fees of $6,615, of which $1,800 was paid in cash and $4,815 was satisfied through the issuance of warrants to purchase the Company's common stock. These fees have been capitalized as debt issuance costs and are being amortized over the term of the credit facilities.

Beginning on May 1, 2010 and throughout fiscal years 2010 to 2012, the Company was in default under terms of the First and Second Lien Agreements and related amendments. The primary event of default was for failure to deliver audited financials for fiscal 2009 as required. Due to the debt being in default the Company has reclassified a portion of debt to current that would have otherwise been classified as long-term based on the underlying maturity date of such debt. The Company reclassified $523,671 and $519,833 of such debt as of December 30, 2012 and December 25, 2011, respectively. The Company and its lenders are working towards a resolution of default and comprehensive restructuring of the Company's debt.

On November 19, 2012, the Company entered into a Forbearance Agreement with two-thirds of its lenders. The Forbearance Agreement provides for a forbearance of remedies by the First Lien Agreement lenders and the Second Lien Agreement lenders for a specified period of time in order for the Company to provide for the refinancing of its debt through the combination of debt financing

and the sale of equity and assets. The Forbearance Agreement provides for the differing levels of debt payoffs based on the total value of the financing obtained. The Forbearance Agreement expired on May 6, 2013 and has been extended to May 31, 2013; however, given that the Forbearance Agreement only provides a general outline of the terms which the lenders would be willing to accept in a restructuring, the execution of an extension would not mitigate a going concern conclusion.

*Subordinated Notes Payable on Acquisitions*
The Company has several uncollateralized notes payable related to previous business acquisitions. These notes have interest rates ranging from 4.0% to 8.0% and have maturity dates ranging from 2010 through 2015. As of December 30, 2012, $3,306 is included in current liabilities and $1,467 is included in long-term liabilities and as of December 25, 2011, $5,033 is included in current liabilities, and $3,939 is included in long-term liabilities. Interest payable on the subordinated notes payable on acquisitions was $14 and $5 as of December 30, 2012 and December 25, 2011, respectively, and is included in accrued expenses and capital lease obligations on the accompanying consolidated balance sheets. The scheduled payments on the notes are due monthly and/or quarterly in amounts ranging from $10 to $496.

*Subordinated Promissory Note*
Trishan Air, Inc. has a subordinated promissory note payable to the Company's primary shareholder of $8,792 and $10,277 as of December 30, 2012 and December 25, 2011, respectively. Interest accrues at an initial fixed rate of 1.31% adjusted monthly based on the actual index as defined in the note. As of December 30, 2012, the interest rate was 1.52%. Installments of $136, including principal and interest, are due monthly with a balloon payment of the remaining lease balance due in 2016. As of December 30, 2012, $1,481 is included in current liabilities and $7,311 is included in long-term liabilities. As of December 30, 2012 and December 25, 2011, there was no interest payable on the subordinated promissory note. Trishan also guarantees payment of a note payable of the shareholder to a third party financial institution with identical terms to the note payable to the shareholder. The note payable to the third party financial institution is collateralized by aircraft with a net book value of $7,026 and $8,628 as of December 30, 2012 and December 25, 2011, respectively.

*Revolving Loan - SDP*
On December 30, 2010, SDP entered into a revolving credit facility for $17,000. This facility replaced and paid-off the existing revolving loan. The interest rate on the amounts borrowed under this facility was the three month LIBOR rate, plus 12%. Interest was payable monthly. SDP was required to pay a fee on the unused portion of the facility based on the cumulative debt drawn in the amount of 0.5%. The term of the facility was through December 30, 2013. The facility contained certain minimum financial covenants that must be maintained by SDP including a Minimum Excess Availability of not less than $500, a Fixed Charge coverage ratio of 1.0 to 1.0, and a Minimum EBITDA covenant on a rolling 13 period basis of $2,000. The facility required a lockbox arrangement, which provided for all receipts to be swept daily to reduce borrowings outstanding under the credit facility. During 2012, the revolving loan was terminated upon payment in full of all outstanding liabilities and fees. Interest expense pertaining to the revolving loan amounted to $338 and $1,842 for the year ended December 30, 2012 and December 25, 2011, respectively. Interest payable on the revolving loan was $0 and $113 as of December 30, 2012 and December 25, 2011, respectively, and is included in accrued expenses and capital lease obligations on the accompanying consolidated balance sheets.

*(in thousands of dollars, except share data)*

*Revolving Loan - Koosharem*
During 2011, the Company entered into an agreement with a third party investing firm to obtain short-term operating funds up to $6,000. Amounts borrowed are repaid within thirty days, and bear interest at 2.5%. Interest expense was $34 and $29 for the years ended December 30, 2012 and December 25, 2011, respectively.

Maturities of short-term borrowings and debt were as follows:

| Years | | Total |
|---|---|---|
| 2013 | $ | 587,920 |
| 2014 | | 3,002 |
| 2015 | | 1,559 |
| 2016 | | 1,583 |
| 2017 | | 1,608 |
| Thereafter | | 1,025 |
| Total | $ | 596,697 |

**5. Factoring Facility**

During 2012, SDP entered into an Accounts Receivable Purchase and Security Agreement, (the "Factoring Facility"), with a financial institution, (the "Factoring Company"). The Factoring Facility became effective April 13, 2012, and provides for a revolving borrowing base of 85% of qualifying accounts receivable up to $16,000. The Factoring Company has recourse against SDP for factored receivables until collected. Borrowings are secured by all assets of SDP and are guaranteed by the Company and various related parties. The Factoring Facility includes certain customary restrictive covenants but does not include any financial covenants. The Factoring Facility may be terminated by either party upon written notice within certain time frames. Initial borrowings under the Factoring Facility were used, in part, to terminate the revolving loan (see Note 4). Amounts borrowed under the Factoring Facility bear interest at the Factoring Company's prime rate plus 1.25% (4.5% was the interest rate at December 20, 2012). Total interest expense applicable to amounts borrowed under the Factoring Facility was $429 during 2012. The balance outstanding at December 30, 2012 was $13,207 and the amount of factored accounts receivable included in trade accounts receivable on the accompanying consolidated balance sheets was $15,918.

**6. Capital Lease Obligations**

The Company has various capital lease arrangements related to its internal use software and equipment, the aggregate balance for which was $529 and $2,422 as of December 30, 2012 and December 25, 2011, respectively. The lease arrangements are due in periodic installments of principal and interest through 2013. The interest rate on the capital leases is 3.9%.

The Company is also party to a capital lease for an aircraft through its subsidiary Trishan Air, LLC. The lease has an aggregate balance of $13,546 as of December 30, 2012. The aggregate monthly payments are $139 and continue until May 2015 with a guaranteed residual value of $11,489, which is included in the outstanding balance.

*(in thousands of dollars, except share data)*

Future capital lease payments are as follows:

| Years | | Total |
|---|---|---|
| 2013 | $ | 2,239 |
| 2014 | | 1,669 |
| 2015 | | 12,184 |
| | | 16,092 |
| Less: interest | | (2,017) |
| **Total** | $ | 14,075 |

**7. Workers' Compensation**

Through September 30, 2000, the Company maintained guaranteed cost insurance policies for workers' compensation insurance for its employees. Under such policies, claims arising from injuries were fully covered by insurance and the Company was responsible to pay the fixed annual premiums. Effective September 30, 2000, for all states except Ohio and Washington, the Company elected to become partially self-insured whereby the Company maintains a large deductible for each workers' compensation claim. At December 30, 2012, the Company's deductible was $500 per claim with an unlimited annual aggregate. The estimated remaining deductible liability is included in the accompanying consolidated financial statements in workers' compensation insurance reserve in the consolidated balance sheets.

The Company is contractually required to collateralize its remaining obligations under each workers' compensation stop loss insurance contract through the use of irrevocable letters of credit and loss fund deposits (funds placed into deposit with the insurance carrier). The level and type of collateral required for each policy year is determined by the insurance carrier at the inception of the policy year and may be modified periodically. Loss funds are included in the accompanying consolidated financial statements in prepaid workers' compensation in the consolidated balance sheets.

For the years ended December 30, 2012 and December 25, 2011, the Company recognized $55,981 and $36,133, respectively, in workers' compensation expenses and made payments (including amounts paid both directly and from its prepaid accounts) of $58,170 and $44,411, respectively. The Company is committed to make future payments to the loss fund of $13,965 and premiums of $5,451 through April 30, 2013. As of December 30, 2012 and December 25, 2011, the Company had no outstanding letters of credit.

**8. Income Tax**

The Company's provision for (benefit from) income taxes consists of the following:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| Current tax provision (benefit) | | |
| Federal | $ (172) | $ 125 |
| State | 390 | (46) |
| Total current | 218 | 79 |
| Deferred tax provision (benefit) | | |
| Federal | (244) | 60 |
| State and local | (36) | 7 |
| Total deferred | (280) | 67 |
| Provision (benefit) for income taxes | $ (62) | $ 146 |

*(in thousands of dollars, except share data)*

The composition of the deferred tax assets (liabilities) is as follows:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| Current deferred tax asset (liability) | | |
| Accrued workers compensation | $ 717 | $ 670 |
| Valuation allowance | (638) | (593) |
| Total current deferred tax asset | 79 | 77 |
| Non-current deferred tax asset (liability) | | |
| Accrued workers compensation | 844 | 726 |
| Net operating loss carryforwards | 18,860 | 17,566 |
| Job tax credits | 9,878 | 9,878 |
| Accrual to cash adjustment | 502 | 140 |
| Depreciation and amortization | 24 | 819 |
| Other, net | (762) | (816) |
| Acquisition intangibles | (2,356) | (2,618) |
| Valuation allowance | (26,758) | (25,740) |
| Total non-current deferred tax asset (liability) | 232 | (45) |
| Net deferred tax asset | $ 311 | $ 32 |

The Company had approximately $42,188 and $38,913 of federal income tax net operating loss carryforwards as of December 30, 2012 and December 25, 2011, respectively. The net operating loss is primarily related to Westaff, Inc. The Company had approximately $55,529 and $53,884 of state income tax net operating loss carryforwards as of December 30, 2012 and December 25, 2011, respectively, which are also primarily related to Westaff, Inc. The federal and state income tax net operating loss carryforwards expire starting in 2028 and 2013, respectively. As of December 30, 2012 and December 25, 2011, the Company had $9,878 of federal income tax credits related to Westaff, Inc. that expire starting in 2022. In assessing the potential realization of deferred tax assets, consideration is given to whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the Company attaining future taxable income during the periods in which those temporary differences become deductible. In addition, the utilization of net operating loss carryforwards and income tax credits may be limited due to restrictions imposed under applicable federal and state tax laws due to a change in ownership under Internal Revenue Code section 382. Based upon the level of historical operating losses and future projections, management believes it is more likely than not that the Company will not realize the deferred tax assets associated with Westaff, Inc. and has determined that a full valuation allowance is needed as of December 30, 2012 and December 25, 2011.

*(in thousands of dollars, except share data)*

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rates to income before taxes as a result of the following differences:

| | Year Ended December 30, 2012 | Year Ended December 25, 2011 |
|---|---|---|
| Federal tax benefit computed at statutory rate | 34.00% | 34.00% |
| State taxes, net of federal benefit | (0.65) | (1.30) |
| Permanent differences | (0.20) | (0.28) |
| Change in valuation allowance | 1.45 | 10.16 |
| S-Corporation not subject to federal tax | (32.92) | (39.33) |
| Other | (1.54) | (3.77) |
| | 0.14% | (0.52)% |

During fiscal year 2009, the Company adopted the provisions of ASC 740, *Income Taxes*, effective December 29, 2008. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company made a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by ASC 740. The Company performed evaluations for the tax years ended 2012, 2011, 2010, 2009, and 2008, which are subject to examination by tax authorities, as well as the tax positions presented in the current year consolidated financial statements. For the year ended December 25, 2011 the Company recorded an incremental tax benefit of $187 due to the lapse of applicable statutes pertaining to its liability for uncertain tax positions.

The Company does not anticipate any material changes in its liability for uncertain tax positions during the next 12 months. If the Company's positions are sustained by the taxing authority in favor of the Company, all of the uncertain tax position liabilities would favorably impact the Company's effective tax rate.

Effective upon adoption of ASC 740, the Company adopted the method to recognize interest and penalties accrued related to unrecognized tax benefits and penalties within its provision for income taxes. The Company had no such interest and penalties accrued as of December 30, 2012 as such amounts are immaterial.

The Company's 2009 and 2010 federal income tax returns have been selected for examination by the Internal Revenue Service. For federal income tax purposes, the Company is no longer subject to examinations by the Internal Revenue Service for years prior to 2009. For state and local income tax purposes, with limited exception, the Company is no longer subject to examinations by tax authorities for years prior to 2008.

**9. Equity**

The Company has 2,000,000 authorized shares of no par common stock as of December 30, 2012 and December 25, 2011. Shares outstanding for both fiscal years totaled 1,056,057 shares, consisting of 528,029 voting and 528,028 non-voting.

The Company also granted stock options in 2007 for the purchase of 7,450 shares of non-voting common shares with an exercise price of $235 per share, which are fully vested as of the date of grant and expire December 31, 2016. The estimated fair value of each restricted share and the stock options were determined on the grant date using the Black-Scholes-Merton option pricing model. The expected stock price volatility was 52.1% based on comparable public companies. The length of time to exercise was 5 years based on an estimation of when the shares may be sold. The risk free interest rate of 4.66% was based on the five-year treasury yield per the Federal Reserve. No projected dividend yields were used as the Company has not consistently issued dividends. The Company recorded share-based compensation expense associated with issuance of the restricted shares in 2007, the year the shares were vested, and no other share-based compensation expense has been recorded.

The Company distributes dividends to each common shareholder each year based on its estimates of preliminary earnings and available cash. During the years ended December 30, 2012 and December 25, 2011, no dividends were declared. During the year ended December 30, 2012, $408 was paid for dividends declared in prior years. As of December 30, 2012 and December 25, 2011, the Company had total unpaid dividends and related interest of $1,157 and $1,520, respectively, which are included in accrued expenses on the accompanying consolidated balance sheets.

From time to time, the Company advances monies to or pays costs on behalf of the Company's principal shareholder. Because of the control the principal shareholder has over the Company's operations, these advances are recorded in equity as notes receivable from shareholders (see Note 10).

On May 17, 2010, in connection with the Fifth Amendment to the First and Second Lien Agreements, Koosharem issued warrants to purchase a total of 1,094,118 shares of its Series A Common Stock (the "Warrants"). All of the Warrants were issued without any monetary consideration and have an exercise price of $0.01 share and are subject to adjustment and anti-dilution protections.

The Company determined the fair value of the Warrant shares at $4,815 using the Black-Scholes-Merton option pricing model. The expected stock price volatility ranged from 48% to 52% and was determined based on comparable public companies. The length of time to exercise ranged from 1.2 years to 4.5 years based on an estimation of when the Warrants expire and may be exercised. The risk free interest rate assumption was based on the implied yield currently available on U.S. Treasury zero coupon issues with remaining term equal to the expected term. No projected dividend yield was used as the Company has not consistently issued dividends. The Company also further discounted the Warrant share value for minority interest and lack of marketability. The Company recorded $4,815 of equity value associated with the Warrants issued and amortized $1,406 and $1,207 of interest expense for the years ended December 30, 2012 and December 25, 2011, respectively.

Five classes of Warrants have been issued, as follows:

*Warrants to 2010 Term Loan lenders* – The Company issued Warrants to purchase an aggregate of 5 percent of the outstanding shares of the Company's capital stock on a fully diluted basis. These Warrants are exercisable on the earlier of: 1) a defined liquidity event or 2) a merger, stock sale or sale of all or substantially all of the assets of the Company, including any initial public offering or change of control transaction.

*Warrants to consenting First Lien lenders* – An amendment fee was paid to the First Lien lenders on the closing date in the form of a warrant which entitles the lenders to their pro-rata share of 5 percent of the outstanding shares of Koosharem's capital stock on a fully diluted basis. Two-fifths of the Warrants were exercisable on the closing date and one-fifth of the Warrants became exercisable on November 1, 2010, December 1, 2010 and January 1, 2011.

*Warrants to consenting Second Lien lenders* – An amendment fee was paid to the Second Lien lenders on the closing date in the form of a warrant which entitles the lenders to their pro-rata share of 5 percent of the outstanding shares of Koosharem's capital stock on a fully diluted basis. These Warrants are exercisable on the earlier of: 1) a defined liquidity event and 2) a merger, stock sale or sale of all or substantially all of the assets of the Company, including any initial public offering or change of control transaction.

*Warrants to all First Lien lenders* – The First Lien lenders received warrants equal to 25 percent of the outstanding shares of Koosharem's capital stock on a fully diluted basis, which become exercisable in the event of a defined liquidity event. The shares issued in connection with these warrants are subject to optional redemption by the Company.

*Warrants to all Second Lien lenders* – The Second Lien lenders received warrants equal to 15 percent of the outstanding shares of Koosharem's capital stock on a fully diluted basis, which become exercisable upon the occurrence of a defined liquidity event. The shares issued in connection with these warrants are subject to optional redemption by the Company.

**10. Related Party Transactions**

*Note receivable from the principal shareholder*
From time to time, the Company advances monies to or pays costs on behalf of the Company's principal shareholder. These advances are recorded as notes receivable from shareholders. The note from Par Alma, an entity wholly-owned by the Company's principal shareholder, carries an interest rate of 4.95%, requires annual interest payments with all principal due on maturity at July 12, 2016. As of December 30, 2012 and December 25, 2011, the balance of the note receivable from the Company's principal shareholder totaled $47,245 and $45,145, respectively.

The Company has trade and other receivables from affiliates of the principal shareholder (unrelated to the business of the Company and its subsidiaries) which arose primarily out of the placement of employees of the Company with such entities and/or which were paid by the Company to cover the cost of operations of such affiliates. None of the entities are currently using services of the Company or its subsidiaries, and neither the Company nor any of its subsidiaries are providing any payments to fund the operations of these affiliates. These receivables from affiliates total $4,831 and $4,831 as of December 30, 2012 and December 25, 2011, respectively, and are included in notes receivable from shareholders on the consolidated balance sheets. The notes bear no interest, have no stated maturity dates and are uncollateralized.

*Other transactions with the principal shareholder*
The Company leases certain office spaces and residential properties from affiliated entities of the principal shareholder. The lease agreements require monthly rental payments totaling $255, with expiration dates ranging to 2017. For the years ended December 30, 2012 and December 25, 2011, rents of $3,065 and $3,086, respectively, were paid to these affiliated entities of the principal shareholder.

Trishan has a balance of $8,792 and $10,277 as of December 30, 2012 and December 25, 2011, respectively, on a subordinated promissory note payable to its principal shareholder. Interest

accrues at an initial fixed rate of 1.31%, adjusted monthly based on the actual index as defined in the note (see Note 4). Monthly payments are $136.

*Transactions with employees of the Company*
During 2007, the Company entered into equity sharing agreements with certain employees with respect to their houses. Each Operating and Shared Equity Agreement governs the equity interests in a limited liability company formed by the Company and the employee for the purpose of holding certain real property used as residences by the employee and his immediate family. Each limited liability company is owned 20% by the Company and 80% by the employee, with the economic interests of the parties to the Operating and Shared Equity Agreement changing from time to time based on periodic capital contributions made by the parties. Each party is required to make certain minimum capital contributions to the limited liability company with respect to improvements, debt payments and property taxes.

Each Operating and Shared Equity Agreement also provides for lease payments from the employee to the Company for the employee's exclusive use and occupancy of the residence. As of December 30, 2012 and December 25, 2011, the Company's investment, net of impairment reserves, totaled $465 and $32, respectively, and is recorded under the equity method for investments and included in other assets. As part of the review for impairment of long-lived assets under ASC 360, the Company performed future cash flow analysis based on real estate appraisals received and other economic factors. Since these properties are non-income producing, the analysis included determining a weighted average estimation of the future value which in turn estimated fair value as of December 30, 2012 and December 25, 2011. Based on this analysis, the Company increased the impairment reserve by $221 to $2,512 as of December 30, 2012. The Company increased the impairment reserve by $740 to $2,291 as of December 25, 2011.

The Company had $117 due to employees for the years ended December 30, 2012 and December 25, 2011.

The Company has advanced amounts to its licensees, usually in connection with the purchase of additional locations or for the initial Franchise Fees. The Company has entered into note agreements with the licensees. The term of the notes are generally 5 to 6 years and earn interest from 4.25% to 5.00%. The Company deducts payments from the licensee's share of the gross margin each month as payment for these advances. As of December 30, 2012 and December 25, 2011, there were one and six notes outstanding, respectively, and the balance of these notes was $7 and $318, respectively.

*Transactions with Butler, an affiliated non-consolidated company*
Prior to 2011, the Company has entered into a management services agreement with an affiliated entity controlled by a family member of the principal shareholder, Butler America, Inc. ("Butler"). Under the terms of the service agreement, Butler pays to the Company a fee equal to 3% of the affiliate's gross revenue for the corresponding period in which services such as processing of temporary associate payroll, filing of related taxes, customer credit, billing and collections, information technology, accounting and financial reporting services, training of branch personnel and all services related to the administration of workers' compensation safety programs are provided. For the year ended December 25, 2011, Butler incurred fees of approximately $1,985 for services provided under the service agreement, which is included as a reduction to selling and administrative expenses in the accompanying consolidated statement of operations and comprehensive loss. The amounts due under this agreement as of December 30, 2012 and December 25, 2011, were $0 and $602, respectively. The service agreement had a one-year term, which automatically renews for successive one-year terms unless either party provides written notice of its desire not to renew. The service agreement was not renewed as of December 26, 2011.

In addition to the management fee paid to the Company, certain Company employees are also employees of Butler and allocate a portion of their time to each company. Salary amounts paid by Butler to these employees totaled approximately $221 and $234 during the years ended December 30, 2012 and December 25, 2011, respectively.

Butler provided temporary staffing services to Koosharem to assist with accounts payable, accounting, information systems and human resource functions. Such staffing services provided by Butler amounted to approximately $1,825 and $1,619 during the years ended December 30, 2012 and December 25, 2011, respectively.

*Transactions with other family members of the principal shareholder*
In November 2009, the Company borrowed $1,000 from a relative of the Company's principal shareholder. Interest of 10% is payable in arrears monthly. The first interest payment was due on December 1, 2009 and the final payment for interest and principal was due January 15, 2010 and has not been paid or extended. As of December 30, 2012, the unpaid principal balance was $600.

In November 2009, the Company borrowed $2,000 from Aurora Pacific Insurance, Inc., an insurance company controlled by the Company's principal shareholder. Interest of 10% is payable in arrears monthly. All principal and interest was due on March 15, 2010 and has not been paid. In June 2010, the note was transferred from Aurora Pacific to another affiliated entity associated with a family member of the principal shareholder. Under the new agreement, the final payment was due December 1, 2010 and has not been paid or extended.

In March 2009, certain immediate family members of the Company's principal shareholder posted collateral to backstop certain letters of credit securing the Company's payment obligations under workers' compensation policies. In connection with these arrangements, Koosharem has agreed to pay such related parties a fee equal to 10.0% per annum on $2,480 face amount of these letters of credit ("LOC") and 8.0% per annum on $8,500 face amount of these LOCs. If these LOCs are drawn, the Company has 5 days to reimburse the funds back to the respective family member. As of December 30, 2012 and December 25, 2011, the total face amount of the LOCs subject to these arrangements was $10,980 which mature beginning in March of 2013. The Company has reimbursed fees and recorded interest of $160 and $378 for the years ended December 30, 2012 and December 25, 2011, respectively. As of December 30, 2012 and December 25, 2011, no LOCs were drawn.

In addition, the Company's principal shareholder posted collateral to backstop certain additional LOCs securing Koosharem's payment obligations under workers' compensation policies. As of December 30, 2012 and December 25, 2011 there were no LOCs outstanding. There is no agreement between the Company's principal shareholder and Koosharem regarding reimbursement or the payment of fees and expenses or other consideration to the principal shareholder with respect to providing these LOCs. The Company has agreed to reimburse the principal shareholder for any fees and interest charged for this loan. The Company recorded $486 and $148 for the years ended December 30, 2012 and December 25, 2011, respectively, which is included in interest expense on the accompanying statement of operations and comprehensive loss. Upon maturity of these LOCs, the Company may be required to fund additional LOCs in unknown amounts.

**11. Commitments And Contingencies**

*State Unemployment Insurance*
In November 2003, the State of California Employment Development Department notified the Company that the Company had underpaid its state unemployment insurance by approximately $2,725 for the period January 1, 2003 and December 31, 2003 and was assessed $1,220 in penalties and interest. The Company disputes this assessment and believes that its methodology in calculating its state unemployment insurance is in compliance with applicable laws and regulations and has appealed this assessment. Pending the resolution of the outcome of this issue, the Company has recorded a liability of $4,267 and $4,103 in principal and interest as of December 30, 2012 and December 25, 2011, respectively.

*Litigation*
The Company is a plaintiff in a case asserting that Consolidated Employers Management Solutions, Inc. and Coastal Employers, Inc ("CEMS") owed the Company damages of $1,200 in relation to a breach of services contract. CEMS claims that the Company did not comply with its contractual agreement to pay for services relating to program fees, collateral fees, and taxes that should have been paid to the IRS and EDD by CEMS. The Company disputed these claims as the unpaid fees were part of what was owed to the Company. The Company stated that it incurred damages when CEMS unilaterally and without cause cancelled the 2006 contract by violating its terms. The Company suffered damages associated with immediate replacement of the services provided to it by CEMS. In August 2011, the Company settled the case for $1,500 and it was paid off during 2011. As of December 30, 2012, there were no further amounts due for this matter.

In March 2009, the Company was sued by a former shareholder of one of the Company's acquired subsidiaries. The party seeks repayment of a loan of $2,400, including interest. The Company acknowledges the obligation but disputes that the loan was then due and payable. The Company recorded a liability for the full amount of the claim as of December 26, 2010, which is included in subordinated debt in the consolidated financial statements. In February 2010, the Company reached a settlement agreement for $1,000, which is payable in quarterly installments of $160 with the final payment due in October 2011. If all payments were not made under the settled terms, then an additional $1,000 would become due and payable. In October 2011, the final payment was made and the Company recorded a debt forgiveness gain in for $1,000 which represents the portion of the liability originally recorded that will not be paid as a result of this settlement arrangement. The forgiveness gain was recorded as an offset in selling and administrative expense.

In December 2009, the Company was named in a subrogation lawsuit by The Bakersfield Californian for monies paid to settle an underlying personal injury case. The Bakersfield Californian's insurance carrier settled the case for $5,000 and is now seeking to recover the damages paid, alleging that the Company was negligent in its employee screening. The case settled after mediation was held in October 2011 for $2,250 of which the Company's insurance carrier paid $2,225. The Company recorded a legal settlement gain of $2,500 which represents the portion of the liability originally recorded that will not be paid as a result of the settlement arrangement and the gain was recorded as an offset in selling and administrative expense. As of December 30, 2012, there were no further amounts due for this matter.

In April 2009, the Company received a preliminary audit letter from the State of California regarding unclaimed property. The Company is seeking a negotiated settlement with the State on this matter and has recorded $5,082 for potential claims on this matter.

In 2010, UBS Securities ("UBS") brought a suit against the Company for alleged breach of a financial services agreement. UBS sought to recover $1,352 and in July 2011 a settlement agreement was reached for $1,000, which is payable in monthly installments of $83. If all payments are not made under the settled terms, then an additional $350 will be owed. The Company made all payments required under the settlement agreement during 2012 and the additional $350 is not owed. As of December 30, 2012, there were no further amounts due for this matter.

In 2010, Hulke Construction Company, LLC ("Hulke") filed a complaint against the Company for allegedly being negligent in recommending a candidate for an accountant position without performing a thorough background investigation. Hulke states that it relied on the Company's background investigation and hired the candidate. The candidate was later terminated for allegedly embezzling more than $1,500. In October 2011, this case was settled for $1,200 of which the Company was responsible for $135. The Company made all required payments under the settlement agreement and as of December 30, 2012, there were no further amounts due for this matter.

Zurich Insurance ("Zurich") has brought arbitration proceedings against the Company for allegedly failing to pay premium adjustments on workers' compensation policies. Zurich is claiming that the Company owes approximately $2,100 plus interest. The Company claims that Zurich mishandled claims and has overpaid workers' compensation claims. The Company settled in arbitration in September 2011 and is ordered to pay $2,475. If all payments are not made under the settled terms, then an additional $775 will be owed. The Company made all payments required under the settlement agreement during 2012 and the additional $775 is not owed. As of December 30, 2012, there were no further amounts due for this matter.

In January 2011, the Company entered into a settlement agreement for $4,000 with Temporary Services Insurance Ltd. ("TSIL") regarding various disputes over workers' compensation reimbursements from a prior owner related to the East-West acquisition by the Company. The Company was required to make monthly payments through November 2012 totaling $2,740, and the remaining $1,260 would be forgiven provided that all payments due were made. Accordingly, during the year ended December 30, 2012, the Company recorded a gain of $1,260, which is included in costs of revenues on the accompanying consolidated statement of operations and comprehensive loss.

In September 2011, the Company received an adverse judgment regarding its litigation with the California State Insurance Fund ("SCIF"). A San Francisco jury returned a verdict against the Company for $51,016 in damages stemming from a business relationship the Company entered into approximately 10 years ago with a workers' compensation insurance provider, Onvoi Business Solutions, Inc. ("Onvoi"). The SCIF originally brought the lawsuit against Onvoi in December 2007 alleging breach of contract and fraud. Onvoi became defunct and the SCIF added the Company to the litigation. In November 2012, the Company entered into a settlement agreement with SCIF which reduced the judgment amount to $32,153 plus $800 in legal related costs. Included in the settlement arrangement is an immediate payment of $1,500, which was paid, with $23,500 due on or before June 30, 2013, of which $16,000 is personally guaranteed by the shareholder. If the $23,500 is not paid or extended by June 30, 2013, then an additional $7,200 plus interest on the entire amount will be due. In connection with this reduced judgment, as of December 30, 2012, the Company has recorded $30,700 (the $23,500 plus the potential $7,200, if unpaid), $4,259 in interest and $500 in remaining legal costs. As of December 25, 2011, $51,344 was recorded for unpaid legal and settlement of this matter. In connection with the settled judgment, the Company recorded a gain in the amount of $18,020 which has been recorded as part of selling and administrative expenses in the accompanying consolidated statement of operations and comprehensive loss.

*(in thousands of dollars, except share data)*

In June 2007, a Company aircraft was involved in a failure-to-take-off accident. The Company's insurance carrier has denied coverage. In April 2010, the Company received a final judgment related to the reimbursement of the repair of the Company's aircraft. The repairs were made by a lien holder of the aircraft who in turn filed a lawsuit for the repayment of those repairs. In 2010, the Company appealed the initial judgment awarded and has received the final judgment decision which has resulted in an award to the plaintiff of $5,673 for the repair reimbursement and accumulated interest of $1,578, for which a liability has been recorded as of December 25, 2011. In April 2012, the Company entered into a settlement agreement of $6,600 to be paid in payments through March 2013. The Company has paid $4,400 as of December 30, 2012 with the unpaid balance of $2,200 to be paid as $300 per month for January 2013 and February 2013 and a lump sum of $1,600 due March 2013. The Company, in turn, has filed a separate product liability action against the aircraft's manufacturer. In May 2011, the Company received a judgment against the manufacturer of the aircraft for $11,700 which was reduced to $3,508 plus interest and costs. The judgment awarded is being appealed by the aircraft manufacturer and the Company is appealing the reduction in the award.

In 2010, a former temporary associate filed a complaint against one of our customers for failure to pay wages and other labor related issues. The complaint is alleged to be a class action on behalf of all current and former non-exempt employees who worked at the customer. The Company was added to the complaint in March 2012. The Company and its customer settled the complaint in 2012, pending final approval of the class and court. The Company's maximum estimated portion of the settlement is $1,250 which could be less depending on the number of class participants. The Company has recorded the $1,250 in unpaid settlement costs for this matter and this amount is required to be paid in June 2013 into an escrow account.

The Company is also subject to various additional legal proceedings and claims that arise in the ordinary course of business. It is the opinion of management that the liability, if any, arising from the ultimate disposition of such additional legal proceedings will not have a material adverse effect on the Company's financial position or results of operations.

The following table summarizes the activity in the litigation liability:

| | | |
|---|---|---|
| **Balance at December 26, 2010** | $ | 75,495 |
| Additions, net | | 2,997 |
| Payments made | | (3,896) |
| Gain on settlements | | (5,512) |
| Changes in accrued legal fees, net | | (265) |
| **Balance at December 25, 2011** | $ | 68,819 |
| Additions, net | | 1,690 |
| Payments made | | (10,194) |
| Gain on settlements | | (18,673) |
| Changes in accrued legal fees, net | | (528) |
| **Balance at December 30, 2012** | $ | 41,114 |

*Leases*
As of December 30, 2012, the Company was obligated under non-cancelable operating leases for certain office facilities and equipment that expire through 2019.

Certain leases contain renewal options to extend the lease on terms similar to current agreements, except for rental increases that are based on a specified inflation index. These leases expire on or before 2019. Rental expense for the years ended December 30, 2012 and December 25, 2011 was $11,491 and $12,244, respectively.

*(in thousands of dollars, except share data)*

The Company subleases space in certain office locations to unrelated parties. Income from the subleases for the years ended December 30, 2012 and December 25, 2011 was $112 and $247, respectively. Sublease income directly offsets rent expense for the years presented. Total future sublease income to be received under non-cancelable subleases for the years ended December 30, 2012 and December 25, 2011 was $52 and $127, respectively.

Future minimum lease payments under operating leases, net of sublease income, that have initial or remaining non-cancellable lease terms in excess of one year are as follows:

| Years | Third Parties | Related Parties | Total |
|---|---|---|---|
| 2013 | $ 5,511 | $ 2,709 | $ 8,220 |
| 2014 | 4,031 | 2,637 | 6,668 |
| 2015 | 3,366 | 2,597 | 5,963 |
| 2016 | 1,955 | 1,014 | 2,969 |
| 2017 | 980 | 65 | 1,045 |
| Thereafter | 314 | – | 314 |
| Total | $ 16,157 | $ 9,022 | $ 25,179 |

*Employee Defined Contribution 401(k) Plan*
The Company has a defined contribution 401(k) plan (the “Plan”). The Plan is generally available to all employees who are at least twenty and one half years of age and have been employed for at least six months with the Company. For participants with between one and three years of service, the Company can elect annually to match 25% of the first 4% of base compensation that a participant contributes to the Plan. The matching percentage increases to 50% of the first 4% of base compensation for participants with three or more years of service. Matching contributions are 100% vested after six years of credited service. Employees may contribute up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. Participants direct the investment of their contributions and Company matching contributions in mutual fund investments offered by the Plan. Company matching contributions to the Plan totaled $28 for the year end December 30, 2012 and no matching was elected by the Company for the year ended December 25, 2011.

*Deferred Compensation Plan*
The Company also has a voluntary non-qualified deferred compensation plan (the “NQDCP”) for highly compensated employees who are not fully eligible to participate in the Company’s 401(k) Benefit Plan. The NQDCP is not formally funded; however, the Company currently maintains the investments of $4,303 and $4,547 in a portfolio of mutual funds and Corporate Owned Life Insurance held in trust at December 30, 2012 and December 25, 2011, respectively. These balances are included as “Other assets” in the accompanying consolidated balance sheets. Earnings or losses from these investments are intended to match earnings or losses in participant accounts. These investments could be used to satisfy general corporate purposes. The deferred compensation liability and accumulated investment earnings or losses are accrued. Such accrual amounted to $4,789 and $5,047 at December 30, 2012 and December 25, 2011, respectively. Effective 2012, the Company does not contribute to the plan and there were no ongoing deferrals allowed to the plan. There were 55 employees still with an account balance in the NQDCP as of December 30, 2012.

*(in thousands of dollars, except share data)*

**12. Other Assets**

Other assets consist of the following:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| Deferred financing costs | $ – | $ 386 |
| Deferred compensation assets | 4,302 | 4,548 |
| Other assets | 1,152 | 3,531 |
| Total other assets | $ 5,454 | $ 8,465 |

**13. Accrued Expenses**

Accrued expenses consist of the following:

| | December 30, 2012 | December 25, 2011 |
|---|---|---|
| Accrued interest | $ 40,165 | $ 21,323 |
| Capital and other lease obligations | 3,283 | 2,452 |
| Accrued taxes and penalties | 12,418 | 1,337 |
| Accrued severance and employee benefits | 797 | 1,069 |
| Accrued minority shareholder distribution | 1,157 | 1,718 |
| Escheated check accrual | 5,718 | 5,082 |
| Deferred rent | 877 | 897 |
| Other accrued liabilities | 3,779 | 3,747 |
| Total accrued expenses | $ 68,194 | $ 37,625 |

**14. Subsequent Events**

In accordance with ASC 855, *Subsequent Event*, the Company evaluated all subsequent events that occurred after the consolidated balance sheet date through May 15, 2013, which is the date the consolidated financial statements were available to be issued.

As described in Note 1, the Company entered into a Forbearance Agreement on November 19, 2012, which expired on May 6, 2013 and has been extended to May 31, 2013.

pwc

**Report of Independent Auditors on Supplementary Financial Information**

To the Shareholders of
New Koosharem Corporation,

The report on our audit of the consolidated financial statements of New Koosharem Corporation and subsidiaries as of December 30, 2012 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements of New Koosharem Corporation taken as a whole. The accompanying supplementary financial information is presented for purposes of additional analysis of the consolidated financial statements of New Koosharem Corporation rather than to present the financial position and results of operations of the individual companies. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. However, the supplementary financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements of New Koosharem Corporation and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements of New Koosharem Corporation taken as a whole.

PricewaterhouseCoopers LLP

May 15, 2013

*PricewaterhouseCoopers LLP, 350 South Grand Avenue, Los Angeles, CA 90071*
*T: (213) 356 6000, F: (813) 637 4444, www.pwc.com/us*

# New Koosharem Corporation
## Supplementary Information
## Consolidating Schedule, Balance Sheet
## For the Year Ended December 30, 2012

*(in thousands of dollars, except share data)*

| | Koosharem and its Subsidiaries and Affiliates | Trishan Air | San Diego Personnel | Other[1] | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 678 | $ 76 | $ 16 | $ 26 | $ – | $ 796 |
| Restricted cash | 1,590 | | | | | 1,590 |
| Accounts receivable | 218,818 | – | 26,658 | 920 | (17,554) | 228,842 |
| Notes and other receivables from related parties | 1,513 | – | 5,240 | – | (5,240) | 1,513 |
| Prepaid expenses and other current assets | 12,752 | – | 7 | – | (136) | 12,623 |
| Deferred tax assets | – | – | 395 | – | (316) | 79 |
| Prepaid workers' compensation insurance | 25,300 | – | 148 | – | – | 25,448 |
| Total current assets | 260,651 | 76 | 32,464 | 946 | (23,246) | 270,891 |
| Property and equipment, net | 23,795 | 20,277 | 6 | 3 | – | 44,081 |
| Notes and other receivables from related parties | 1,561 | | | | (1,247) | 314 |
| Prepaid workers' compensation insurance | 34,480 | – | – | – | – | 34,480 |
| Deferred tax assets | – | – | – | – | 232 | 232 |
| Goodwill | 170,869 | – | – | – | – | 170,869 |
| Intangibles, net | 91,694 | – | – | – | – | 91,694 |
| Other assets | 5,445 | – | 1 | 8 | – | 5,454 |
| Total assets | $ 588,495 | $ 20,353 | $ 32,471 | $ 957 | $ (24,261) | $ 618,015 |
| **Liabilities and Shareholders' Deficit** | | | | | | |
| Current liabilities | | | | | | |
| Long-term debt, current portion | $ 532,727 | $ 1,481 | $ – | $ – | $ – | $ 534,208 |
| Short-term borrowings | 49,208 | 1,494 | – | – | (1,494) | 49,208 |
| Factoring facility | – | - | 13,207 | – | – | 13,207 |
| Notes and other payables to related parties | 2,728 | 6,736 | 332 | 974 | (7,703) | 3,067 |
| Accounts payable | 26,686 | – | 30 | 53 | – | 26,769 |
| Accrued payroll, benefits and related costs | 109,422 | – | 310 | 173 | – | 109,905 |
| Accrued legal and consulting | 38,911 | 2,203 | – | – | – | 41,114 |
| Accrued expenses and capital lease obligations | 67,377 | 949 | 16,930 | 1,258 | (18,320) | 68,194 |
| Workers' compensation insurance reserve | 25,761 | – | 250 | 8 | – | 26,019 |
| Total current liabilities | 852,820 | 12,863 | 31,059 | 2,466 | (27,517) | 871,691 |

# New Koosharem Corporation
## Supplementary Information
## Consolidating Schedule, Balance Sheet
## For the Year Ended December 30, 2012

*(in thousands of dollars, except share data)*

| | Koosharem and its Subsidiaries and Affiliates | Trishan Air | San Diego Personnel | Other[1] | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Long-term debt, net of current portion | 1,466 | 7,311 | – | – | – | 8,777 |
| Workers' compensation insurance reserve | 34,985 | – | – | – | – | 34,985 |
| Deferred tax liabilities | 84 | – | – | – | (84) | – |
| Other long-term liabilities and capital lease obligations | 4,839 | 12,733 | – | – | – | 17,572 |
| Total liabilities | 894,194 | 32,907 | 31,059 | 2,466 | (27,601) | 933,025 |
| **Shareholders' deficit** | | | | | | |
| Common stock - 2,000,000 shares authorized 1,056,056 issued and outstanding as of December 30, 2012 | $ 13,170 | $ – | $ – | $ – | $ – | $ 13,170 |
| Accumulated (deficit) earnings | (263,591) | (12,554) | 1,412 | (1,509) | – | (276,242) |
| Accumulated other comprehensive income | 21 | – | – | – | – | 21 |
| Notes receivable from shareholders | (55,299) | – | – | – | 3,340 | (51,959) |
| Total shareholders' (deficit) equity | (305,699) | (12,554) | 1,412 | (1,509) | 3,340 | (315,010) |
| Total liabilities and shareholders' (deficit) equity | $ 588,495 | $ 20,353 | $ 32,471 | $ 957 | $ (24,261) | $ 618,015 |

[1] Other: includes POGO and Dave Tonick

# New Koosharem Corporation
## Supplementary Information
## Consolidating Schedule, Statement of Operations
## For the Year Ended December 30, 2012

*(in thousands of dollars, except share data)*

| | Koosharem and its Subsidiaries and Affiliates | Trishan Air | San Diego Personnel | Other[1] | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $ 1,922,341 | $ 3,306 | $ 176,478 | $ 4,343 | $ (165,412) | $ 1,941,056 |
| Costs of revenues (exclusive of depreciation and amortization included below) | 1,665,678 | – | 169,725 | 3,914 | (156,078) | 1,683,239 |
| Gross profit | 256,663 | 3,306 | 6,753 | 429 | (9,334) | 257,817 |
| Franchise licensees' share of gross profit | 49,163 | – | – | – | – | 49,163 |
| **Operating expenses** | | | | | | |
| Selling and administrative expenses | 143,610 | (150) | 5,059 | 1,133 | (3,306) | 146,346 |
| Impairment of goodwill, intangibles and other long-lived assets | 221 | – | – | – | – | 221 |
| Depreciation and amortization | 16,040 | 2,658 | 6 | – | – | 18,704 |
| Income (loss) from operations | 47,629 | 798 | 1,688 | (704) | (6,028) | 43,383 |
| **Other income (expense)** | | | | | | |
| Interest income | 1,665 | – | – | – | – | 1,665 |
| Interest expense | (94,257) | (1,110) | (2,933) | – | 6,028 | (92,272) |
| Other, net | 2,534 | – | – | – | – | 2,534 |
| Total other (expense) income, net | (90,058) | (1,110) | (2,933) | – | 6,028 | (88,073) |
| Loss before provision for income taxes | (42,429) | (312) | (1,245) | (704) | – | (44,690) |
| Provision (benefit) for income taxes | 427 | – | (490) | 1 | – | (62) |
| Net loss | $ (42,856) | $ (312) | $ (755) | $ (705) | $ – | $ (44,628) |

[1] Other: includes POGO and Dave Tonick

EXHIBIT E

2013 UNAUDITED FINANCIAL STATEMENT

**Koosharem Corporation**
**Balance Sheet**

| *(in thousands of dollars, except share data)* | Dec 29, 2013 (Unaudited) |
|---|---|
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | $ 5,169 |
| Restricted cash | 590 |
| Accounts receivable | 224,401 |
| Notes and other receivables from related parties | 2,172 |
| Prepaid expenses and other current assets | 21,640 |
| Deferred tax assets | - |
| Prepaid workers' compensation insurance | 52,686 |
| Total current assets | 306,658 |
| **Property and equipment, net** | 22,455 |
| **Notes and other receivables from related parties** | 313 |
| **Prepaid workers' compensation insurance** | 34,480 |
| **Deferred tax assets** | - |
| **Goodwill** | 170,869 |
| **Intangibles, net** | 81,980 |
| **Other assets** | 5,591 |
| Total assets | $ 622,346 |
| | |
| **Liabilities and Shareholders' Deficit** | |
| **Current liabilities** | |
| Long-term debt, current portion | $ 534,602 |
| Short-term borrowings | 49,208 |
| Factoring facility | - |
| Notes and other payables to related parties | 2,731 |
| Accounts payable | 31,225 |
| Accrued payroll, benefits and related costs | 179,458 |
| Accrued legal and consulting | 36,495 |
| Accrued expenses and capital lease obligations | 100,974 |
| Workers' compensation insurance reserve | 35,946 |
| Total current liabilities | 970,639 |
| **Long-term debt, net of current portion** | 5 |
| **Workers' compensation insurance reserve** | 34,985 |
| **Deferred tax liabilities** | 84 |
| **Other long-term liabilities and capital lease obligations** | 5,481 |
| Total liabilities | 1,011,194 |
| **Shareholders' deficit** | |
| **Common stock - 2,000,000 shares authorized** | |
| **_,___,___ issued and outstanding as of December 29, 2013** | 13,170 |
| **Accumulated (deficit) earnings** | (346,740) |
| **Accumulated other comprehensive income** | 21 |
| **Notes receivable from shareholders** | (55,299) |
| Total shareholders' (deficit) equity | (388,848) |
| Total liabilities and shareholders' (deficit) equity | $ 622,346 |

**Koosharem Corporation**
**Statement of Operations**

| *(in thousands of dollars, except share data)* | Year Ended Dec 29, 2013 (Unaudited) |
|---|---|
| **Revenues** | $ 2,026,746 |
| **Costs of revenues (exclusive of depreciation and amortization included below)** | 1,762,718 |
| Gross profit | 264,028 |
| **Franchise licensees' share of gross profit** | 51,365 |
| **Operating expenses** | |
| Selling and administrative expenses | 172,058 |
| Impairment of goodwill, intangibles and other long-lived assets | 762 |
| Depreciation and amortization | 15,788 |
| Income (loss) from operations | 24,055 |
| **Other income (expense)** | |
| Interest income | 3,071 |
| Interest expense | (110,115) |
| Other, net | 291 |
| Total other (expense) income, net | (106,753) |
| Loss before provision for income taxes | (82,698) |
| **Provision for income taxes** | 450 |
| Net loss | $ (83,148) |

**Koosharem Corporation & Subsidiaries**
**Consolidated Statement of Cash Flows**
**For the Period Ended December 29, 2013**
(all $ amounts in thousands)

| | Dec 29, 2013 Actual (Unaudited) |
|---|---|
| **EBITDA** | $ 78,623 |
| Refinance Fees - Non Cash | (3,517) |
| Interest Expense | (106,535) |
| Depreciation & Amortization | (15,786) |
| Impairment | (762) |
| Income tax expense | (450) |
| Gain/Loss on Investment | (265) |
| SPAC and Restructuring costs | (12,171) |
| Legal settlement | (2,637) |
| WC ACE renewal | (19,648) |
| **Net Income** | $ (83,148) |
| | |
| **Operating Activities:** | |
| Net Loss | (83,148) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation & Amortization | 15,788 |
| Impairment | 762 |
| Gain on settlement | (469) |
| Bad debts | 3,978 |
| Write-off of Debt Issuance Costs (non-cash) | 3,517 |
| Additional PIK | 7,965 |
| Amortization of warrants | 1,434 |
| Gain on the forgiveness of debt | - |
| Loss on investments | 265 |
| Loss on disposal of fixed assets | 115 |
| Changes in operating assets & liabilities: | |
| Trading Investments | |
| Increase in trade accounts receivable | (8,558) |
| Decrease in other accounts receivable | 259 |
| Decrease in prepaid expenses | 3,103 |
| Increase in prepaid & recoverable workers' comp | (27,385) |
| Deferred Tax | - |
| Increase in other assets | (2,777) |
| Increase in accounts payable | 4,726 |
| Increase in accrued workers' compensation | 10,185 |
| Increase in payroll, benefits an related costs | 70,035 |
| Decrease in accrued expenses | (2,245) |
| Increase in accrued interest | 26,588 |
| Net cash provided by operating activities | $ 24,138 |
| | |
| **Investing Activities:** | |
| Additions to fixed assets | (3,054) |
| Net cash provided by investing activities | $ (3,054) |
| | |
| **Financing Activities:** | |
| Payments for debt issuance costs | (12,909) |
| Repayments of long-term debt, net | (5,987) |
| Payments on capital lease obligation | (742) |
| Net cash used in financing activities | $ (19,638) |
| | |
| Effect of exchange rate changes on cash | - |
| | |
| **Increase in Cash Position** | 1,446 |
| | |
| Beginning Cash Position: | |
| Cash and cash equivalents | 678 |
| Cash disbursements outstanding | (7,118) |
| | $ (6,440) |
| Ending Cash Position: | |
| Cash and cash equivalents | 5,169 |
| Cash disbursements outstanding | (10,163) |
| | $ (4,994) |
| | |
| **Increase in Cash Position** | $ 1,446 |

# New Koosharem Corporation & Subsidiaries
# Consolidated Statement of Shareholders' Equity
# For the Period Ended December 29, 2013

(all $ amounts in thousands)

| | Capital Stock | Retained Earnings-Repurchd Stock | Retained Earnings-Operations | Comprehensive Income | Notes Receivable From Shareholders | Total Shareholders Equity |
|---|---|---|---|---|---|---|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Balance at December 30, 2012** | $ 13,170 | $ (42,136) | $ (221,456) | $ 21 | $ (55,300) | $ (305,701) |
| **Net Income** | - | - | (83,148) | - | - | $ (83,148) |
| **Balance at December 29, 2013** | $ 13,170 | $ (42,136) | $ (304,604) | $ 21 | $ (55,299) | $ (388,848) |

# EXHIBIT F

## LIQUIDATION ANALYSIS

# Ablest, Inc., et. al.

## DISCLOSURE STATEMENT

## EXHIBIT F

## *HYPOTHETICAL LIQUIDATION ANALYSIS*

**Ablest Inc., et al.**
**Hypothetical Liquidation Analysis**
**Introduction**

A Chapter 11 plan cannot be confirmed unless the Bankruptcy Court determines that the plan is in the "best interests" of all holders of claims and interests that are impaired by the plan and that have not accepted the plan. The "best interests" test requires a Bankruptcy Court to find either that (i) all members of an impaired class of claims or interests have accepted the plan or (ii) the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under Chapter 7 of the Bankruptcy Code.

The Debtors, with the assistance of its restructuring advisors, AlixPartners LLP, have prepared this hypothetical liquidation analysis (the "Hypothetical Liquidation Analysis") in connection with the Disclosure Statement[1]. The Hypothetical Liquidation Analysis indicated the values which may be obtained by classes of claims upon disposition of assets, pursuant to a Chapter 7 liquidation, as an alternative to the continued operation of the business under the Plan. Asset values discussed herein may be different than amounts referred to in the Plan. The Hypothetical Liquidation Analysis is based upon the assumptions discussed below.

The Hypothetical Liquidation Analysis has been prepared assuming that the Debtors' Chapter 11 cases convert to Chapter 7 cases on May 25, 2014 (the "Liquidation Date"), which is the last day of the projected fifth fiscal period of 2014, the operations are wound down on an orderly basis and their assets are liquidated. The assets and claims in the Hypothetical Liquidation Analysis are forecast as of the Liquidation Date based upon the Debtors' financial projection model. Each legal entity was analyzed independently; however, each entity is jointly and severally liable on the Prepetition First Lien Loan Claims and Prepetition Second Lien Loan Claims and no individual entity generated sufficient recovery to repay the Prepetition First Lien Loan Claims; we therefore are presenting this Hypothetical Liquidation Analysis on a consolidated basis to show the best case for potential recoveries of creditors.

[1] "Disclosure Statement" means the Disclosure Statement for the Prepackaged Joint Plan of Reorganization for Ablest Inc. et.al. under chapter 11 of the Bankruptcy Code. Capitalized terms used but not defined herein have the meaning set forth in the Disclosure Statement.

**Ablest Inc., et al.**
**Hypothetical Liquidation Analysis**
**Introduction**

The Hypothetical Liquidation Analysis represents an estimate of recovery values and percentages based upon a hypothetical liquidation of the Debtors if a Chapter 7 trustee (the ‘‘Trustee’’) were appointed by the Bankruptcy Court to convert assets into cash. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the extensive use of estimates and assumptions which, although considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. ACCORDINGLY, NEITHER THE DEBTORS NOR ITS ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS OF A LIQUIDATION OF THE DEBTORS WOULD OR WOULD NOT APPROXIMATE THE ASSUMPTIONS REPRESENTED HEREIN. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Hypothetical Liquidation Analysis, the Debtors have estimated an amount of allowed claims for each class of claimants based upon a review of the Debtors’ books and records and a forecast of the liabilities from the Debtors’ projection model. The estimate of allowed claims in the Hypothetical Liquidation Analysis is based on the par value of those claims. No order or finding has been entered or made by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of allowed claims set forth in the Hypothetical Liquidation Analysis. The estimate of the amount of allowed claims set forth in the Hypothetical Liquidation Analysis should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of allowed claims under the Plan. The actual amount of allowed claims could be materially different from the amount of claims estimated in the Hypothetical Liquidation

The Hypothetical Liquidation Analysis envisions the orderly wind-down of substantially all of the Debtors’ operations over a nine month period, with the majority of the wind-down accomplished in the first ninety days.

The Hypothetical Liquidation Analysis does not contemplate any going concern sales of the Debtors’ segments due to the expected rapid deterioration in the customer base and employee pool. Management believes the business would rapidly deteriorate due to competitive intrusion into its customers and temporary employee pool that are placed out on assignment.

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**

**Hypothetical Liquidation Analysis**

**Introduction**

The Hypothetical Liquidation Analysis does not include estimates for the tax consequences that may be triggered upon the liquidation of assets in the manner described above. Such tax consequences may be material nor does this analysis include recoveries resulting from any potential preference, fraudulent transfer or other litigation or avoidance actions.

All asset proceeds and creditor recoveries are shown at nominal amounts and the Hypothetical Liquidation Analysis does not consider the discounting to present values which would result in lower recoveries to creditors than presented.

**Ablest Inc., et al.**
**Hypothetical Liquidation Analysis**
($ in 000s)

The Table below summarizes the estimated proceeds available for distribution and estimated recoveries under the Debtors' hypothetical liquidatio analysis.

| | | Projected Balances Estimated | Estimated Recovery Rate | | Estimated Recovery | | See Note |
|---|---|---|---|---|---|---|---|
| | | | Lower | Higher | Lower | Higher | |
| A. | STATEMENT OF ASSETS | | | | | | |
| | Cash and Cash Equivalents | $ 19,780 | 100% | 100% | $ 19,780 | $ 19,780 | 1 |
| | Accounts Receivable | 186,080 | 70% | 85% | 130,256 | 158,168 | 2 |
| | Other Receivables | 2,323 | 10% | 29% | 225 | 679 | 3 |
| | Prepaid Assets and Other Current Assets | 21,489 | 1% | 2% | 178 | 345 | 4 |
| | Prepaid Workers Compensation Insurance | 62,428 | 0% | 10% | - | 6,243 | 5 |
| | Fixed Assets, net | 22,455 | 9% | 35% | 1,970 | 7,840 | 6 |
| | Intangibles and Goodwill | 321,321 | 3% | 7% | 9,418 | 22,452 | 7 |
| | Other Assets | 6,493 | 61% | 80% | 3,951 | 5,191 | 8 |
| | Related Party | 53,569 | 0% | 1% | - | 483 | 9 |
| | **GROSS LIQUIDATION PROCEEDS** | | | | $ 165,779 | $ 221,180 | |
| B. | LIQUIDATION EXPENSES | | | | | | |
| | Wind Down Expenses | | | | $ (2,533) | $ (2,533) | 10 |
| | Chapter 7 Trustee Fees (3% of Gross Proceeds) | | | | (4,380) | (6,042) | 11 |
| | Other Professional Fees ($500k per month for 9 months) | | | | (4,500) | (4,500) | 12 |
| | **TOTAL LIQUIDATION EXPENSES** | | | | $ (11,413) | $ (13,075) | |
| | **NET LIQUIDATION PROCEEDS TO SATISFY CLAIMS** | | | | $ 154,366 | $ 208,105 | |
| C. | CARVE OUT CLAIMS | | | | 5,675 | 4,675 | 13 |
| | Proceeds Available to Satisfy Debtor-In-Possesion Financing Claims | | | | $ 148,691 | $ 203,430 | |
| D. | DEBTOR-IN-POSSESSION FINANCING CLAIMS | $ 35,000 | 100% | 100% | 35,000 | 35,000 | 14 |
| | PROCEEDS AVAILABLE TO SATISFY SECURED CLAIMS | | | | $ 113,691 | $ 168,430 | |
| E. | SECURED CLAIMS | | | | | | |
| | Pre-Petition First Lien Loan Claims | $ 492,172 | 23% | 34% | 113,691 | 168,430 | 15 |
| | Pre-Petition Second Lien Loan Claims | 158,782 | 0% | 0% | - | - | 16 |
| | TOTAL RECOVERY ON SECURED CLAIMS | | | | $ 113,691 | $ 168,430 | |
| | **NET PROCEEDS AVAILABLE FOR CH 11 ADMINISTRATIVE, PRIORITY AND UNSECURED CLAIMS** | | | | $0 | $0 | |

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**
**Hypothetical Liquidation Analysis**
($ in 000s)

**Notes to the Liquidation Analysis**

***Asset Recovery***

General **Book Values:** Unless otherwise stated, the book values used in the Hypothetical Liquidation Analysis are the unaudited net book values of the Debtors as of December 29, 2013. These book values are assumed to be representative of the Debtors' assets and liabilities as of the Liquidation Date. The book values have not been subject to any review, compilation or audit by an independent accounting firm.

Note 1 **Cash and Cash Equivalents** includes cash in the Debtors' bank accounts and cash equivalents. The balance is forecasted as of the Liquidation Date based upon the forecasted cash flows of the Debtors. The estimated recovery for this category of assets is 100% of book value in both the low and high cases.

Note 2 **Accounts Receivable** includes both billed and unbilled receivables. Recoveries on this asset class reflect the current nature of the receivables base, the Debtors' historical collection experience, estimated collection costs and additional uncollectible amounts resulting from the conversion to a Chapter 7 proceeding. The balance is forecasted as of the Liquidation Date. The estimated recovery for this category of assets is between 70% and 85% of the net book value.

Note 3 **Other Receivables** primarily include notes receivable from a related party as well as miscellaneous other receivables. Other receivables are assumed to have a blended recovery rate of 10% to 29%.

**Other Receivables**

| Other Receivable | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Employee Receivables | $ 28 | 0% | 10% | $ - | $ 3 |
| Misc Receivables | 40 | 10% | 30% | 4 | 12 |
| Notes Receivable from related pty, ST | 83 | 5% | 15% | 4 | 12 |
| Franchise notes receivable | 2,172 | 10% | 30% | 217 | 652 |
| | $ 2,323 | 10% | 29% | $ 225 | $ 679 |

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**
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Note 4 **Pre-Paid Expenses** includes deferred costs relating to the issuance of certain notes and prepaid insurance. The estimated recovery for this category is between 1% and 2% of book value.

**Pre-Paid Expenses**

| Prepaid and Other Assets | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Money Network Reserve | $ 20 | 80% | 100% | $ 16 | $ 20 |
| Prepaid Expenses | 1,628 | 10% | 20% | 163 | 326 |
| Prepaid Marketing | 128 | 0% | 0% | - | - |
| Current deferred loan costs | 0 | 0% | 0% | - | - |
| Deferred offering costs | 19,713 | 0% | 0% | - | - |
| | $ 21,489 | 1% | 2% | $ 178 | $ 345 |

Note 5 **Prepaid Workers Compensation Insurance** consists of deposits paid to its insurance carrier for payment of self insured workers compensation claims. The balance is forecasted as of the Liquidation Date based upon the forecasted cash flows of the Debtors. The estimated recovery for this category is 0% - 10% of book value.

Note 6 **Fixed assets** consist of computer software, computer hardware, office equipment and leasehold improvements used in the operation of the Debtors' business. The estimated recovery for this category is between 9% and 35% of net book value.

**Fixed Assets**

| PP&E | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Furniture & Fixtures | $ 5,520 | 10% | 20% | $ 552 | $ 1,104 |
| Office Equipment | 11,402 | 5% | 10% | 570 | 1,140 |
| Computer Hardware | 10,978 | 5% | 10% | 549 | 1,098 |
| Computer Software | 31,052 | 0% | 10% | - | 3,105 |
| Leasehold Improvements | 7,949 | 0% | 10% | - | 795 |
| Automobile | 2,989 | 10% | 20% | 299 | 598 |
| Accumulated Depreciation | (47,434) | 0% | 0% | - | - |
| Net PP&E | $ 22,455 | 9% | 35% | $ 1,970 | $ 7,840 |

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**
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Note 7 **Intangibles and Goodwill** consist primarily of goodwill, customer lists and employee lists acquired in acquisitions by the Debtors. The estimated recovery for this category is between 3% and 7% of book value.

**Intangibles and Goodwill**

| Intangibles and Goodwill | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Goodwill | $ 245,647 | 0% | 0% | $ - | $ - |
| Tradename | 19,791 | 5% | 20% | 990 | 3,958 |
| Employee Lists | 14,915 | 8% | 15% | 1,193 | 2,237 |
| Customer Lists | 144,712 | 5% | 10% | 7,236 | 14,471 |
| Other | 17,850 | 0% | 10% | - | 1,785 |
| Accumulated Amort Intangibles | (115,288) | 0% | 0% | - | - |
| Accumulated Amort Goodwill | (6,305) | 0% | 0% | - | - |
| Net Intangibles | $ 321,321 | 3% | 7% | $ 9,418 | $ 22,452 |

Note 8 **Other Assets** consists primarily of deferred compensation assets as well as other deposits and restricted cash. The estimated recovery for this category is between 61% and 80% of book value.

**Other Assets**

| Other Assets | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Notes Receivable from related pty, LT | $ 313 | 10% | 30% | $ 31 | $ 94 |
| Deposits | 691 | 0% | 20% | - | 138 |
| Investments-Real Estate | - | 0% | 0% | - | - |
| Deferred Comp-Union Bank | 4,900 | 80% | 100% | 3,920 | 4,900 |
| Restricted Cash & Investments | 590 | 0% | 10% | - | 59 |
| Total Other Assets | $ 6,493 | 61% | 80% | $ 3,951 | $ 5,191 |

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**
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($ in 000s)

Note 9 **Related Party** consists of note receivable shareholder and receivables from affiliated companies. The estimated recovery from this category is between 0% and 1%.

**Related Party**

| Related Parties | Projected Balance | Recovery Rate Lower | Recovery Rate Higher | Estimated Proceeds Lower | Estimated Proceeds Higher |
|---|---|---|---|---|---|
| Notes Receivable Par Alma | $ 47,245 | 0% | 0% | $ - | $ - |
| Misc Receivables - OLA | 4,712 | 0% | 10% | - | 471 |
| Misc Receivables - LAZY B | 119 | 0% | 10% | - | 12 |
| Misc Receivables - Trishan Air | 1,494 | 0% | 0% | - | - |
| Total Related Parties | $ 53,569 | 0% | 1% | $ - | $ 483 |

***Liquidation Expenses***

Note 10 Wind-Down Expenses consist primarily of corporate rent, corporate employment and corporate SG&A expense during the liquidation of the Debtors' assets. Corporate rent is assumed at 80% of its monthly amount for the first three months and 20% of its monthly amount for months 4 through 9. Corporate employment expense and corporate SG&A is assumed to be 50% of its monthly rate for the first three months and 10% of its monthly rate for months 4 through 9. Corporate employment expense is inclusive of any severance and retention bonuses that may be paid. It is assumed that the Debtors' will not require financing to effectuate the wind-down process. To the extent additional financing is required, additional interest costs would be incurred.

| | Current Rate Per Mo. | Reduction Rate | Estimated Expense |
|---|---|---|---|
| **Phase I Months 1-3** | | | |
| Corporate Rent | $ 74 | 80% | $ 59 |
| Corporate Employment Expense | 985 | 50% | 493 |
| Corporate SG&A | 95 | 50% | 47 |
| | $ 1,154 | | $ 599 |
| **Phase II Months 4-9** | | | |
| Corporate Rent | $ 74 | 20% | $ 15 |
| Corporate Employment Expense | 985 | 10% | 99 |
| Corporate SG&A | 95 | 10% | 9 |
| | $ 1,154 | | $ 123 |
| Total Wind Down Expenses | | | $ 2,533 |

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

**Ablest Inc., et al.**
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($ in 000s)

Note 11 **Trustee Fees** are assumed to be 3% of the amount disbursed (except cash which is materially related to DIP facility) to parties in interest excluding the debtors. The fees are estimated to be between approximately $4.5 million and $6.2 million.

Note 12 **Professional Fees** are based on the retention of both legal and financial advisors by the Chapter 7 trustee. Specifically, the assumed professional fees are estimated to be average $500,000 per month during the wind-down period for legal advisors, financial advisors and other professionals totaling $4.5 million during the Chapter 7 filing.

Note 13 **Carve Out Claims** consist of claims arising from the liens granted pursuant to the DIP Order includes (i) all fees and interest required to be paid to the clerk of the Bankruptcy Court and the office of the U.S. Trustee, (ii) all reasonable fees and expenses incurred by a trustee under section 726(b) of the Bankruptcy Code and (iii) all allowed and unpaid Claims of the Debtors' Professionals.

Note 14 **Debtor-In-Possession Financing Claims** comprise the assumed $35 million DIP that will be outstanding.

Note 15 **Prepetition First Lien Loan Claims** comprise the balance outstanding under the Revolving Loan and Term Loan made available as part of the First Lien Credit and Guaranty Agreement. Substantially all assets of the Debtors are collateral to secure the Prepetition First Lien Loans Claims. Recovery is based on the liquidation of the underlying collateral, resulting in estimated recoveries of between approximately 23% and 34%.

Note 16 **Prepetition Second Lien Loan CLaims** comprises the term loan based on the Second Lien Credit and Guarantee Agreement. Substantially all assets of the Debtors are collateral for the Prepetition Second Lien Loan Claims. Recovery is based on the liquidation of the underlying collateral, resulting in estimated recoveries of 0%.

The accompanying notes are an integral part of the Hypothetical Liquidation Analysis

# EXHIBIT G

## POST EMERGENCE CAPITALIZATION TABLE

**EXHIBIT G**

*Assumed Per Share Issue Price $10.00*

| | | Amount | Shares | Percentage |
|---|---|---|---|---|
| Rights Offering | $ | 175,000,000 | 17,500,000 | 55.51% |
| Backstop Parties Commitment | $ | 50,000,000 | 5,000,000 | 15.86% |
| DVR Purchase | $ | 20,700,000 | 2,070,000 | 6.57% |
| Steve Sorensen Purchase Right | $ | 4,000,000 | 400,000 | 1.27% |
| Related Party Note | $ | 2,300,000 | 230,000 | 0.73% |
| Related Party Note | $ | 500,000 | 50,000 | 0.16% |
| | | | | |
| Steve Sorensen Restricted Stock (5.5%) | | N/A | 1,388,750 | 4.41% |
| Management Incentive Plan Issuances (at closing) (4%) | | | 1,010,000 | 3.20% |
| Remaining Management Incentive Plan Shares and Options (5.35%) | | N/A | 1,350,875 | 4.29% |
| Warrants (10%) | | N/A | 2,525,000 | 8.01% |
| | | | | |
| TOTAL FULLY-DILUTED SHARES (including MIP availability) | | | 31,524,625 | |

Notes

1. Assumed per Share Issue Price subject to change, which would result in proportionate adjustments to the share numbers.

2. The DVR purchase price is subject to adjustment in accordance with the terms of the DVR Purchase Agreement.

3. The Steve Sorensen Purchase Right is the maximum amount of shares of New Common Stock for which Steve Sorensen is permitted to subscribe.

4. Steve Sorensen Restricted Stock, Management Incentive Plan Shares and Options, Remaining Management Incentive Plan Shares and Options, and Warrants are based on the share issuances described above and is subject to reduction if (a) less than $4,000,000 of New Common Stock is subscribed for by Steve Sorensen under the Steve Sorensen Purchase Right and (b) the DVR purchase price changes at closing.

# EXHIBIT H

DIP TERM SHEET

**KOOSHAREM, LLC**

**TERM SHEET FOR PROPOSED PREPACKAGED DEBTOR-IN-POSSESSION FINANCING AND USE OF CASH COLLATERAL**

In the event that Koosharem, LLC and its affiliates determine to file a petition for relief under Chapter 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") for the purpose of effectuating a restructuring, the following describes the terms of a debtor-in-possession financing (the "**DIP Facility**") to be used to fund working capital during the pendency of the Chapter 11 cases (the "**Chapter 11 Cases**").

This term sheet is intended for discussion purposes only and does not constitute a commitment to lend. This term sheet is non-binding and the proposals contained herein are subject to, among other things, the negotiation, documentation and execution of definitive documentation. Only execution and delivery of definitive documentation relating to the transactions shall result in any binding or enforceable obligations of any party relating to the transactions. The terms and conditions for the extension of credit described herein are dependent upon, among other things, (i) authorization and approval by the United States Bankruptcy Court, District of Delaware (the "**Bankruptcy Court**"), before which the Chapter 11 Cases are pending and (ii) internal authorization and approval by the appropriate credit committees of the DIP Lenders (as defined below). The terms and conditions with respect to such commitments are mutually dependent on each other and the DIP Lenders shall not be obligated to extend credit unless agreement with the Obligors (as defined below) and approval by the Bankruptcy Court is obtained with respect to such terms and conditions as a whole.

| | |
|---|---|
| **Parties** | **Debtors**: Koosharem, LLC and its subsidiaries and parents (collectively, the "**Debtors**" or the "**Company**" and listed on Annex I hereto), as debtors-in-possession in Chapter 11 Cases and borrowers and/or guarantors of the obligations arising under the DIP Facility (the "**Obligors**"). The date on which the Chapter 11 Cases are commenced, which is expected to occur on or about March 31, 2014, is referred to herein as the "**Petition Date**."<br><br>**DIP Lenders**: Financial institutions and other entities as lenders under the DIP Facility (the "**DIP Lenders**"); provided that no affiliate of any Obligor shall become a DIP Lender.<br><br>**DIP Agent**: Credit Suisse AG (the "**DIP Agent**") shall act as administrative agent for the DIP Lenders under the DIP Facility. |
| **Existing Debt Arrangements/ Prepetition Facilities** | **Prepetition Facilities**:<br><br>The Company is a party to that certain First Lien Credit and Guaranty Agreement, dated as of July 12, 2007, among the Company, as borrower, the subsidiary guarantors party thereto, Bank of the West, as administrative agent, collateral agent, documentation agent, co-lead arranger and co-bookrunner (the "**Prepetition First Lien Agent**"), BNP Paribas Securities Corp., as co-lead arranger and co-bookrunner, and the lenders party thereto from time to time (the "**Prepetition First Lien Lenders**") (as amended, supplemented or otherwise modified prior to the date hereof, and including all exhibits and other ancillary documentation in respect thereof, the "**Prepetition First Lien Credit Agreement**"). The Prepetition First Lien Lenders provided a revolving credit loan and term loans to or for the benefit of the Company (the "**Prepetition First Lien Facility**"). The Prepetition First Lien Credit Agreement and all instruments and documents executed at any time in connection therewith shall be referred collectively as the "**Prepetition First Lien Credit Documents**."<br><br>The Company is a party to that certain Second Lien Credit and Guaranty Agreement, dated as of July 12, 2007, among the Company, as borrower, the subsidiary guarantors party thereto, Wilmington Trust FSB, as successor to BNP Paribas Securities Corp., as administrative agent, collateral agent and documentation agent (the "**Prepetition Second Lien Agent**" and, collectively with the Prepetition First Lien Agent, the "**Prepetition Agents**"), Bank of the West, as co-lead arranger and co-bookrunner, BNP Paribas |

| | |
|---|---|
| | Securities Corp., as co-lead arranger and co-bookrunner, and the lenders party thereto from time to time (the "**Prepetition Second Lien Lenders**"and, collectively with the Prepetition First Lien Lenders, the "**Prepetition Lenders**") (as amended, supplemented or otherwise modified prior to the date hereof, and including all exhibits and other ancillary documentation in respect thereof, the "**Prepetition Second Lien Credit Agreement**"). The Prepetition Second Lien Lenders provided term loans to or for the benefit of the Company (together with the Prepetition First Lien Facility, the "**Prepetition Facilities**"). The Prepetition Second Lien Credit Agreement and all instruments and documents executed at any time in connection therewith, shall be referred to collectively as the "**Prepetition Second Lien Credit Documents**."<br><br>To secure the obligations under the Prepetition Facilities, the Debtors granted to the Prepetition First Lien Lenders first-priority security interests in and liens on (the "**Prepetition First Liens**") substantially all of the assets of the Debtors described in the Prepetition First Lien Credit Documents (the "**Prepetition First Lien Collateral**") and granted to the Prepetition Second Lien Lenders second-priority security interests in and liens on (together with the Prepetition First Liens, the "**Prepetition Liens**") substantially all of the assets of the Debtors described in the Prepetition Second Lien Credit Documents (together with the Prepetition First Lien Collateral, the "**Prepetition Collateral**").<br><br>The Company is a party to that certain Intercreditor Agreement, dated as of July 12, 2007, among the Company, Bank of the West, as collateral agent for the obligations under the Prepetition First Lien Credit Agreement and BNP Paribas Securities Corp., as collateral agent for the obligations under the Prepetition Second Lien Credit Agreement. |
| **DIP Facility/ Use of Proceeds** | **DIP Facility:** The DIP Facility and all instruments and documents executed at any time in connection therewith, shall be referred to collectively as the "**DIP Documents**."<br><br>The DIP Facility shall be comprised of a superpriority priming term loan in an aggregate principal amount of $50 million (the "**DIP Loan**"). Amounts paid or prepaid under the DIP Loan may not be reborrowed.<br><br>Subject to the terms and conditions herein, the proceeds of the DIP Facility (including the Interim Facility (as defined below)) will be used in a manner not inconsistent with the Financial Covenant, including, without limitation: (i) to pay (a) all fees due to DIP Lenders as provided under the DIP Facility and (b) administration costs of the Chapter 11 Cases and claims or amounts approved by the Bankruptcy Court, (ii) to provide working capital for the Debtors, and (iii) for other general corporate purposes of the Debtors.<br><br>**Use of Proceeds**: No portion of the Obligors' cash collateral and other cash (collectively, the "**Cash Collateral**"), the DIP Facility, the DIP Collateral (as defined below) or the **Carve-Out** (as defined below) may be used:<br><br>(a) for any purpose that is prohibited under the Bankruptcy Code, the Interim Order (as defined below), the Final Order (as defined below) or the DIP Documents;<br><br>(b) to finance in any way any adversary action, suit, arbitration, proceeding, application, motion or other litigation or challenge of any type adverse to the interests of any or all of the DIP Agent, the DIP Lenders, the Prepetition First Lien Agent or the Prepetition First Lien Lenders or their respective rights and remedies under DIP Documents, the Interim Order, the Final Order or the Prepetition First Lien Credit Documents;<br><br>(c) to make any distribution under a plan of reorganization in the Chapter 11 Cases except as agreed in writing by the Required DIP Lenders (as defined below); and<br><br>(d) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of the DIP Agent |

| | |
|---|---|
| | acting at the direction of the Required DIP Lenders. |
| **Availability** | **Interim Facility:** Upon the Bankruptcy Court's entry of an interim order ("**Interim Order**") approving the DIP Facility, $20 million (the "**Interim Facility**") shall be drawn, subject to compliance with the terms, conditions and covenants described in the DIP Documents and in a manner not inconsistent with the Financial Covenant. All DIP Loans made under the Interim Facility will be due and payable on the date that is 30 days after the entry of the Interim Order or such earlier date upon the occurrence of a maturity event unless a final order approving the DIP Facility in form and substance satisfactory to the Required DIP Lenders shall have been entered by the Bankruptcy Court on or before such date.<br><br>**Full Availability**: Upon the Bankruptcy Court's entry of the final order approving the DIP Facility (the "**Final Order**") (the date on which such Final Order is entered, the "**Final Order Entry Date**"), $30 million (the "**Full Availability**") shall be drawn, subject to compliance with the terms, conditions and covenants described in the DIP Documents and in a manner not inconsistent with the Financial Covenant. |
| **Budget/ Escrow Account** | **Budget**: The 13-week statement of sources and uses for the next 13 weeks of the Obligors (the "**Budget**," the first instance of which, the "**Initial Budget**"), broken down by week, including the anticipated uses of the DIP Facility for such period (a "**13-week Projection**"), and thereafter, prior to the entry of the Final Order, at the end of each 2-week period, an updated Budget, including a 13-week Projection for the subsequent 13-week period (provided that (i) any changes from a prior Budget and (ii) any amounts in periods not included in the prior Budget shall be satisfactory to the Required DIP Lenders).<br><br>The proceeds of the DIP Loans shall be deposited in an escrow account maintained in the name of the DIP Agent at a financial institution selected by the DIP Agent in its sole discretion (the "**Escrow Account**") pursuant to an escrow agreement on terms and conditions acceptable to the DIP Agent in its sole discretion. The proceeds in the Escrow Account shall be released periodically at the request of the Debtors to fund the operations of the Obligors in a manner not inconsistent with the Financial Covenant. If the Maturity Date (as defined below) occurs, all proceeds in the Escrow Account shall be immediately applied by the DIP Agent to repay the DIP Loans on a pro rata basis. Amounts deposited in the Escrow Account shall be invested in a manner to be agreed, provided, however, that sufficient proceeds shall remain in the Escrow Account to satisfy the Carve-Out (as defined below). |
| **Priority and Liens/ Ranking/ Security/Collateral** | **Collateral**: "**DIP Collateral**" shall mean any and all assets of the Obligors, unless otherwise agreed by the Required DIP Lenders.<br><br>**Priority/Collateral**: All obligations of the Obligors under the DIP Documents, including all loans made under the DIP Facility, shall, subject to the Carve-Out (as defined below), at all times:<br><br>(a) pursuant to Bankruptcy Code section 364(c)(1), be entitled to joint and several superpriority administrative expense claim status in the Chapter 11 Cases, which claims in respect of the DIP Facility shall be superior to all other claims;<br><br>(b) pursuant to Bankruptcy Code section 364(c)(2), have a first priority lien on all unencumbered assets of the Obligors (now or hereafter acquired, and all proceeds thereof);<br><br>(c) pursuant to Bankruptcy Code section 364(c)(3), have a junior lien on all encumbered assets of the Obligors excluding the liens pursuant to the Prepetition Facilities (now or hereafter acquired, and all proceeds thereof); and<br><br>(d) pursuant to Bankruptcy Code section 364(d), have a first priority priming lien on all assets of the Obligors (now or hereafter acquired and all proceeds thereof) that were subject to a lien securing the Prepetition Facilities as of the Petition Date. |

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| | It is understood and agreed that the priming liens described herein shall prime the liens securing the Prepetition Facilities and other secured obligations including foreign exchange, currency and interest rate hedged obligations (collectively, the "**Existing Primed Secured Facilities**"), but that the liens so created as described in clauses (b), (c), and (d) above shall be subject to Permitted Liens (as such term is defined in the DIP Documents).<br><br>The liens to be granted by the Bankruptcy Court shall cover all property of the Obligors (now or hereafter acquired and all proceeds thereof), including property or assets that do not secure the Existing Primed Secured Facilities, except until entry of the Final Order, claims and causes of action under Sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, and as otherwise agreed to by the Required DIP Lenders in their sole discretion.<br><br>The Obligors' obligations to the DIP Lenders and the liens and superpriority claims granted as provided in clauses (a) through (b) above shall be subject in each case only to a carve-out (the "**Carve-Out**") which shall be the sum total of (i) all statutory fees payable to the clerk of the Bankruptcy Court or the United States Trustee pursuant to 28 U.S.C. § 1930; (ii) allowed and unpaid professional fees, expenses and disbursements incurred prior to the Termination Declaration Date (as defined below) by professionals of the estate retained by final order of the Bankruptcy Court (which order has not been vacated or stayed, unless the stay has been vacated), including professionals of the Debtors employed under Sections 327, 328 or 363 of the Bankruptcy Code (the "**Estate Professionals**") and professionals of the official committee of unsecured creditors (the "**Creditors Committee Professionals**") up to the amount provided for such Creditors Committee Professionals in the Budget (including the reimbursement of expenses allowed by the Bankruptcy Court incurred by a creditors committee member in the performance of its duties, but excluding fees and expenses of third party professionals employed by such member); and (iii) the allowed and unpaid professional fees, expenses and disbursements incurred on or after the date the DIP Agent declares a termination, reduction, or restriction on the ability of the Debtors to use any Cash Collateral derived solely from the proceeds of the DIP Collateral (and the earliest date any such declaration is made shall be referred to herein as the "**Termination Declaration Date**") under Sections 327 or 1103(a) of the Bankruptcy Code, in the aggregate not to exceed $600,000 for Estate Professionals and $50,000 for Creditors Committee Professionals.<br><br>All of the liens described herein with respect to the assets of the Obligors shall be effective and perfected on the date the Interim Order is entered ("**Interim Order Entry Date**") and without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements or other agreements.<br><br>Except to the extent expressly set forth in this Term Sheet, the Interim Order and the Final Order shall contain provisions prohibiting Debtors from incurring any indebtedness which (x) ranks pari passu with or senior to the loans under the DIP Facility or (y) benefits from a first priority lien under Section 364 of the Bankruptcy Code. |
| **Adequate Protection** | **Senior Adequate Protection**:<br><br>(a) Senior Adequate Protection Liens. Pursuant to Sections 361, 363(e), and 364(d) of the Bankruptcy Code, as adequate protection of the interests of the Prepetition First Lien Agent and the Prepetition First Lien Lenders in the Prepetition Collateral against any diminution in the value of its interests in the Prepetition Collateral on account of the granting of the liens (including Cash Collateral) resulting from the Debtors' use, sale, or lease (or other decline in value) of such collateral, the imposition of the automatic stay, the priming of the Prepetition Liens on the Prepetition Collateral, and the subordination to the Carve-Out (collectively, and solely to the extent of any such diminution in value, the "**Diminution in Value**") the Debtors hereby grant to the Prepetition First Lien Agent, for the benefit of itself and the Prepetition First Lien Lenders, continuing valid, binding, enforceable, and perfected postpetition security interests in and liens on the DIP Collateral (the "**Senior Adequate Protection Liens**").<br><br>(b) Senior Superpriority Claim. As further adequate protection of the interests of the Prepetition |

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| | First Lien Agent and the Prepetition First Lien Lenders in the Prepetition Collateral against any Diminution in Value of such interests in the Prepetition Collateral on account of the granting of the liens, the Debtors' use of Cash Collateral, the use, sale, or lease of any other Prepetition Collateral, and the imposition of the automatic stay, the Prepetition First Lien Agent and the Prepetition First Lien Lenders are each hereby granted as and to the extent provided by Section 507(b) of the Bankruptcy Code an allowed superpriority administrative expense claim in each of the cases and any successor cases (the "**Senior Superpriority Claim**").<br><br>**Junior Adequate Protection**:<br><br>(a) Junior Adequate Protection Liens. Pursuant to Sections 361, 363(e), and 364(d) of the Bankruptcy Code, as adequate protection of the interests of the Prepetition Second Lien Agent and the Prepetition Second Lien Lenders in the Prepetition Collateral against any Diminution in Value of such interests in the Prepetition Collateral on account of the granting of the liens, the Debtors' use of Cash Collateral and sale, lease or use of other Prepetition Collateral, and the imposition of the automatic stay, the Debtors hereby grant to the Prepetition Second Lien Agent, for the benefit of itself and the Prepetition Second Lien Lenders, continuing valid, binding, enforceable, and perfected postpetition security interests in and liens on the DIP Collateral (together with the Senior Adequate Protection Liens, the "**Adequate Protection Liens**"). The Prepetition Second Lien Agent and the Prepetition Second Lien Lenders shall receive adequate protection liens subject, junior and subordinate to the adequate protection given to the Prepetition First Lien Agent and the Prepetition First Lien Lenders.<br><br>(b) Junior Superpriority Claim. As further adequate protection of the interests of the Prepetition Second Lien Agent and the Prepetition Second Lien Lenders in the Prepetition Collateral against any Diminution in Value of such interests in the Prepetition Collateral on account of the granting of the liens, the Debtors' use of Cash Collateral, the use, sale, or lease of any other Prepetition Collateral, and the imposition of the automatic stay, the Prepetition Second Lien Agent and the Prepetition Second Lien Lenders are each hereby granted as and to the extent provided by Section 507(b) of the Bankruptcy Code an allowed superpriority administrative expense claim in each of the cases and any successor cases.<br><br>All intercompany liens of the Debtors and other Obligors, if any (other than any liens securing the Prepetition Facilities), will be contractually subordinated to the DIP Facility and to the Adequate Protection Liens on terms satisfactory to the DIP Lenders. |
| **Closing Date** | The date on which the specified portion of the commitments is made available for borrowings under the DIP Facility (the "**Closing Date**"), which shall be the Interim Order Entry Date, subject to satisfaction (or waiver by the Required DIP Lenders) of the applicable conditions precedent set forth herein. |
| **Maturity** | Borrowings shall be repaid in full, and the commitments shall terminate, on the earliest to occur (the "**Maturity Date**") of (i) three months from the Closing Date, (ii) the earlier of the effective date and the date of the substantial consummation (as defined in Section 1102(2) of the Bankruptcy Code) of a plan of reorganization (a "**Plan of Reorganization**") in the Chapter 11 Cases that has been confirmed by an order of the Bankruptcy Court, (iii) the acceleration of the loans or termination of the commitments under the DIP Facility, including, without limitation, as a result of the occurrence of an Event of Default and (iv) the date that is 30 days after the Interim Order Entry Date if the Final Order Entry Date shall not have occurred by such date.<br><br>Any confirmation order entered in the Chapter 11 Cases shall not discharge or otherwise affect in any way any of the joint and several obligations of the Company or the other Obligors to the DIP Lenders under the DIP Facility and the DIP Documents, other than after the payment in full and in cash, to the DIP Lenders of all obligations under the DIP Facility and the DIP Documents on or before the effective date of a Plan of Reorganization and the termination of the commitments. |

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| **Interest Rate/Default Interest Rate/Fees** | The interest rate, default rate and fees are appended as Annex II hereto. |
| **Conditions to DIP Closing** | **Conditions to Interim Facility**:<br><br>1. Interim Order/Bankruptcy Matters.<br><br>(a) The Chapter 11 Cases shall have been commenced in the Bankruptcy Court for the District of Delaware. All of the "first day" orders and all related pleadings which were required to be entered at the time of commencement of the Chapter 11 Cases or shortly thereafter shall have been reviewed in advance by the Required DIP Lenders (to the extent requested) and shall be in form and substance acceptable to the Required DIP Lenders.<br><br>(b) The Bankruptcy Court shall have entered an Interim Order as to the DIP Facility which Interim Order shall be in form and substance satisfactory to the sole discretion of the Required DIP Lenders and shall be in full force and effect, and shall not (in whole or in part) have been reversed, modified, amended, stayed, vacated, appealed or subject to a stay pending appeal or subject to a motion to amend, modify or vacate (without Required DIP Lender consent) or for reconsideration. The Obligors shall be in compliance in all respects with the Interim Order.<br><br>(c) All orders entered by the Bankruptcy Court pertaining to cash management (a "**Cash Management Order**") and adequate protection, shall, and all other motions and documents filed or to be filed with, and submitted to, the Bankruptcy Court in connection therewith shall be in form and substance satisfactory to the Required DIP Lenders in their sole discretion.<br><br>(d) No trustee, examiner or receiver shall have been appointed or designated with respect to the Obligors' or their subsidiaries' business, properties or assets.<br><br>(e) The Prepetition Agents and Prepetition Lenders shall have received adequate protection in respect of the Prepetition Liens as set forth in the Interim Order, or Final Order, as the case may be.<br><br>(f) The DIP Lenders shall have been granted a perfected, first priority lien on all collateral and, except with respect to borrowings permitted prior to the execution of the DIP Documents, shall have received UCC, tax and judgment lien searches, real estate title searches, and other appropriate evidence, evidencing the absence of any other liens or mortgages on the collateral, except the liens securing the Prepetition Facilities and other existing liens acceptable to the Required DIP Lenders; provided that the Required DIP Lenders, in their sole discretion, may waive receipt of such evidence.<br><br>2. Budgets. The DIP Lenders shall have received the Initial Budget, which Initial Budget shall be in form and substance satisfactory to the Required DIP Lenders in their sole discretion.<br><br>3. Customary Closing Documents.<br><br>(a) All documented costs, fees, expenses (including, without limitation, reasonable documented legal fees) and other compensation contemplated by the DIP Documents and this Term Sheet to be payable shall have been paid, or will be paid from the proceeds of the Interim Facility, to the extent due and the Obligors shall have complied in all respects with all of their other obligations to the DIP Agent and DIP Lenders.<br><br>(b) The Required DIP Lenders shall be satisfied that the Obligors have complied with all other customary closing conditions, including, without limitation: (i) the delivery of corporate records and documents from public officials, and officer's certificates; (ii) evidence of |

authority; and (iii) obtaining of any material third party and governmental consents necessary in connection with the DIP Facility, the financing thereunder and related transactions (other than those consents not necessary due to the Interim Order). The Obligors and the transactions contemplated by this Term Sheet shall be in compliance with all applicable laws and regulations. The DIP Lenders shall have received prior to the Closing Date all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act, in each case satisfactory to each DIP Lender.

(c) Execution and delivery by the Obligors of the DIP Documents evidencing the loans made and to be made under the DIP Facility.

(d) Such other conditions as are reasonably requested by the Required DIP Lenders shall have been satisfied by the Obligors.

**Conditions to Full Availability**:

(a) Not later than 30 days following the Interim Order Entry Date, a Final Order as to the DIP Facility which Final Order shall be in form and substance satisfactory to the sole discretion of the Required DIP Lenders.

(b) The Final Order shall be in full force and effect, and shall not (in whole or in part) have been reversed, modified, amended, stayed, vacated, appealed or subject to a stay pending appeal or subject to a motion to amend, modify or vacate (without Required DIP Lender consent) or for reconsideration.

(c) The Obligors shall be in compliance in all respects with the Final Order.

(d) No trustee, examiner (with expanded powers) or receiver shall have been appointed or designated with respect to the Obligors' or their subsidiaries' business, properties or assets and no motion shall be pending seeking any such relief or seeking any other relief in the Bankruptcy Court to exercise control over collateral.

**Conditions to All Loans**:

(a) The Obligors shall be in compliance with the Chapter 11 Orders (as defined below) and the Cash Management Order.

(b) Except as disclosed, since the Petition Date no material adverse effect (to be defined) in the operations, assets, revenues, financial condition, profits or prospects of the Obligors (other than by virtue of the commencement of the Chapter 11 Cases) shall have occurred.

(c) Other than an objection to the motion to approve the DIP Facility filed in the Bankruptcy Court, there shall exist no claim, action, suit, investigation, litigation or proceeding pending in any court or before any arbitrator or governmental instrumentality which relates to the DIP Facility or the transactions contemplated thereby, except for claims, actions, suits, investigations, litigation or proceedings (A) disclosed in a schedule to the DIP Documents or (B) otherwise stayed by 11 U.S.C.§ 362.

(d) No default or Event of Default has occurred and is continuing and all representations and warranties shall be true, correct and complete in all material respects.

(f) Such other conditions customary or appropriate in the context of the proposed DIP Facility as may be reasonably requested by the Required DIP Lenders.

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| **Covenants** | Expected to be largely consistent with the covenants contained in the Prepetition First Lien Credit Agreement (with necessary modifications to reflect current business conditions) but also to include other covenants customary or appropriate in the context of the proposed DIP Facility or as otherwise required by the DIP Agent, including, without limitation:<br><br>**Information Covenants**:<br><br>(a) Budget Variance:<br><br>(i) On a weekly basis, the Company shall deliver a report setting forth the actual and budgeted results for the prior week by line item in the Budget, together with a reasonably detailed written explanation of material variance from the Budget.<br><br>(ii) On or prior to Friday of each week, commencing with the week ending five weeks after the Petition Date, the Company shall deliver a report (the "**Collections Variance Report**") setting forth for the immediately preceding week the actual and budgeted results for such prior four week period for the Budget line item titled "Total Cash Collections," together with a reasonably detailed written explanation of material variance from the Budget.<br><br>(iii) On or prior to Wednesday of each week, commencing with the week ending six weeks after the Petition Date, the Company shall deliver a report (together with the Collections Variance Report, the "**Variance Reports**") setting forth for the week ending on a Friday 12 days earlier the actual and budgeted results for such prior four week period for the Budget line item titled "Total Sales," together with a reasonably detailed written explanation of material variance from the Budget.<br><br>(b) Chapter 11 Cases Filings. Deliver to counsel for the DIP Agent promptly after the same is available, copies of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of the Debtors or any other Obligor with the Bankruptcy Court in the Chapter 11 Cases, or distributed by or on behalf of the Debtors or any other Obligor to any official committee appointed in the Chapter 11 Cases.<br><br>**Affirmative Covenants**:<br><br>(a) Access to information, data (including historical information and data) and personnel with respect to the Debtors as from time to time as may be reasonably requested by the DIP Agent or any DIP Lender.<br><br>(b) Maintenance of cash management system in a manner reasonably acceptable to the DIP Agent and in accordance with the Interim Order and the Final Order (collectively, the "**Chapter 11 Orders**") as applicable.<br><br>**Negative Covenants**:<br><br>(a) Create or permit to exist (i) any administrative expense, unsecured claim, or other superpriority claim or lien that is pari passu with or senior to the claims of the DIP Lenders under the DIP Facility, or apply to the Bankruptcy Court for authority to do so, except for the Carve-Out or (ii) any obligation to make adequate protection payments other than pursuant to the prepetition lender protection.<br><br>(b) Make or permit to be made any change, amendment or modification, or any application or motion for any change, amendment or modification, to any Chapter 11 Order.<br><br>(c) (i) assume or reject any executory contract or unexpired lease without the consent of the |

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| | Required DIP Lenders, which consent will not be unreasonably withheld, or (ii) consent to termination or reduction of the exclusivity period or fail to object to any motion seeking to terminate or reduce the exclusivity period other than a motion filed by or with the consent of the Required DIP Lenders.<br><br>(d) Create or permit to exist any liens or encumbrances on any assets, other than liens securing the DIP Facility and any Permitted Liens (as such term is defined in the DIP Documents, which liens shall include scheduled liens in existence on the Closing Date which shall be subordinated to the extent required pursuant to the orders).<br><br>(e) Modify or alter (i) in any material manner the nature and type of its business or the manner in which such business is conducted or (ii) its organizational documents, except as required by the Bankruptcy Code.<br><br>(f) Assert any right of subrogation or contribution against any other Obligor until all borrowings under the DIP Facility are paid in full and the commitments are terminated.<br><br>(g) Make any payment of principal or interest or otherwise on account of any prepetition indebtedness or payables, other than as contemplated under "Adequate Protection" herein or payments authorized by the Bankruptcy Court to which the Required DIP Lenders have consented.<br><br>**Financial Covenant**:<br><br>The proceeds of the DIP Loans and all proceeds of DIP Collateral shall be used by the Debtors solely for the purposes set forth in the Budget. The Borrower will not permit the Specified Line Items to have an adverse deviation of more than 20% from the amount forecasted in the Budget for such Specified Line Items for the four week period specified in the Variance Reports. Compliance with the foregoing will be determined on the basis of actual results as set forth in the Variance Reports. "**Specified Line Items**" means the Budget line items titled "Total Cash Collections" and "Total Sales."<br><br>The amount of principal that the Company may borrow or draw from the Escrow Account in any week shall not exceed the amount set forth in the Budget for such week plus $5 million. |
| **Representations and Warranties** | The DIP Documents shall contain the representations and warranties made by the Obligors under the Prepetition First Lien Credit Agreement, modified as necessary to reflect the commencement of the Chapter 11 Cases and current business conditions, and such other representations and warranties as the DIP Agent shall reasonably require. |
| **Prepayments** | The DIP Documents shall contain the mandatory prepayments made by the Obligors under the Prepetition First Lien Credit Agreement, modified as appropriate to reflect the commencement of the Chapter 11 Cases and such other mandatory prepayments customary or appropriate in the context of the proposed DIP Facility, including without limitation: (i) asset sales, (ii) insurance proceeds, (iii) incurrence of indebtedness and (iv) issuance of equity. |
| **Events of Default** | The DIP Facility documentation will contain Events of Default consistent with the Prepetition First Lien Credit Agreement (subject to modifications necessary to reflect customary debtor-in-possession financing provisions, this specific transaction and current market conditions), including, without limitation:<br><br>(a) The Final Order Entry Date shall not have been occurred within 30 days after the Interim Order Entry Date.<br><br>(b) Any of the Chapter 11 Cases shall be dismissed or converted to a Chapter 7 case. |

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| | (c) Any Obligor files a motion in the Chapter 11 Cases without the express written consent of Required DIP Lenders, to obtain additional financing from a party other than DIP Lenders under Section 364(d) of the Bankruptcy Code or to use cash collateral of a DIP Lender under Section 363(c) of the Bankruptcy Code.<br><br>(d) Any Obligor shall file a motion seeking, or the Bankruptcy Court shall enter, an order (i) approving payment of any pre-petition claim other than (x) as provided for in the "first day" orders to which the Required DIP Lenders have consented and in a manner not inconsistent with the Financial Covenant or (y) otherwise consented to by the Required DIP Lenders in writing, (ii) granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to any holder of any security interest to permit foreclosure on any assets having a book value in excess of $1,000,000 in the aggregate or to permit other actions that would have a material adverse effect on the Debtors (taken as a whole), or (iii) approving any settlement or other stipulation not approved by the Required DIP Lenders and not included in the Budget with any secured creditor of any Obligor providing for payments as adequate protection or otherwise to such secured creditor.<br><br>(e) Any Chapter 11 Order shall be amended, supplemented, stayed, reversed, vacated or otherwise modified (or any Obligor shall apply for authority to do so) without the written consent of the Required DIP Lenders or any Chapter 11 Order shall cease to be in full force and effect.<br><br>(f) Any of the Obligors shall fail to comply with the terms and conditions of any Chapter 11 Order in any material respect.<br><br>(g) A trustee, examiner (with expanded powers) or receiver shall be appointed or designated in any of the Chapter 11 Cases.<br><br>(h) Entry of an order by the Bankruptcy Court terminating or modifying the exclusive right of any Obligor to file a Chapter 11 plan pursuant to Section 1121 of the Bankruptcy Code, without the prior written consent of the Required DIP Lenders.<br><br>(i) The Obligors shall support any other person's opposition of any motion made in the Bankruptcy Court by the DIP Lenders seeking confirmation of the amount of the DIP Lenders' claim or the validity and enforceability of the liens in favor of the DIP Agent.<br><br>(j) (A) The Obligors shall seek to, or shall support (in any such case by way of any motion or other pleading filed with the Bankruptcy Court or any other writing to another party-in-interest executed by or on behalf of the Obligors) any other person's motion to, disallow in whole or in part the DIP Lenders' claim in respect of the obligations under the DIP Documents or to challenge the validity and enforceability of the liens in favor of the DIP Agent or contest any material provision of any DIP Document, (B) such liens and/or superpriority claims shall otherwise cease to be valid, perfected and enforceable in all respects or (C) or any material provision of any DIP Document shall cease to be effective.<br><br>(k) Any judgments which are in the aggregate in excess of $1,000,000 as to any postpetition obligation shall be rendered against any of the Obligors and the enforcement thereof shall not be stayed.<br><br>(l) (A) The Obligors or any of their affiliates shall file any pleading or proceeding which could reasonably be expected to result in a material impairment of the rights or interests of the DIP Lenders or (B) entry of an order of the Bankruptcy Court with respect to any pleading or proceeding brought by any other person which results in such a material impairment of the rights or interests of the DIP Lenders.<br><br>(m) Any Obligor shall fail to execute and deliver to the DIP Agent any agreement, financing statement, trademark filing, copyright filing, mortgages, notices of lien or similar instruments or |

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| | other documents that the DIP Agent may reasonably request from time to time to more fully evidence, confirm, validate, perfect, preserve and enforce the liens created in favor of the DIP Agent.<br><br>(n) The Plan of Reorganization is amended, supplemented or otherwise modified in a manner adverse to the DIP Lenders without their consent.<br><br>(o) The Plan of Reorganization is withdrawn.<br><br>(p) The confirmation order is not in form or substance satisfactory to the Required DIP Lenders.<br><br>(q) The confirmation order is not entered by the Bankruptcy Court on or before the date which is 8 weeks after the Petition Date, or such later date to which the Required DIP Lenders have consented in writing.<br><br>(r) The confirmation order is amended, supplemented, reversed, vacated or otherwise modified without the prior written consent of the Required DIP Lenders.<br><br>(s) The plan effective date shall not have occurred on or before the date which is 12 weeks after the Petition Date, or such later date to which the Required DIP Lenders have consented in writing. |
| **Indemnity** | The Obligors shall, jointly and severally, be obligated to indemnify and hold harmless the DIP Agent, each of the DIP Lenders, and each of their respective affiliates, officers, directors, fiduciaries, employees, agents, advisors, attorneys and representatives from and against all losses, claims, liabilities, damages, and expenses (including, without limitation, out-of-pocket fees and disbursements of counsel) in connection with any investigation, litigation or proceeding, or the preparation of any defense with respect thereto, arising out of or relating to the DIP Facility or the transactions contemplated in this Term Sheet (except to the extent found by a final nonappealable judgment of a court of competent jurisdiction to arise from the bad faith, willful misconduct or gross negligence of such indemnified person or its affiliates, officers, directors, fiduciaries, employees, agents, advisors, attorneys or other representatives). |
| **Release** | The Obligors will provide for the benefit of the DIP Lenders and the DIP Agent customary releases for any claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness or obligations related to or arising out of the Prepetition First Lien Credit Agreement, Prepetition Second Lien Credit Agreement or the DIP Loans. |
| **Voting** | **Required DIP Lenders**: The vote of DIP Lenders holding more than 50% of the aggregate undrawn commitments and outstanding DIP Loans (the "**Required DIP Lenders**") shall be required to amend, waive or modify the DIP Facility. |
| **Assignments and Participations** | The DIP Documents shall include rights of assignment, subject to the DIP Agent's consent (not to be unreasonably withheld or delayed) and participation rights. |
| **Governing Law** | The DIP Facility will provide that the Obligors will submit to the non-exclusive jurisdiction and venue of the Bankruptcy Court, or in the event that the Bankruptcy Court does not have or does not exercise jurisdiction, then in any state or federal court of competent jurisdiction in the state, county and city of New York, borough of Manhattan; and shall waive any right to trial by jury. New York law shall govern the DIP Documents (other than security documents to be governed by local law, to be determined by the DIP Agent). |

The preceding summary of proposed terms and conditions is not intended to be all-inclusive. Any terms and conditions that are not specifically addressed above would be subject to future negotiations with the DIP Agent and comprehensive documentation of the transaction that is acceptable to the DIP Agent, will have to be prepared.

**Annex I**

Debtor/Borrower:

KOOSHAREM, LLC

Debtors/Guarantors:

ABLEST INC.
REAL TIME STAFFING SERVICES, INC.
REMEDY INTELLIGENT STAFFING, INC.
REMEDY STAFFING, INC.
REMEDY TEMPORARY SERVICES, INC.
REMEDYTEMP, INC.
REMSC, LLC
REMX, INC.
REMUT, LLC
SELECT CORPORATION
SELECT NURSING SERVICES, INC.
SELECT PEO, INC.
SELECT PERSONNEL SERVICES, INC.
SELECT SPECIALIZED STAFFING, INC.
SELECT TEMPORARIES, INC.
SELECT TRUCKING SERVICES, INC.
TANDEM STAFFING SOLUTIONS, INC.
WESTAFF, INC.
WESTAFF (USA), INC.
WESTAFF SUPPORT, INC.

**Annex II**

**Interest and Fees**

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| **Interest Rates**: | All amounts outstanding under the DIP Facility will bear interest, at the Borrower's option, as follows:<br><br>(i) at the Base Rate (which in no event shall be less than 3.25%) plus 7.50% *per annum*; or<br><br>(ii) at the Eurodollar Rate (which in no event shall be less than 1.25%) plus 8.50% *per annum*.<br><br>As used herein, the terms "Base Rate" and **"**Eurodollar Rate**"** will have meanings customary and appropriate for financings of this type, and the basis for calculating accrued interest and the interest periods for loans bearing interest at the Eurodollar Rate will be customary and appropriate for financings of this type. |
| **Default Interest**: | During the continuance of an Event of Default, the loans and all other outstanding obligations will bear interest at an additional 3.0% *per annum* above the interest rate otherwise applicable. |
| **Upfront Fee**: | An amount equal to 1.50% of the commitment, payable to each DIP Lender according to its pro rata share of the commitment on the Closing Date. |
| **Agency Fee**: | $50,000. |
| **Nature of Fees**: | Non-refundable under all circumstances. |

# EXHIBIT I

## NEW BOARD MEMBERS – BIOGRAPHICAL INFORMATION

# Select Board Member Bios

**Al Aguirre**

Mr. Aguirre serves as Lead Director and member of the Compensation Committee for Advanstar Communications Inc., an industry-leading events and marketing services company. Mr. Aguirre is also a Director and member of the Compensation and Governance Committees at Central Pacific Financial Corp., (NYSE: CPF) and Chairman of the Board and member of the Audit and Compensation Committees of Cygnus Business Media. Previously, Mr. Aguirre served as a Managing Director at Warburg Pincus, an investment banker at Morgan Stanley, and a corporate finance attorney at Sullivan & Cromwell. In an operational and board capacity, Mr. Aguirre served as Chief Financial Officer and member of the Board of Directors for TV Filme Inc., a Brazilian wireless cable investment of private equity firm Warburg Pincus. Aguirre has also served in various not for profit capacities, including, currently, as a Director of Father Joe's Village in San Diego, and has also served as Chairman of the Town of Tiburon Planning Commission.

**Gregory A. Netland**

A former member of the Executive Board of Randstad Holding NV (May 2008 – April 2012), Mr. Netland was responsible for the Americas Zone including the US, Canada, and Mexico. Mr. Netland has over 25 years of staffing industry experience starting with Sapphire Technologies in 1987 where he played an integral role in transforming an $8 million IT staffing firm with one office into a $400 million IT staffing company with 40 offices nationwide. In addition to growing the US IT business, in 2000 Mr. Netland was involved in further developing and expanding the Sapphire brand internationally as the President of Sapphire Technologies Worldwide. In 1994, Netland played a key role in the successful integration of Sapphire with Select Appointments (Holdings) Ltd., and again in 1999 when Select merged with Vedior NV. He was promoted to Chief Operating Officer (COO) of Vedior North America in 2002 and then again to Chief Executive Officer (CEO) in 2003. Mr. Netland was appointed to the Board of Management of Vedior NV in April 2007, and joined the Board of Randstad as part of the acquisition of Vedior in 2008. He has also served on numerous other boards within the company as well as an independent director role at Bullhorn Technologies.

**Gary DiCamillo**

Mr. DiCamillo is Managing Partner for Eaglepoint Advisors, a turnaround management and advisory firm based in San Francisco and Boston. In his role, Mr. DiCamillo advises private equity and other financial sponsors on turning around underperforming and distressed companies, leveraging his 28 years of turnaround management experience. Prior to Eaglepoint, Mr. DiCamillo served as the President and Chief Executive Officer of Advantage Resourcing (US and UK), a group of privately held technical, professional and commercial staffing companies based in Dedham, Massachusetts. In this position from July 2002 through July, 2009, Mr. DiCamillo oversaw six staffing companies in the United States and Europe, growing revenues from $800 Million to $1.5 Billion. Previously, he was Chairman and Chief Executive Officer at the Polaroid Corporation for nearly seven years. He also has served as President of

Worldwide Power Tools and Accessories at Black & Decker Corporation and VP/General Manager for Culligan U.S.A., a division of Beatrice Corporation. He began his career in Brand Management at Procter & Gamble Co., followed by several years as a manager at McKinsey & Company. Mr. DiCamillo is a board member of the Whirlpool Corporation, Pella Corporation, and The Sheridan Group, Inc. He serves on the board of trustees at Rensselaer Polytechnic Institute, Babson College, the Museum of Science in Boston, and the Massachusetts Business Roundtable.

**Stephen J. Giusto**

Mr. Giusto is the CEO of SJG Consulting LLC, a provider of leadership, governance and financial consulting to services businesses. Until May 2013 he served as the President of Apollo Education Services, (AES), a division of the Apollo Group (APOL), a position he assumed in March 2011. Prior to his management role, he was a member of the board of directors of Apollo Group and a member of the Audit Committee since March 2009. He was also appointed as Chair of the Independent Panel upon its formation in July 2009. From 2007 to 2008, Mr. Giusto was Senior Advisor to the Chief Executive Officer of Korn Ferry International and was previously Executive Vice President and Chief Financial Officer of Korn Ferry. Before joining Korn Ferry, Mr. Giusto was a Founder, Director, Executive Vice President and Chief Financial Officer of Resources Connection, Inc., a global professional services firm, which was founded in 1995, spun out of Deloitte & Touche in 1999 and taken public under Mr. Giusto's leadership in 2000. Mr. Giusto began his career at Deloitte & Touche where he spent 13 years and was admitted as a partner in 1996. He is also a member of the board of trustees and chairman of the finance committee of Cate School, a college preparatory boarding school in Carpinteria, California.

# EXHIBIT J

DISCLOSURE STATEMENT SUPPLEMENTAL MATERIALS


## Disclosure Statement Supplemental Materials

## Exhibit J to Disclosure Statement

March 11, 2014

# Executive Summary

- The Company and its advisors have continued to work with the steering committee of First and Second Lien Lenders (the "Steering Committee") to finalize a Creditor-Led Plan of Reorganization that we believe creates a certain and viable path toward a restructuring
- The plan solicitation materials to which this presentation is attached describe the terms of a pre-packaged Chapter 11 filing (the "Creditor-Led Plan"), as follows:
  - $225mm backstopped rights offering combined with new $120mm ABL and $350mm term loan financing
  - First Lien lenders to receive 80 cents in cash recovery[1] and the right to participate pro rata in $175mm of the $225mm equity rights offering[2]
  - Second Lien lenders to receive 10 cents in cash recovery and warrants for 10% of the pro forma equity[3]
- The Company and its advisors believe the Creditor-Led Plan is the most certain, and only viable, alternative available to the Company, and therefore represents the highest and best recovery for creditors. We have carefully evaluated various other alternatives, including the previous Bidder A Proposals and current SPAC Proposal, and believe these proposals are not viable and would create protracted delays and uncertainties which (as referred to in the Disclosure Statement) would pose material downside risk to creditor recoveries.
- With respect to the Creditor-Led Plan, the Company and its advisors believe:
  - The recovery to creditors is well defined, certain and reasonable
  - All diligence requirements and documentation are complete
  - Significant holders of the debt representing a majority of the First and Second Lien debt support this alternative
  - We believe this is the only viable alternative which can be consummated in a reasonable amount of time without material deterioration of the business
- The Company believes it is essential that this restructuring plan move forward as quickly as possible given the Company's current liquidity position (see page 5)

*[1] Based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013.*
*[2] Non-backstop parties are able to participate pro-rata in up to $175mm of the $225mm rights offering.*
*[3] Recovery of 10% based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013. Warrants to Second Lien lenders to be struck at a 35% premium to the per share purchase price of the Rights Offering.*

# Recommendation

**Based on the Foregoing, the Company and each of its Advisors Unanimously Recommend Pursuing the Creditor-Led Plan**

- Parties that recommend pursuing the Creditor-Led Plan include:

| | |
|---|---|
| ✓ The Company | ✓ Skadden, Arps, Slate, Meagher & Flom (Company Counsel) |
| ✓ Goldman, Sachs & Co. (Company Advisor) | ✓ Pachulski, Stang, Ziehl & Jones (Company Counsel) |
| ✓ AlixPartners (Company Advisor) | ✓ Milbank, Tweed, Hadley & McCloy (Steering Committee Counsel) |

- The Company and its advisors plan to hold a full in-person Lender Meeting on Friday, March 14th, details below:
  - ***Where:*** Skadden's New York City Offices (4 Times Square, New York, NY)
  - ***When:*** Friday, March 14th at 10:00 AM EST
  - **All First and Second Lien lenders are highly encouraged to attend the meeting in person or dial-in** (dial-in details to follow)

# Creditor-Led Plan Summary

## Sources & Uses | Pro Forma Capitalization

**($ in millions)**

### Estimated Sources and Uses

| Sources | $ Amount | Uses | $ Amount |
|---|---|---|---|
| New $120mm ABL Revolver | $0.0 | Estimated SCIF Settlement | $22.4 |
| New First Lien Term Loan | 350.0 | Estimated Deferred Payroll-Related Obligations | 138.5 |
| New Cash Equity (Rights Offering) | 225.0 | Transaction Fees and Expenses | 35.7 |
| Release of Cash Collateral [1] | 45.8 | Estimated Plane Liability Payoff at Close | 11.0 |
| Estimated Cash at Effective Date | 19.6 | Accounts Payable Settlement & Payment | 5.9 |
| | | Refinance Decca, Resdin and Vaughan Debt [2] | 14.8 |
| | | Repayment of DIP Loan | 35.0 |
| | | Cash to 1st Lien \| 80% Recovery on 9/30/13 Amt. (Excl. Accrued Int.) | 365.0 |
| | | Cash to 2nd Lien \| 10% Recovery on 9/30/13 Amt. (Excl. Accrued Int.) | 12.0 |
| **Total Sources** | **$ 640.4** | **Total Uses** | **$ 640.4** |

### Estimated Pro Forma Capitalization

| | Amount | xEBITDA | Δ | Amount | xEBITDA |
|---|---|---|---|---|---|
| DIP Loan | $ 35.0 | 0.4 x | $(35.0) | - | 0.0 x |
| Revolver Borrowings | 56.8 | 1.1 | (56.8) | - | 0.0 |
| First Lien Term Loan | 435.4 | 6.1 | (435.4) | - | 0.0 |
| Second Lien Term Loan | 158.8 | 8.0 | (158.8) | - | 0.0 |
| New $120mm ABL Revolver | - | 8.0 | - | - | 0.0 |
| New First Lien Term Loan | - | 8.0 | 350.0 | 350.0 | 4.1 |
| **Total Secured Debt** | **$ 686.0** | **8.0 x** | | **$ 350.0** | **4.1 x** |
| Debt at DRV [2] | 14.8 | | (14.8) | - | |
| Other Payables | 7.4 | | (7.4) | - | |
| **Total Debt** | **$ 708.2** | **8.3 x** | | **$ 350.0** | **4.1 x** |
| New Cash Equity (Rights Offering) | - | | 225.0 | 225.0 | |
| Equity Attributed to DRV and Sorensen Conversions and Purchases [3] | - | | 27.5 | 27.5 | |
| Equity Attributed to Sorensen RSU's [4] | - | | 6.9 | 6.9 | |
| Equity to Management Incentive Plan (MIP) RSU's [5] | - | | 5.9 | 5.9 | |
| **Total Capitalization** | **$ 708.2** | **8.3 x** | | **$ 615.3** | **7.2 x** |

| | |
|---|---|
| **FY 2013E PF Adjusted EBITDA [6]** | **$ 85.8** |

*Note: Based on in-court projections prepared by management in conjunction with AlixPartners on March 5, 2014. Assumes a filing after the March 27th voting deadline with the expectation of a 40-60 day pre-packaged bankruptcy period.*

*[1] May be replaced with incremental Revolver draw if cash held at ACE is not released.*

*[2] Projected debt at DRV at May 25, 2014.*

*[3] Comprised of $20.7mm of equity issuable in respect of DRV, $2.3mm of equity issuable in respect of certain affiliate notes to be contributed by Steve Sorensen, $0.5mm of equity issuable in respect of an affiliate note owed to Paul Sorensen, and up to $4.0mm of equity that Steve Sorensen has the right to purchase for cash at the Rights Offering Valuation, exercisable by notice to the Company within 10 days after commencement of solicitation. Given that Steve Sorensen has not yet made a determination to exercise this investment option, the proceeds from this investment have been excluded from cash sources.*

*[4] Assumes time-based Sorenson RSU's are vested.*

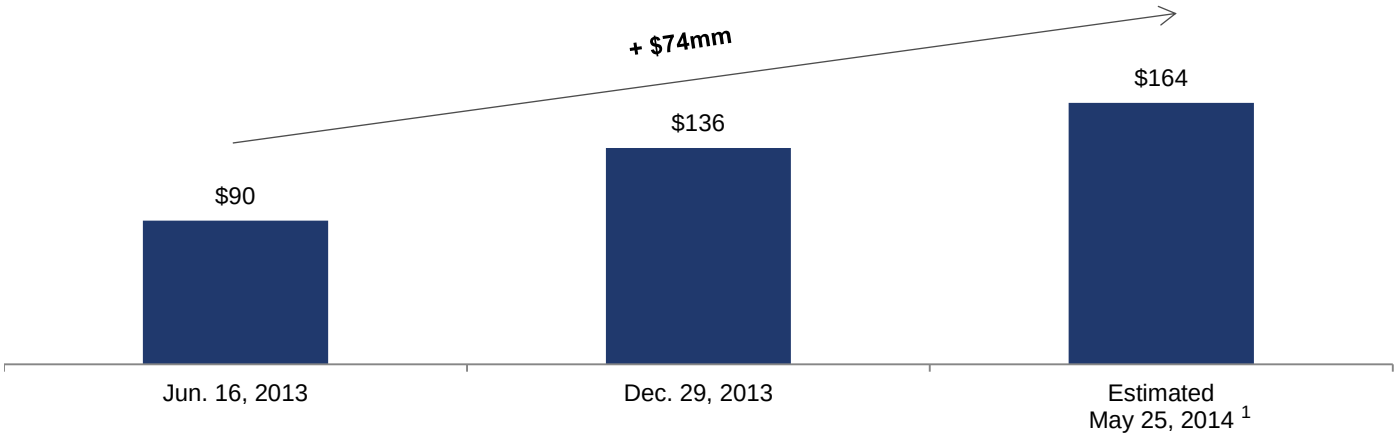
*[5] Assumes Management Incentive Plan ("MIP") RSU's are fully vested. Assumes 25% of MIP shares in the form of RSU's (subject to change).*

*[6] 2013 unaudited Adjusted EBITDA pro forma for inclusion of Select EBITDA of $79.8 million and Decca, Resdin, and Vaughan EBITDA of $6.0 million.*

# Liquidity Update

## ($ in millions)

- Since the last lender update on September 19, 2013, the Company has continued to face significant liquidity pressure and believes that a further extended delay will materially undermine lender recoveries
  - The graph below highlights the increase in the Company's deferred payroll tax obligations since June 2013. In the absence of any liquidity facility, the Company has been deferring payroll taxes to fund liquidity. The Company expects further delays will lead to continued increases in this liability and place material risk on the Company's ability to continue as a going concern




- The increase in the Company's deferred payroll tax liability is primarily related to:
  - Increased cash reserve requirements by ACE (the Company's insurance provider)
    - As of 6/16/13, the Company had $32.3mm of cash at ACE versus approximately $60mm[2] as of March 11, 2014, and an estimated $60mm upon emergence (which implies an increase of approximately $2.3mm per month[3])
  - Significant penalties and interest related to the deferred payroll tax liability
    - Over the past 6 months, the Company has incurred approximately $2.8mm of tax penalties per month[3]
  - Advisor and legal fees associated with the planned transactions and restructuring activities

*[1] Estimate assumes no Chapter 11 filing and continued build up of deferred payroll obligations. Reflects higher deferred payroll obligation (vs. $138.5mm assumed at exit), which is primarily attributable to the lack of DIP funding.*
*[2] Reflects Company estimate. Actual figures disclosed on a quarterly basis.*
*[3] Figures are estimated based on unaudited, internal financial reporting.*

# Process and Timing

- The Company is targeting a filing after the March 27th voting deadline with the expectation of a 40-60 day pre-packaged bankruptcy period
- The Company and its advisors have negotiated the requisite bankruptcy documents to effectuate a pre-packaged Plan of Reorganization and thus, minimize time in Chapter 11;
  - The solicitation materials include the following documents:
    1) Disclosure Statement
    2) Plan of Reorganization
    3) Backstop Agreement with Backstop Parties
    4) Sorensen Support Agreement
    5) DRV Purchase Agreement
    6) Butler Option Agreement
    7) Stockholders Agreement
    8) Covenants in Connection with Sale of Business Agreement with Steve Sorensen
    9) Employment Agreement with Steve Sorensen
    10) Restricted Stock Award Agreement with Steve Sorensen
    11) Lease Amendments
    12) New 2nd Lien Warrants Term Sheet
    13) DIP Term Sheet

# Process and Timing (Cont'd)

- Credit Suisse and RBC have been retained to arrange a new $350mm First Lien Term Loan and $120mm ABL Revolver, respectively
  - After posting the Rating Agencies on the transaction and completing several weeks of pre-marketing with prospective investors, Credit Suisse is confident in the Company's ability to raise the $350mm First Lien Term Loan
  - RBC has completed its field exams and believes the Company has sufficient borrowing base to support the $120mm ABL Revolver and is confident in its ability to arrange the ABL financing
- On February 25, 2014, the Company received a proposal from a publicly-traded Special Purpose Acquisition Corporation ("SPAC") to acquire the Company, sponsored and managed by a prior bidder referred to as Bidder A in the Disclosure Statement
  - The offer price for the Company is approximately $700mm for Select Companies and $35mm for Decca, Resdin, and Vaughan to be paid in the form of cash or stock at the election of each creditor
  - The Company and its advisors have evaluated the offer and believe the execution risks and timing requirements make the proposal not viable *(please see pages 12-14 for additional details)*
  - GS conducted an extensive sale process commencing October 2012 and received no other firm offers to purchase the Company (aside from the bid from Bidder A). GS contacted over 94 potential buyers during this process.

# Creditor-Led Plan

## Overview

- Proposed Terms:
  - $225mm backstopped rights offering combined with new $120mm ABL and $350mm term loan financing
  - First Lien lenders to receive 80 cents in cash recovery[1] and the right to participate pro rata in $175mm of the $225mm equity rights offering[2]
  - Second Lien lenders to receive 10 cents in cash recovery and warrants for 10% of the equity[3] of the pro forma reorganized Company
- Benefits:
  - The $225mm rights offering would be backstopped by the Company's largest lenders (affiliates of Anchorage Capital, BlueMountain Capital, Pine River Capital, Marblegate Asset Management, and Redwood Capital), of which $175mm will be offered pro rata to all First Lien lenders
  - There are no working capital or purchase price adjustments expected to reduce lender recoveries
  - Having the support of the Company's largest lenders maximizes the likelihood of success
  - Cleans up the Company's liabilities and properly capitalizes the business, positioning it for long-term growth
  - Properly aligns the Company's new stakeholders and management by having Steve Sorensen contribute for equity his interests in other non-obligor entities, specifically Decca, Resdin, and Vaughan, as well as provide a call option on Butler
  - Establishes improved corporate governance, including a new independent Board of Directors
  - Addresses near-term liquidity challenges and avoids deterioration in the business
- Transaction Mechanics:
  - The transaction will be effectuated through a pre-packaged Chapter 11 if sufficient votes are not received to complete out-of-court
    - Intent to minimize or eliminate the time in bankruptcy and related costs
    - Unsecured claims will be unimpaired
    - Expected filing in Delaware and closing date and emergence from bankruptcy in May
- **We ask all First and Second Lien Lenders to submit their ballots by March 27th**

*[1] Based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013.*
*[2] Non-backstop parties are able to participate pro-rata in up to $175mm of the $225mm rights offering.*
*[3] Recovery of 10% based on outstanding debt balance as of September 29, 2013, excluding any accrued interest after September 30, 2013. Warrants to Second Lien lenders to be struck at a 35% premium to the per share purchase price of the Rights Offering. Warrants are subject to dilution from the new MIP and restricted stock units to Steve Sorensen.*

# Creditor-Led Plan

## Corporate Governance

- **Board will be independent of management**
  - At least 80% of board members will be appointed by investors
  - Investor-appointed board members will qualify as “independent” under NYSE rules
  - An investor-appointed board member will serve as chairman of the board
  - The CEO will not be a member of the audit or compensation committees
- **Board members have been carefully selected**
  - Board members were chosen through an independent executive search firm appointed by investors
  - More than 30 candidates were evaluated on the basis of expertise, time commitment, governance experience and investor alignment
  - Candidates were interviewed by investors and management, and further vetted through extensive 3rd party off-list-referencing and background checks
- **Investor board designees will bring significant relevant expertise**
  - Former CEO of a top 5 US staffing company
  - Former partner in a US private equity firm serving as chairman of business services companies
  - Former CFO of an NYSE listed human resource services company
  - Former CEO of a large US staffing company with experience as a turnaround board leader
- **Board will implement appropriate procedures to safeguard the company**
  - Adoption of delegation of authority prescribing actions requiring board approval
  - Oversight of related party transactions pursuant to established limitations
  - Limitations on competitive and other outside business activities of CEO
  - Establishment of robust internal audit and risk management practices

# Creditor-Led Plan

## Summary of Additional Terms

| | |
|---|---|
| **Treatment of Specific Liabilities** | ■ SCIF: Paid $22.4mm[1] at closing<br>■ Deferred Payroll Taxes and Penalties: Paid in full upon closing<br>■ Related Party Notes: Principal amount and accrued interest on Related Party Notes converted to $2.8mm (includes $0.5mm of Paul Sorensen Notes) of pro forma equity upon close<br>■ Airplanes: Tail number N72PX and Tail number N8822SS will be disposed of as soon as practicable after closing[2] |
| **Corporate Form** | ■ New Koosharem Corporation ("Newco") shall be reorganized and incorporated under the laws of the State of Delaware and be treated as a C corporation |
| **Contribution of Decca, Resdin & Vaughan** | ■ Steve Sorensen will contribute Decca Consulting, Resdin Industries and Vaughan Business Solutions (collectively, "DRV") at a value of $20.7mm[3], in exchange for common equity in Newco |
| **Option to Purchase Butler** | ■ Newco will have the option to acquire Butler at an exercise price equal to (a) the greater of (i) 8.0x LTM EBITDA and (ii) 8.0x average annual EBITDA for the preceding three years ended December 31 minus (b) indebtedness, as adjusted to take account of any excess or deficit of working capital<br>■ The term during which the option will be exercisable by Newco will initially be two years from the Effective Date, this term will be automatically extended for three one-year terms unless (i) Sorensen's employment is terminated by Newco without Cause, or (ii) Sorensen terminates his employment with Newco for Good Reason |
| **Board of Directors** | ■ The Board of Directors of Newco will consist of five members – Steve Sorensen and four independent directors (Al Aguirre, Gregory A. Netland, Gary DiCamillo, and Stephen J. Giusto) |
| **Stockholders Agreement** | ■ As a condition to participation in the rights offering and receiving 2nd lien warrants, each rights offering participant and proposed holder of 2nd lien warrants will be required to enter into a Stockholders Agreement consisting of governance, stockholder approval rights, preemptive rights, transfer rights, drag-along rights, financial reporting, registration rights, and confidentiality |
| **Position** | ■ Steve Sorensen to be appointed as CEO and a member of the Board of Directors<br>— No outside activities, except for certain carve outs with respect to charitable activities and activities with Butler and its affiliates |
| **Term** | ■ Three years from date of execution of Employment Agreement, with automatic renewal for successive one year terms unless either party terminates the agreement<br>— Termination requiring 90 days' prior written notice by either party |
| **Sorensen Equity Investment** | ■ Steve Sorensen has the right to purchase up to $4.0mm of equity for cash at the Rights Offering Valuation, exercisable by notice to the Company within 10 days after commencement of solicitation |
| **Restricted Stock Awards** | ■ Steve Sorensen to receive restricted stock equal to 5.5% of common equity (50% Time-vested / 50% Performance-based)<br>— Vesting: Equal installments on first four anniversaries of the grant<br>— Performance-based: Tied to certain valuation targets |
| **Management Incentive Plan** | ■ 9.35% of common equity to be reserved for grant as non-qualified stock options (at least 5.35% held as dry powder future grants)<br>■ Exercise price at least equal to FMV on date of grant<br>■ Options cancelled and forfeited in the event the holder is terminated for Cause or breached Non-Compete Agreement |

*Note: Does not reflect comprehensive list of terms. Please see Plan of Reorganization and Disclosure Statement for additional details.*

[1] *Assumes $100k principal payment made during bankruptcy. $22.5mm claim at time of filing.*

[2] *The Company may maintain Tail number N8822SS through its lease period if the pro forma owners believe there are business and economic justifications.*

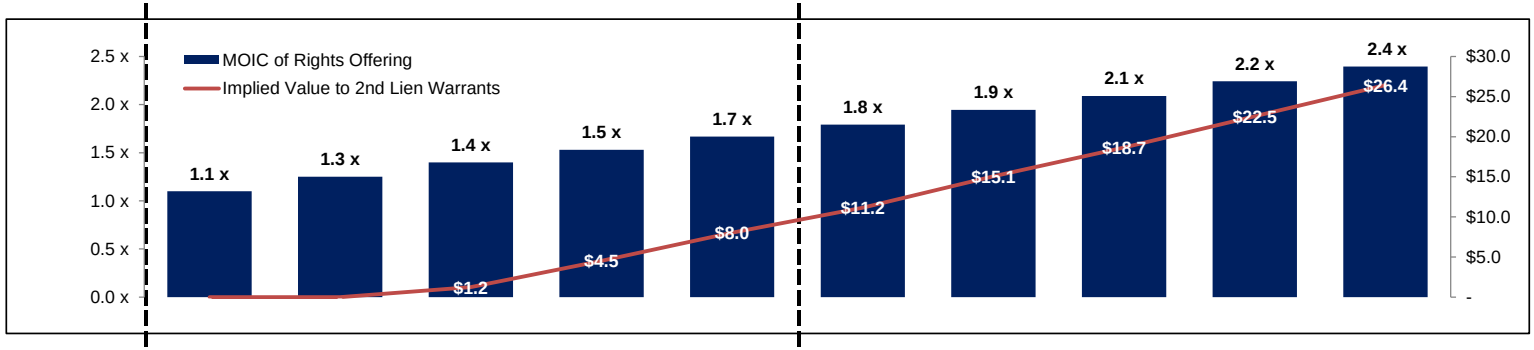
[3] *Subject to adjustment as set forth in the purchase agreement to take account of assumed indebtedness and working capital balances.*

# Creditor-Led Plan

## Estimated Potential Range of Values to 1st and 2nd Lien Lenders

**($ in millions)**

| | Valuation Based on 2013E PF EBITDA of $85.8mm at Closing | | | | | Valuation Based on Projected Year 3 PF EBITDA of $95.8mm [1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EV / EBITDA (Illustrative Range)** | **7.5 x** | **8.0 x** | **8.5 x** | **9.0 x** | **9.5 x** | **7.5 x** | **8.0 x** | **8.5 x** | **9.0 x** | **9.5 x** |
| EBITDA | $85.8 | $85.8 | $85.8 | $85.8 | $85.8 | $95.8 | $95.8 | $95.8 | $95.8 | $95.8 |
| **TEV [2]** | **$643.6** | **$686.5** | **$729.4** | **$772.4** | **$815.3** | **$718.7** | **$766.6** | **$814.5** | **$862.4** | **$910.3** |
| Less: Net Debt [3] | ($350.0) | ($350.0) | ($350.0) | ($350.0) | ($350.0) | ($215.0) | ($215.0) | ($215.0) | ($215.0) | ($215.0) |
| **Total Equity Value** | **$293.6** | **$336.5** | **$379.4** | **$422.4** | **$465.3** | **$503.7** | **$551.6** | **$599.5** | **$647.4** | **$695.3** |
| **Rights Offering Analysis** | | | | | | | | | | |
| Cash to Rights Offering | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 | $225.0 |
| Implied Value to Rights Offering Participants [4] | $247.5 | $281.6 | $314.7 | $344.1 | $375.2 | $403.1 | $437.9 | $470.0 | $504.6 | $539.2 |
| **Multiple of Invested Capital (MOIC) of Rights Offering** | **1.1 x** | **1.3 x** | **1.4 x** | **1.5 x** | **1.7 x** | **1.8 x** | **1.9 x** | **2.1 x** | **2.2 x** | **2.4 x** |
| **Value to 2nd Lien Warrants** | | | | | | | | | | |
| Implied Value to 2nd Lien Warrants | - | - | $1.2 | $4.5 | $8.0 | $11.2 | $15.1 | $18.7 | $22.5 | $26.4 |




*Note: Assumed net treasury settlement for value to Restricted Stock Units (RSU) to Steve Sorensen, Management Incentive Plan (MIP), and Second Lien Warrants. Assumes 25% of MIP shares in the form of RSU's (subject to change).*

*[1] Based on FY 2016E EBITDA (includes DVR) from Company projections.*

*[2] Enterprise value excludes $60mm of LC's outstanding.*

*[3] Assumes de minimis cash and assumes $45mm of annual debt pay down from free cash flow generation.*

*[4] Assumes for illustrative purposes that all time-based Restricted Stock Units and Management Incentive Plan options are fully vested even though in actuality, they vest over time.*

# SPAC Proposal

## Overview

- On February 25, 2014, the Company received a proposal to acquire the Company from a publicly-traded Special Purpose Acquisition Corporation ("SPAC") sponsored and managed by an affiliate of Bidder A (the "SPAC Proposal")
  - The SPAC Proposal offers consideration of roughly $700 million for the Company with consideration in the form of cash or stock at the election of each creditor
  - The SPAC Proposal contemplates a concurrent acquisition of another specified staffing company ("Competitor B") but is not conditioned upon the acquisition
  - The SPAC Proposal also contemplates a concurrent acquisition of Decca, Resdin, and Vaughan ("DRV") for stock consideration of $35mm, but is also not conditioned upon the DRV acquisition
    - Any financing process would likely involve concurrent acquisitions of these entities to the extent possible
- The Company and its advisors have carefully evaluated the SPAC Proposal and have concluded that it is not a viable alternative for the following reasons:

1 <u>Certainty to Close:</u> We believe there are material risks to closure of the SPAC transaction

- The SPAC Proposal is conditioned upon further due diligence. While the principals associated with the SPAC are the same individuals who were involved with the prior Bidder A proposal and who have already conducted extensive due diligence, there remains both significant due diligence to undertake, and documentation to complete. Additionally, no diligence has yet commenced with respect to Competitor B by the Company, its advisors, or its creditors
  - The SPAC Proposal requires several time-consuming and regulatory processes, including
    - Preparation of a proxy to be filed with the SEC which would require at least 30 - 45 days to prepare and would require audited pro forma consolidated financials from Select, EmployBridge, and each of Decca, Resdin and Vaughan. Such audited pro forma financial statements do not currently exist and would need to be created
    - Once complete, the proxy would have to be filed with the SEC which we estimate would require a 60 – 75 day SEC review period. This process could be further delayed as a result of any concerns the SEC might have with respect to Select having been a pre-identified acquisition target, which on its face is not consistent with the rules for SPAC offerings or the SPAC prospectus
    - Following SEC approval, the SPAC would require a shareholder vote[1] to approve the transaction which we estimate would require an additional 30 days

[1] *Backstop structure of the SPAC's principals could allow a transaction to be consummated in the event that sufficient shareholder approval threshold is not attained, although the SPAC would still require 51% consent from its shareholders to proceed with the acquisition.*

# SPAC Proposal (Cont'd)

## Overview

2 Timing: We estimate the SPAC Proposal could not be consummated before September 30, 2014 and more likely would extend through October or November, if execution were attempted on a non-consensual basis, (see timeline on page 12). Even under a consensual process, which is not an option currently available, the SPAC Proposal would take until at least July to consummate

- The Company has been burning cash each month due to the continuing increases in ACE reserves, interest and penalties on the deferred payroll obligation, and significant professional fees. In addition, the Company is moving into a period of having a working capital need. We do not believe the current status quo is sustainable, and we believe additional delays will have a materially adverse impact on creditor recoveries

3 Recoveries: While stated recoveries under the SPAC Proposal are nominally higher, we do not believe these recoveries would ultimately be achieved

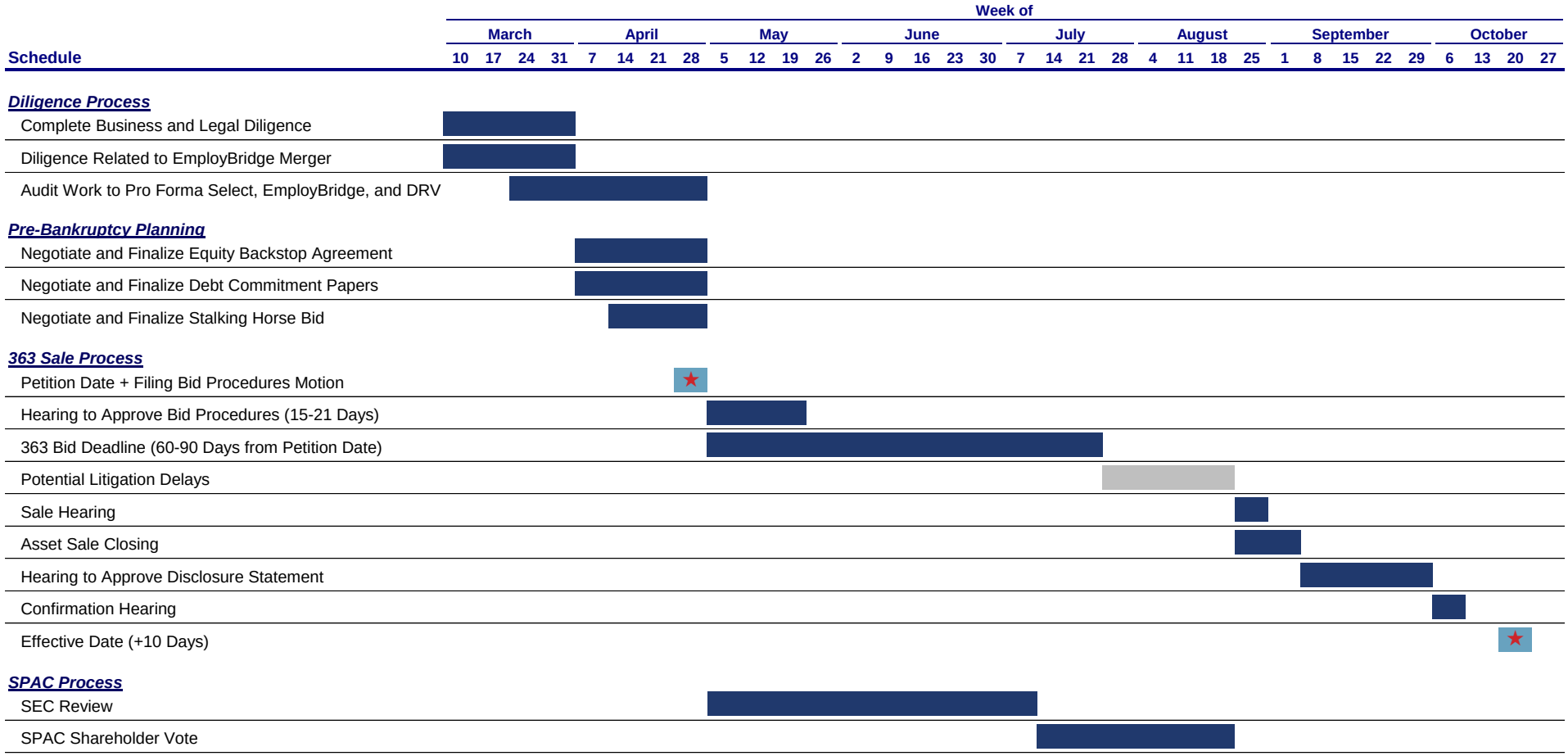
- Recoveries under the SPAC Proposal on the First Lien and Second Lien Term Loans would be lower than what is reflected in the SPAC Proposal after taking into account the higher deferred payroll tax obligation and accrued interest on the outstanding debt[1]
- Assuming a September to November closing, we estimate a significant increase in the deferred payroll obligation, thereby requiring larger DIP funding and further diluting 1st lien recoveries under the SPAC Proposal (assuming payroll taxes are paid in full)[2]
- We further believe a material deterioration in the business as a result of a prolonged bankruptcy process could result in possible price adjustments, exercise of a MAC clause, and jeopardize the entirety of the transaction, leaving creditors with substantially lower recoveries

4 Lack of Creditor Support: The Steering Committee of First and Second Lien lenders has unanimously rejected the SPAC Proposal. As a result, consummation of the SPAC Proposal would require a non-consensual bankruptcy process over the objection of the majority of First and Second Lien claims. This is not a tenable path and it would result in a substantially prolonged bankruptcy process along with the associated risks of material business deterioration.

[1] *This is not an apples-to-apples comparison to the Creditor-Led Plan which excludes accrued interest, but nevertheless is relevant if the SPAC Proposal assumes payment of the deferred payroll tax obligation and otherwise assumes absolute priority in bankruptcy.*

[2] *In a 363 sale, absolute priority could theoretically impair deferred payroll and other unsecured claims, resulting in higher recoveries to secured creditors. The Company and its advisors do not believe this is likely since we believe the risks of significant business deterioration in a prolonged bankruptcy more than offset the potential upside of absolute priority treatment to 1st and/or 2nd Lien lenders.*

# SPAC Indicative Timeline



# Request for Approval

**We will need Executed Ballots and Signed Subscription Agreements for Rights Offering by March 27, 2014**

**Please direct additional questions to:**

| **Goldman, Sachs & Co.** | | |
|---|---|---|
| Bruce Mendelsohn | bruce.mendelsohn@gs.com | (212) 902-1696 |
| Patrick Armstrong | patrick.armstrong@gs.com | (212) 934-0897 |
| William Kim | william.kim@gs.com | (212) 357-8896 |

| **AlixPartners, LLP** | | |
|---|---|---|
| Randall Eisenberg | reisenberg@alixpartners.com | (646) 428-9127 |

| **Skadden, Arps, Slate, Meagher & Flom LLP (Company Counsel)** | | |
|---|---|---|
| Steven Daniels | steven.daniels@skadden.com | (302) 651-3240 |
| Ken Ziman | ken.ziman@skadden.com | (212) 735-3310 |
| Glenn S. Walter | glenn.walter@skadden.com | (213) 687-5149 |

| **Milbank, Tweed, Hadley & McCloy LLP (Steering Committee Counsel)** | | |
|---|---|---|
| Mark Shinderman | mshinderman@milbank.com | (213) 892-4411 |