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**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|---|
| In re | : | Chapter 11 |
| Old HB, Inc. (f/k/a Hostess Brands, Inc.), *et al.*,[1] | : | Case No. 12-22052 (RDD) |
| | : | (Jointly Administered) |
| Debtors. | : | |

**MONTHLY OPERATING REPORT FOR**
**OLD HB, INC. AND ITS AFFILIATED DEBTORS**
**FOR THE PERIOD NOVEMBER 17, 2013 TO DECEMBER 14, 2013**

[1] The Debtors are the following six entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Old HB, Inc. (f/k/a Hostess Brands, Inc.) (0322), IBC Sales Corporation (3634), IBC Services, LLC (3639), IBC Trucking, LLC (8328), Interstate Brands Corporation (6705) and MCF Legacy, Inc. (0599).

**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

**In re Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.** [1]
**Debtors**

**Case No. 12-22052 (RDD) Jointly Administered**
**Reporting Period: November 17, 2013 to December 14, 2013**

# CORPORATE MONTHLY OPERATING REPORT

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I declare under penalty of perjury (28 U.S.C. Section 1746) that this report is true and correct to the best of my knowledge and belief.

Signature: David Rush

Date: 1/17/2014

David Rush
Chief Financial Officer and Secretary, Old HB, Inc.
Chief Financial Officer and Secretary, Interstate Brands Corporation
Chief Financial Officer and Secretary, IBC Sales Corporation
Chief Financial Officer and Secretary, MCF Legacy, Inc.
Vice President of Finance and Secretary, IBC Services LLC
Vice President of Finance and Secretary, IBC Trucking LLC

[1] The Debtors are the following six entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Old HB, Inc. (f/k/a Hostess Brands, Inc.) (0322), IBC Sales Corporation (3634), IBC Services, LLC (3639), IBC Trucking, LLC (8328), Interstate Brands Corporation (6705) and MCF Legacy, Inc. (0599).

## SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]

| ***($ in 000's)*** | **CURRENT PERIOD ACTUALS (TOTAL OF 2 MAIN CONCENTRATION ACCOUNTS)** |
|---|---|
| **UNRESTRICTED CASH BEGINNING OF PERIOD** | **$ 43,479** |
| | |
| **RECEIPTS** | |
| Customer Receipts [2] | $ 1,950 |
| Sale of Assets | - |
| Non-customer Receipts | 892 |
| **TOTAL RECEIPTS** | **$ 2,842** |
| | |
| **DISBURSEMENTS [3]** | |
| Net Payroll | $ (128) |
| Payroll Taxes | (102) |
| Sales & Use Tax | - |
| Insurance-Medical and Workers Comp | (101) |
| Vendor Trade Payment | (1,330) |
| Non-Customer Payments | (104) |
| Professional Fees [4] | (6,735) |
| U.S. Trustee Quarterly Fees | - |
| **TOTAL DISBURSEMENTS** | **$ (8,500)** |
| | |
| **NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)** | **$ (5,658)** |
| | |
| **UNRESTRICTED CASH – END OF PERIOD** | **$ 37,821** |

[1] The numbers presented represent cash receipts and disbursements from the Debtors' main concentration account and one intermediate concentration accounts.

[2] The number primarily represents the collection of a negotiatied settlement amount of $1.95 million.

[3] The disbursements represent all payments that have cleared the Debtors' bank accounts during the reporting period.

[4] The number primarily represents the release of certain professional fee holdbacks which were reserved since the beginning of the bankruptcy case. Refer to page 20 for further details.

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended December 14, 2013

## BANK RECONCILIATIONS

| *($ in 000's)* | TOTAL OF ALL ACCOUNTS [1] |
|---|---|
| **UNRESTRICTED CASH BALANCE PER BOOKS** | **$ 37,542** |
| | |
| BANK BALANCE *(SEE RECONCILIATION BY ACCOUNT BELOW)* | $ 37,821 |
| (+) DEPOSITS IN TRANSIT *(SEE BELOW)* | 75 |
| (-) OUTSTANDING CHECKS: | (366) |
| (-) ACCOUNTS PAYABLE--ACH PAYMENTS--CLEAR NEXT BANKING DAY *(SEE BELOW)*: | (8) |
| OTHER *(SEE BELOW)* | 20 |
| **CASH BOOK BALANCE** | **$ 37,542** |

| **DEPOSITS IN TRANSIT** | |
|---|---|
| Plant Field Deposits in Transit | $ 75 |
| Bank ACH Transfer/Thriftstore Deposits-Timing-UMB | - |
| **Total Deposits in Transit** | **$ 75** |

| **ACH PAYMENTS--OUTSTANDING** | |
|---|---|
| ACH Payments on 12/13/13 | $ (8) |
| | **$ (8)** |

| **OTHER** | |
|---|---|
| Current Payroll-Due Employee-Timing | $ 20 |
| Petty Cash for Thriftstores/Plants | - |
| Payroll Taxes | - |
| Period Variances | - |
| **Total Other** | **$ 20** |

[1] The numbers presented above represent amounts related to the Debtors' main concentration account and three intermediate concentration accounts.

## BANK RECONCILIATIONS - BY CONCENTRATION ACCOUNT

| *($ in 000's)* | Wells Fargo #XXXXXX6059 | UMB #XXXXXX5694 | TOTAL |
|---|---|---|---|
| **Beginning Balance for the Period** | $ 1 | $ 43,478 | $ 43,479 |
| **Customer Receipts** | - | 1,950 | 1,950 |
| **Miscellaneous Receipts** | - | 892 | 892 |
| **Transfers to UMB--Parent Bank** | - | - | - |
| **Disbursements** | - | (8,500) | (8,500) |
| **Ending Balance for the Period** | **$ 1** | **$ 37,820** | **$ 37,821** |

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended December 14, 2013

## DISBURSEMENTS BY DEBTOR ENTITY [1]

***($ in 000's)***

| | | DISBURSEMENTS FOR THE PERIOD ENDED [2] | | |
|---|---|---|---|---|
| **CASE NO.** | **CASE NAME** | **12/14/2013** | **11/16/2013** | **10/19/2013** |
| 087-12-22051 | IBC Sales Corporation | $ 50 | $ 118 | $ 85 |
| 087-12-22052 | Old HB, Inc. | 6,994 | 1,452 | 25,136 |
| 087-12-22053 | IBC Trucking LLC | - | - | - |
| 087-12-22054 | IBC Services, LLC | 2 | 119 | 10 |
| 087-12-22055 | Interstate Brands Corporation | 1,605 | 1,880 | 26,403 |
| 087-12-22056 | MCF Legacy Inc. | - | - | - |
| | **GRAND TOTAL:** | **$ 8,651** | **$ 3,569** | **$ 51,634** |

[1] Represents all disbursements from the Debtors that occurred within period indicated, whether or not they have cleared the Debtors' bank accounts, and will therefore not reconcile to the disbursements on page 3.
[2] Due to the winddown of the Debtors' businesses, the overall level of disbursements and the relative mix between the various Debtor entities may be different in comparison to prior periods.

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended December 14, 2013

## STATEMENT OF OPERATIONS [1]

| *($ in 000's)* | | Four Weeks Ended December 14, 2013 |
|---|---|---|
| Net Revenue | $ | - |
| Cost of goods sold | | - |
| Gross profit | | - |
| Selling and delivery expense | | - |
| Workers' compensation | | 2,205 |
| Selling, general and administrative [2] | | 16,292 |
| EBITDA | | (18,497) |
| Restructuring charges, net | | - |
| Reorganization charges, net | | 2,515 |
| Pension withdrawal expense | | - |
| (Gain) loss on asset dispositions [3] | | 319 |
| Operating income (loss) | | (21,331) |
| Interest (income) expense [4] | | (31) |
| Other (income) loss | | (1) |
| Income (loss) before tax | | (21,299) |
| Income tax expense (benefit) | | (43) |
| Net income (loss) | $ | (21,256) |

**REORGANIZATION CHARGES, NET [5]**

| | | |
|---|---|---|
| Professional fees | $ | 2,515 |
| Total reorganization charges, net | $ | 2,515 |

[1] The Debtors ceased normal operations on November 16, 2012. All amounts will not be comparable with previous periods or indicative of future costs associated with completion of the winddown.

[2] Selling, general and administrative primarily includes approximately $18.2 million in loss as a result of the PBGC assuming control of the Defined Benefit Plan which required the write-off of the remaining balance in Accumulated Other Comprehensive Income.

[3] (Gain) loss on asset dispositions includes $0.3 million in other net losses.

[4] Interest expense excludes unrecorded contractual and other interest expense of $12.0 million.

[5] Professional fees have been estimated by the Debtors and will be adjusted for actual invoices received. See Payments to Professionals section on page 20 for further details.

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended December 14, 2013

**BALANCE SHEET**

| ***($ in 000's)*** | | **December 14, 2013** |
|---|---|---|
| **ASSETS [1]** | | |
| Current assets | | |
| Cash | $ | 37,542 |
| Accounts receivable, net of reserves and allowances | | - |
| Prepaids and other current assets | | 13,697 |
| Total current assets | | 51,239 |
| | | |
| Property and equipment | | |
| Land and building | | - |
| Machinery and equipment | | 2,049 |
| | | 2,049 |
| Less accumulated depreciation | | (987) |
| Net property and equipment | | 1,062 |
| | | |
| Restricted cash | | 66,100 |
| Intangible assets | | 329 |
| Other assets | | 137,869 |
| Total assets | $ | 256,599 |

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended December 14, 2013

**BALANCE SHEET**

| ***($ in 000's)*** | | **December 14, 2013** |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Liabilities not subject to compromise | | |
| Current liabilities | | |
| Accounts payable | $ | 34,862 |
| Accrued winddown severance | | 81,000 |
| Accrued vacation pay | | 27,678 |
| Accrued payroll | | 2,018 |
| Worker's compensation reserve | | 41,351 |
| Accrued expenses | | 10,021 |
| Total current liabilities | | 196,930 |
| Worker's compensation reserve | | 134,685 |
| Deferred income taxes | | 12,426 |
| Other liabilities | | 18,692 |
| Total long-term liabilities | | 165,803 |
| Total liabilities not subject to compromise | | 362,733 |
| Liabilities subject to compromise [2] | | 2,318,327 |
| Total liabilities | | 2,681,060 |
| Stockholders’ equity (deficit) | | |
| Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued | | - |
| Common stock, $0.01 par value, 16,217,000 shares authorized and issued, 16,021,000 shares outstanding | | 162 |
| Additional paid-in capital | | 152,565 |
| Accumulated deficit | | (2,575,792) |
| Treasury stock, 196,000 shares at cost | | (1,396) |
| Accumulated other comprehensive income [3] | | - |
| Total stockholders' equity (deficit) | | (2,424,461) |
| Total liabilities and stockholders' equity (deficit) | $ | 256,599 |

**BALANCE SHEET**

| ***($ in 000's)*** | | **December 14, 2013** |
|---|---|---|
| **LIABILITIES SUBJECT TO COMPROMISE** | | |
| Pension liabilities [2] | $ | 2,066,822 |
| Debt | | 169,881 |
| Accrued Interest | | 4,224 |
| Accounts payable and outstanding checks | | 40,660 |
| Auto and general liability claims | | 14,435 |
| Retiree medical accrual for current employees | | 17,882 |
| Taxes | | 909 |
| Other | | 3,514 |
| Total liabilities subject to compromise | $ | 2,318,327 |

[1] Assets are stated at the Debtors' historical book balances and not at liquidation values. See Note 2 Background in the Notes to the Monthly Operating Report for changes in accounting policies.

[2] The Debtors have treated all unpaid pre-petition pension contributions as liabilities subject to compromise. The Debtors accrue pre-petition withdrawal and termination liabilities when a calculation of withdrawal liabilities has been received from the relevant pension fund. The Debtors have received withdrawal notices for approximately $1.96 billion from 25 funds included in the number above. The Debtors have not yet accrued obligations for approximately 15 funds where a notice of termination and/or withdrawal liability has not been received from the pension fund. The Debtors had estimated the amounts payable for suspended contributions for both pre-petition and post-petition periods. During the current period, the Debtors received actual information on effective dates of withdrawal for certain pension funds and have adjusted accruals for suspended contributions accordingly.

[3] As a result of the PBGC assuming control of the Defined Benefit Plan, the Debtor was required to write-off the remaining balance in Accumulated Other Comprehensive Income of approximately $18.2 million.

## NOTES TO MONTHLY OPERATING REPORT
## UNAUDITED

### 1. Disclaimer and Reservations

This Monthly Operating Report (the "MOR"), was prepared by management of Old HB, Inc. and its wholly-owned subsidiaries (the "Debtors") and is unaudited. While those members of management responsible for the preparation of the MOR have made a reasonable effort to ensure that the MOR is accurate and complete based on information known to them at the time of preparation after reasonable inquiries, inadvertent errors or omissions may exist and/or the subsequent receipt of information may result in material changes in financial and other data contained in the MOR. Accordingly, the Debtors reserve their right to amend and/or supplement their MOR from time to time as may be necessary or appropriate and they will do so as information becomes available.

***Name Change***

In connection with the sale of the majority of the Debtors' cake assets, the Debtors were required to discontinue the use of certain trademarks, including "Hostess", following the closing of such sale. In accordance with this requirement, and pursuant to the Order Authorizing the Debtors and Debtors in Possession to Change Corporate Names and Amend Case Caption (Docket No. 2524), the corporate name of the parent company was changed from Hostess Brands, Inc. to Old HB, Inc. This change is reflected herein accordingly.

### 2. Background

***General***

Prior to the approval of their winddown by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), the Debtors were one of the largest food companies in the United States and focused on developing, manufacturing, marketing, selling, and distributing fresh baked sweet goods and fresh baked bread products virtually coast-to-coast. The Debtors provided a wide range of snack cakes, donuts, sweet rolls, snack pies, bread, buns, rolls, and related products under iconic brand names such as Hostess® and Wonder®, as well as other brand names such as Butternut®, Dolly Madison®, Drake's®, Home Pride®, Merita®, and Nature's Pride®.

Unless otherwise noted, these Notes and the attached financial information refer to the Debtors, taken as a whole. Refer to Subsection "Chapter 11 Cases" below for information regarding the Final Winddown Order (as defined below) entered by the Bankruptcy Court on November 30, 2012.

The Debtors have adopted certain accounting policies for actions associated with the liquidation of the business. These include:

- The recognition of gains or losses when assets are sold, abandoned or otherwise liquidated. The Debtors will not impair the carrying value of remaining assets based upon estimates of future recoveries.
- The continuation of allowances (including the allowance for doubtful accounts) at pre-winddown values until the reserve is diminished.
- The accrual of liabilities for ongoing liquidation costs as they are incurred, whereas terminations of contractual obligations and employee termination costs will be accrued upon termination of the contract or employment period.
- The termination of depreciation and amortization expense, as the assets that were being depreciated and amortized are no longer in service.
- The continuation of the Debtors' policy on pre-petition pension withdrawal and termination liabilities, which includes accruing these pre-petition liabilities when a calculation of withdrawal liability has been received from the relevant pension fund. The Debtors have not yet accrued obligations for approximately 15 funds where a notice of termination and/or withdrawal liability has not been received from the pension fund.

***Chapter 11 Cases***

On January 11, 2012 (the "Petition Date"), the Debtors commenced their chapter 11 cases by filing voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the Bankruptcy Court. The Debtors' chapter 11 cases have been consolidated and are being administered jointly for procedural purposes only. The Debtors are authorized to operate their businesses and manage their properties as debtors-in-possession.

On January 18, 2012, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed an official committee of unsecured creditors (the "Creditors Committee") pursuant to section 1102 of the Bankruptcy Code. On January 30, 2012, the U.S. Trustee amended the membership of the Creditors Committee.

On February 24, 2012, the Debtors filed with the Bankruptcy Court their Schedules of Assets and Liabilities and Statements of Financial Affairs. On June 11, 2012 and August 9, 2012, respectively, the Debtors filed with the Bankruptcy Court amendments and second amendments to their Schedules of Assets and Liabilities.

On March 13, 2012, the Bankruptcy Court entered the Order, Pursuant to Sections 105, 501 and 503 of the Bankruptcy Code, Bankruptcy Rules 2002 and 3003(c)(3) and Local Bankruptcy Rule 3003-1, Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (Docket No. 516) (the "Bar Date Order"). Among other things, the Bar Date Order set April 24, 2012 at 5:00 p.m. Eastern Time as the general bar date (the "General Bar Date") for filing a proof of claim in writing and in accordance with the procedures described in the Bar Date Order, by all entities that assert a claim against a Debtor that arose or is deemed to have arisen prior to the Petition Date. While the Debtors previously reviewed many of the proofs of claim that were filed, and have filed multiple objections to claims, the Debtors have not reviewed or analyzed all filed claims or sought to incorporate information from the claims into their financial reporting.

On November 16, 2012, the Debtors filed the Emergency Motion of Debtors and Debtors in Possession For Interim and Final Orders, Pursuant to Sections 105, 363, 365 and 503(c) of the Bankruptcy Code: (A) Approving (I) a Plan to Wind Down the Debtors' Businesses, (II) the Sale of Certain Assets, (III) Going-Out-of-Business Sales at the Debtors' Retail Stores, (IV) the Debtors' Non-Consensual Use of Cash Collateral and Modifications to Final DIP Order, (V) an Employee Retention Plan, (VI) a Management Incentive Plan, (VII) Protections for Certain Employees Implementing the Winddown of the Debtors' Businesses, (VIII) the Use of Certain Third Party Contractors and (IX) Procedures for the Expedited Rejection of Other Contracts and Leases; and (B) Authorizing the Debtors to Take Any and All Actions Necessary to Implement the Winddown (Docket No. 1710) (the "Emergency Winddown Motion"). By the Emergency Winddown Motion, the Debtors sought approval of, among other things, a plan for the orderly winddown of their business operations and the sale of all their assets. After unsuccessful mediation conducted on November 20, 2012, the Bankruptcy Court granted the Emergency Winddown Motion on an interim basis on November 21, 2012. The final order approving the Winddown Motion (Docket No. 1871) (the "Final Winddown Order") was entered on November 30, 2012.

Pursuant to the Final Winddown Order, the Debtors' secured lenders agreed to provide the financing and use of cash collateral necessary to fund the costs of the winddown, so long as the Debtors comply with a liquidation budget that the Debtors negotiated with its secured lenders (the "Liquidation Budget"). The Final Winddown Order authorized the Debtors to act in accordance with the Liquidation Budget but permitted the payment, in accordance with applicable law, of only those expenses that the lenders approved and that were related to the preservation of the value of the Debtors' assets (which constituted the secured lenders' collateral) and the sale of those assets.

On January 28, 2013, the Bankruptcy Court entered the Order, Pursuant to Sections 105 and 503(a) of the Bankruptcy Code and Bankruptcy Rule 2002, Establishing a Bar Date for Filing Postpetition Administrative Expense Claims and Approving Form and Manner of Notice Thereof (Docket No. 2214) (the "Postpetition Administrative Claims Bar Date Order"). The Postpetition Administrative Claims Bar Date Order establishes a bar date of March 28, 2013 for the filing of certain postpetition administrative claims (the "Postpetition Administrative Claims Bar Date") and procedures related thereto. While the Debtors conducted an initial review of the administrative claim request forms that were received, they did not fully analyze all aspects of the filed forms nor have they sought to fully incorporate information from such claims into their financial reporting.

***The Sale Process***

The Final Winddown Order contemplates the sale of substantially all of the Debtors' assets. Accordingly, following entry of the Final Winddown Order, the Debtors undertook an effort to market their various brands, and, as a result, filed several motions seeking authority for the sale of the majority of their brands and other assets (collectively, the "Sale Motions"). On March 20, 2013, the Bankruptcy Court entered orders approving the sale of the majority of the Debtors' bread and cake businesses, among other assets, and, on April 9, 2013, approved the remaining Sale Motions.

The following sales are reflected in the financials of previous MORs:

- The sale of the Debtors' Beefsteak® brand and related assets to BBU, Inc., a subsidiary of Bimbo Bakeries USA, for a cash purchase price of $31.9 million (the "Beefsteak Brand Sale");
- The sale of a majority of the Debtors' cake brands, including the Hostess® and Dolly Madison® brands, and related assets to New HB Acquisition, LLC, an affiliate of Apollo Global Management, LLC and Metropoulos & Co., for a cash purchase price of $410 million (subject to certain adjustments) (the "Hostess Brands Sale");
- The sale of certain assets related to the Debtors' Sweetheart®, Standish Farms®, Grandma Emilie's® and Eddy's® branded products to Mountain States Bakeries LLC, a wholly owned subsidiary of United States Bakery, for a cash purchase price of approximately $30.85 million (subject to certain adjustments) (the "Northwest Bakeries Sale"); and
- The sale of the Debtors' Drake's® brand and related assets to McKee Foods Corporation and McKee Foods Kingman, Inc. for a cash purchase price of $27.5 million (the "Drake's Sale").
- The sale of a majority of the Debtors' other bread brands (such as Butternut®, Home Pride®, Merita®, Nature's Pride® and Wonder®) and related assets to FBC Georgia, LLC, a wholly owned subsidiary of Flowers Foods, Inc., for a cash purchase price of $355 million (subject to certain adjustments) (the "Bread Brand Sale").

On July 3, 2013, the Debtors filed a motion seeking authority to sell most of their remaining assets (the "Remaining Assets") that had not been or were not already the subject of an approved or pending sale motion. The Remaining Assets included the real property, machinery & equipment and fleet assets in 140 locations in 34 states. On August 21, 2013, the Bankruptcy Court approved the sale of Remaining Assets to Hackman Capital Acquisition Company, LLC for a cash purchase price of approximately $62.5 million (subject to certain adjustments). The sale of the Remaining Assets is reflected in the financials of previous MORs.

While essentially all of the Debtors' tangible assets have been sold in the sale processes described above, the Debtors are continuing to pursue the sale and liquidation of their various non-tangible assets at this time.

## 3. Basis of Presentation

The consolidated financial statements reflect adjustments in accordance with the reorganization accounting guidance, Accounting Standards Codification 852 *Reorganizations* ("ASC 852"), which was adopted for financial reporting in periods ending after the Petition Date. In the chapter 11 cases, substantially all of the Debtors' unsecured liabilities except, among others, certain tax, payroll and certain benefit related charges as of the Petition Date, are subject to compromise or other treatment. For financial reporting purposes, those liabilities and obligations whose treatment and satisfaction is dependent on the outcome of the chapter 11 cases have been segregated and classified as "Liabilities Subject to Compromise" in the consolidated balance sheet under the reorganization accounting guidance. The ultimate amount of, and the settlement terms for, the Debtors' pre-bankruptcy liabilities are dependent on the outcome of the chapter 11 cases and, accordingly, are not presently determinable. Pursuant to the reorganization accounting guidance, professional fees associated with the chapter 11 cases and certain gains and losses resulting from a reorganization or restructuring of the Debtors' business have been reported separately as reorganization items.

***Debtor-in-Possession Financial Statements***

Unless otherwise indicated, the unaudited consolidated financial statements and supplemental information contained herein represent the consolidated financial information for the Debtors as of and for the four-week period ended December 14, 2013.

The Debtors are required to apply the provisions of ASC 852, effective on the Petition Date, which is applicable to companies that have commenced chapter 11 proceedings, and which generally does not change the manner in which financial statements are prepared. However, these provisions do require that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The Debtors' financial statements contained herein have been prepared in accordance with ASC 852.

The unaudited consolidated financial statements have been derived from the books and records of the Debtors. Certain financial information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), and upon the application of such procedures (such as tests for asset impairment), the Debtors believe that the financial information will be subject to changes and these changes could be material.

The results of operations contained herein are not necessarily indicative of the results which may be expected for any other period or for the full year and may not necessarily reflect the combined results of operations, financial position and cash flows of the Debtors in the future.

***Disbursements***

The Debtors do not maintain stand-alone financial records for each legal entity except for certain tax return compliance purposes. Further, the Debtors process all of their disbursements through a consolidated, centralized processing facility without regard for the individual Debtor entity involved. Consequently, for purposes of the Schedule of Disbursements section of this MOR, the Debtors have attempted to allocate and assign the payments made to creditors based on (i) the nature of the payment and (ii) the entity receiving the benefit of the payment.

## 4. Debtor-in-Possession (DIP) Financing

On the Petition Date, the Debtors filed a motion with the Bankruptcy Court seeking approval to enter into a certain Debtor-in-Possession Credit, Guaranty and Security Agreement substantially in the form attached to the motion (as it may be amended or modified, the "DIP Facility"). The DIP Facility was approved on an interim basis by the Bankruptcy Court on January 12, 2012. Based on such interim approval, the Debtors entered into the $75.0 million DIP Facility. On February 3, 2012, the Bankruptcy Court entered an order (as amended, the "Final DIP Order") approving the DIP Facility on a final basis. The Debtors have repaid the DIP Facility in full with funds generated from the closing of various sales described above.

***The Hilco Loan***

In conjunction with the Emergency Winddown Motion, the Debtors filed the Motion of Debtors and Debtors in Possession for an Order (I) Authorizing the Debtors to (A) Retain and Employ Hilco Industrial, LLC, Hilco IP Services, LLC and Hilco Real Estate, LLC as Consulting and Marketing Agents and (B) Obtain Related Postpetition Financing and (II) Granting Certain Related Relief (Docket No. 1901) seeking approval, among other things, to enter into a certain Consulting and Marketing Services Agreement for Real Property and Other Assets (the "Hilco Agreement") between the Debtors and Hilco Industrial, LLC, Hilco IP Services, LLC d/b/a Hilco Streambank and Hilco Real Estate, LLC (collectively, "Hilco"). An order approving the Hilco Agreement was entered by the Bankruptcy Court on December 21, 2012 (Docket No. 1985) (the "Hilco Order"). Pursuant to the terms of the Hilco Agreement, Hilco advanced a secured loan in the aggregate amount of $30 million that was paid to the Debtors in cash after entry of the Hilco Order (the "Hilco Loan"). The Debtors have repaid the Hilco Loan in full with funds generated from the closing of the various sales described above.

***Prepetition Debt Repayment***

Pursuant to the Stipulation and Agreed Order by and Among the Debtors, the DIP Agent and the Pre-Petition Agents Modifying the Final Orders in Certain Respects (Docket No. 2521) (the "Paydown Stipulation") and the Final Winddown Order, certain of the First Lien Term Loan Pre-Petition Indebtedness (as such term is defined in the Paydown Stipulation) was repaid by the Debtors during the period ended May 4, 2013. Specifically, on April 15, 2013, a payment of $29.8 million, including interest, was made in full repayment of Tranche C of the First Lien Term Loan Pre-Petition Indebtedness, and a payment of $263.8 million, including interest, was made with respect to partial repayment of Tranches A and B of the First Lien Term Loan Pre-Petition Indebtedness. Subsequently, on April 19, 2013, an additional $54.2 million, including interest, payment was made on Tranches A and B of the First Lien Term Loan Pre-Petition Indebtedness, and on July 19, 2013, an additional payment of $129.7 million, including interest, was made in full repayment of Tranches A and B of the First Lien Term Loan Pre-Petition Indebtedness.

Moreover, on July 19, 2013, pursuant to the Paydown Stipulation and the Final Winddown Order, a payment of $210.5 million, including interest, was made in full repayment of the Third Lien Term Loans (as such term is defined in the Paydown Stipulation). On August 20, 2013, a payment of $8.2 million, including prepetition interest, was made with respect to a partial repayment of the Fourth Lien. Subsequently, on September 23, 2013 and on October 18, 2013, additional payments including prepetition interest of $45.0 million and $3.5 million, respectively, were made on the Fourth Lien. Following the period end, on January 15, 2013, an additional payment of $5.0 million was made on the Fourth Lien. The amount was recorded as principal reduction pending receipt of allocation information from the Fourth Lien Notes Trustee. This partial repayment will be reflected in future reporting periods.

**5. Reorganization Charges, Net**

The Reorganization Costs reported on the Statement of Operations for this reporting period is primarily comprised of bankruptcy professional fees. Professional fees for the reporting period were estimated by the Debtors and will be adjusted for actual invoices received. Such adjustments will be reported on future MORs.

**6. Liabilities Subject to Compromise**

As a result of the chapter 11 cases, the payment of prepetition indebtedness is subject to compromise or other treatment. Generally, actions to enforce or otherwise effect payment of prepetition liabilities are stayed. Although payment of prepetition claims is generally not permitted, the Bankruptcy Court granted the Debtors authority to pay certain prepetition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtors' businesses and assets. Among other things, the Bankruptcy Court authorized the Debtors to pay certain prepetition claims relating to employee wages and benefits, customers, vendors, suppliers and taxes.

Prior to the entry of the Final Winddown Order, the Debtors generally paid undisputed postpetition claims in the normal course of business and in accordance with the approved DIP budget. Since the entry of the Final Winddown Order, the Debtors are operating in accordance with the Liquidation Budget. The Debtors have previously rejected prepetition executory contracts and unexpired leases with the approval of the Bankruptcy Court. In connection with the winddown of their businesses, the Debtors are in the process of rejecting additional prepetition executory contracts and unexpired leases. To the extent any damages resulting from the rejection of executory contracts and unexpired leases are treated as general unsecured claims, they will be classified as liabilities subject to compromise in the Debtors' Consolidated Balance Sheets. The bar date to assert claims arising from or relating to the rejection of any executory contracts or unexpired leases is 5:00 p.m., Eastern Time, on the date that is 30 days after the entry of the applicable order approving such rejection.

The Debtors, in conjunction with their retained professionals, reviewed and analyzed each of the prepetition unsecured proofs of claim that were submitted by the claimants and sought to investigate on a preliminary basis any material differences between the asserted amount of these claims and the liability amounts estimated by the Debtors. The Debtors have filed objections to multiple claims, and the Bankruptcy Court has granted the Debtors' objections to multiple of such claims, disallowing and expunging them. If the resolution of prepetition claims proves necessary in these cases, then any claims disputes will be resolved consensually or the Bankruptcy Court will make a final determination whether such claims should be allowed and, if so, the appropriate amount of such allowed claims. The ultimate amount of prepetition unsecured liabilities are not determinable at this time.

Prepetition liabilities that are subject to compromise are required to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims or other events. It is possible that certain amounts currently classified as liabilities subject to compromise may in fact be postpetition liabilities to be paid in the normal course of business as they come due or in accordance with the Liquidation Budget. Any resulting changes in classification will be reflected in subsequent MORs.

Costs and expenses associated with the suspension of pension plan payments, as well as the estimated withdrawal liabilities for certain of the pension plans, are included in the liabilities subject to compromise. Refer to footnote 5 on page 9 for additional information.

**7. Postpetition Accounts Payable and Accrued Expenses**

Postpetition accounts payable and accrued expenses are being and will be paid in accordance with the Liquidation Budget approved by the Bankruptcy Court in the Final Winddown Order, supplemented from time to time as contemplated by the Final DIP Order.

The Debtors, in conjunction with their retained professionals, reviewed and analyzed each of the requests for administrative claims that were filed by the March 28, 2013 bar date and have investigated on a preliminary basis each of the claims and sought to identify material differences between the asserted amount of these claims and the liability amounts estimated by the Debtors. If the resolution of these administrative claims proves necessary in these cases, then any claims disputes will be resolved consensually or the Bankruptcy Court will make a final determination whether such claims should be allowed and, if so, the appropriate amount of such allowed claims. The ultimate amount of unpaid postpetition administrative liabilities are not determinable at this time.

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**STATUS OF POSTPETITION TAXES**

| Federal | Beginning of Period | Amount Withheld and/or Accrued | Amount Paid | End of Period |
|---|---|---|---|---|
| Federal Income Tax Withholding | $ (3,459) | $ 56,347 | $ (53,389) | $ (501) |
| Federal Insurance Contributions Act (FICA) | (98,001) | 38,249 | (35,225) | (94,977) |
| Federal Unemployment Tax (FUTA) | 20,424 | 529 | - | 20,953 |
| Federal Income Tax - Corporate | (177,715) | - | - | (177,715) |
| Federal Tax - Heavy Weight | (30,000) | - | - | (30,000) |
| Total Federal Taxes | $ (288,751) | $ 95,125 | $ (88,614) | $ (282,240) |

| State and Local | Beginning of Period | Amount Withheld and/or Accrued | Amount Paid | End of Period | |
|---|---|---|---|---|---|
| State and Local Tax Withholding (SALT) | $ (15,569) | $ 14,898 | $ (12,980) | $ (13,651) | |
| State Unemployment Tax (SUTA) | 387 | 588 | - | 975 | |
| Business Licenses | 101,863 | - | - | 101,863 | |
| Sales Taxes | (46,228) | 685,385 | - | 639,157 | |
| Use Tax | (2,973) | 28 | (28) | (2,973) | |
| Mileage Taxes | 23,426 | - | - | 23,426 | |
| Real Property Tax | 1,323,719 | (37,763) | (59,483) | 1,226,473 | [1] |
| Personal Property Tax | 472,009 | (26,464) | - | 445,545 | [1] |
| Accrued Franchise Tax | 270,451 | (170,135) | (33,826) | 66,490 | |
| Accrued Operating Taxes | 93,093 | 28,370 | (9,930) | 111,533 | [1] |
| Income & Receipts Taxes | 489,090 | 3,483 | - | 492,573 | |
| Total State and Local Taxes | $ 2,709,268 | $ 498,390 | $ (116,247) | $ 3,091,411 | |

[1] Real property tax accruals are booked ratably over the jurisdiction's tax year to which they relate. The above numbers represent real and personal property tax accruals for jurisdictions whose tax years began after the Petition Date, and excluded from the numbers are period accruals for jurisdictions whose tax years began before the Petition Date.

**SUMMARY OF UNPAID POSTPETITION DEBTS [1]**

| Account Group Name | Current Amt. | 1 - 30 | 31 - 60 | 61 - 90 | Over 90 | Total |
|---|---|---|---|---|---|---|
| AP-Direct Vendor Payments | $ - | $ - | $ - | $ - | $ 15,923,907 | $ 15,923,907 |
| AP-Employees | 859 | - | - | - | 290 | 1,149 |
| AP-Union Health and Welfare | - | - | - | - | (856) | (856) |
| AP-Other | 16,064 | 4,440 | (150) | (7,066) | 11,557,711 | 11,570,999 |
| AP-Telephone/Utilities | (19,030) | (5,595) | (27,708) | (289,949) | (143,802) | (486,084) |
| AP-Competitive Discounts | - | - | - | - | 678,167 | 678,167 |
| AP-Professional Services | 3,591 | 2,392 | 4,638 | - | 142,097 | 152,718 |
| AP-All Other Tax | - | - | - | 216 | 185,552 | 185,768 |
| AP-Resale Outside Purchase | - | - | - | - | 384,888 | 384,888 |
| AP-Engineering | 1,401 | - | - | 240 | 330,772 | 332,413 |
| AP-Freight | | - | - | - | 1,060,654 | 1,060,654 |
| AP-Temporary Labor | 36,124 | - | - | - | 163,188 | 199,312 |
| Accounts Payable - Escout | | - | - | - | 2,982,996 | 2,982,996 |
| Expense Accruals [2] | 1,933,634 | - | - | - | - | 1,933,634 |
| Payroll Withholding [2] | (575) | - | - | - | - | (575) |
| Miscellaneous [2] | (57,311) | - | - | - | - | (57,311) |
| **Total** | **$ 1,914,757** | **$ 1,237** | **$ (23,220)** | **$ (296,559)** | **$ 33,265,564** | **$ 34,861,779** |

[1] Summary of Unpaid Postpetition Debts represents postpetition Accounts Payable, as well as certain prepetition amounts authorized for payment by the Bankruptcy Court, but not yet paid. Postpetition accounts payable and accrued expenses are being and will be paid in accordance with the Liquidation Budget approved by the Bankruptcy Court in the Final Winddown Order, supplemented from time to time as contemplated by the Final DIP Order.
[2] Amounts are not aged.

## ACCOUNTS RECEIVABLE RECONCILIATION AND AGING [1]

***($ in 000's)***

| Trade Accounts Receivable Rollforward | Amount |
|---|---|
| Total Trade A/R at the beginning of the reporting period | $ 4,240 |
| Plus: Amounts billed during the period | - |
| Less: Amounts collected during the period [2] | 2,996 |
| **Total Trade A/R at the end of the reporting period** | **$ 1,244** |

| Trade Accounts Receivable Aging [1] | 0-28 Days | 29-56 Days | 57+ Days | Total |
|---|---|---|---|---|
| **Total Trade Accounts Receivable** | **$ -** | **$ -** | **$ 1,244** | **$ 1,244** |

| Accounts Receivable Reconciliation | Amount |
|---|---|
| Total Trade Accounts Receivable | $ 1,244 |
| Less: Reserve for Sales Adjustment | - |
| Less: Allowance for Stale Return | (3,017) |
| Less: Bad Debt Reserve | (568) |
| Plus: Non-Trade A/R Accounts | 2,341 |
| **Total Accounts Receivable per Balance Sheet** | **$ -** |

[1] The aging reflects trade A/R accounts only, and does not include certain reserves and allowances associated with sales adjustments and returns. The Debtors are in the process of collecting all outstanding A/R in connection with the winddown of the business but has used prior reserves and/or allowances, and will not further reduce the carrying value of A/R until impacts from the winddown are realized.
[2] Collections for the period include collection of a negotiatied settlement amount of $1.95 million and the write-off of $0.75 million in remaining balance.

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**PAYMENTS TO PROFESSIONALS [1]**

| PROFESSIONALS | | |
|---|---|---|
| **NAME** | **DATE OF COURT ORDER AUTHORIZING PAYMENT** | **AMOUNT PAID IN CURRENT PERIOD** |
| Blackstone Advisory Partners LP | 2/23/2012 (Docket # 401) & 6/25/12 (Docket # 1165) | $ 1,373,575 |
| Curtis, Mallet-Prevost, Colt & Mosle LLP | 4/20/12 (Docket # 767) | 42,021 |
| FTI Consulting Inc | 1/27/2012 (Docket # 192) & 8/22/13 (Docket # 2799) | 259,656 |
| Jones Day | 1/27/2012 (Docket # 206) & 6/25/12 (Docket # 1165) | 3,649,042 |
| Kobi Partners (Gregory Rayburn) | 3/14/2012 (Docket # 521) | 125,000 |
| KPMG | 2/23/2012 (Docket # 399) & 6/25/12 (Docket # 1165) | 504,948 |
| Kramer Levin Naftalis & Frankel LLP | 2/23/2012 (Docket # 400) & 6/25/12 (Docket # 1165) | 367,571 |
| Kurtzman Carson Consultants LLC | 1/27/2012 (Docket # 201) & 6/25/12 (Docket # 1165) | 34,676 |
| Paul, Weiss, Rifkind, Wharton, & Garrison, LLP | 2/3/12 (Final DIP Order-Docket # 254) | 1,691 |
| Sitrick Brincko Group LLC | | 383 |
| Stinson Morrison Hecker LLP | 1/27/2012 (Docket # 204) & 6/25/12 (Docket # 1165) | 203,170 |
| Thompson & Knight | 2/3/12 (Final DIP Order-Docket # 254) | 171,952 |
| Venable LLP | 1/27/2012 (Docket # 203) & 6/25/12 (Docket # 1165) | 1,710 |
| | **TOTAL PAYMENTS TO PROFESSIONALS** | **$ 6,735,395** |

[1] The numbers above reflect payments made to the various professionals involved in the Debtors' chapter 11 cases during the reporting period.

**POSTPETITION STATUS OF SECURED NOTES AND ADEQUATE PROTECTION PAYMENTS**

| **NAME OF CREDITOR** | **AMOUNT PAID IN CURRENT PERIOD** |
|---|---|
| Silver Point Finance, LLC | $ - |
| Bank of New York | 10,960 |
| **TOTAL PAYMENTS** | **$ 10,960** |

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## DEBTOR QUESTIONNAIRE

| | Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary. | Yes | No | |
|---|---|---|---|---|
| 1 | Have any assets been sold or transferred outside the normal course of business this reporting period? | | X | |
| 2 | Have any funds been disbursed from any account other than a debtor in possession account this reporting period? | | X | |
| 3 | Is the Debtor delinquent in the timely filing of any postpetition tax returns? | | X | |
| 4 | Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies? | | X | |
| 5 | Is the Debtor delinquent in paying any insurance premium payment? | | X | |
| 6 | Have any payments been made on prepetition liabilities this reporting period? | X | | [a] |
| 7 | Are any post petition receivables (accounts, notes or loans) due from related parties? | | X | |
| 8 | Are any post petition payroll taxes past due? | | X | |
| 9 | Are any post petition State or Federal income taxes past due? | X | | [b] |
| 10 | Are any post petition real estate taxes past due? | X | | [b] |
| 11 | Are any other post petition taxes past due? | X | | [b] |
| 12 | Have any prepetition taxes been paid during this reporting period? | X | | [c] |
| 13 | Are any amounts owed to post petition creditors delinquent? | X | | [d] |
| 14 | Are any wage payments past due? | | | [e] |
| 15 | Have any post petition loans been received by the Debtor from any party during this reporting period? | | X | |
| 16 | Is the Debtor delinquent in paying any U.S. Trustee fees? | | X | |
| 17 | Is the Debtor delinquent with any court ordered payments to attorneys or other professionals? | | X | [f] |
| 18 | Have the owners or shareholders received any compensation outside of the normal course of business? | | X | |

**[a]** In accordance with orders entered by the Bankruptcy Court, the Debtors paid certain prepetition liabilities, including employee benefits and workers compensation claims during the reporting period.

**[b]** Only certain taxes are being and will be paid in accordance with the Liquidation Budget approved by the Bankruptcy Court in the Final Winddown Order, supplemented from time to time as contemplated by the Final DIP Order, and/or in accordance with the sales process.

**[c]** Prepetition secured property taxes have been paid or provided for pursuant to the terms of the property sales.

**[d]** The process for receiving and submitting invoices for payment is decentralized and manually intensive; therefore, there could be postpetition invoices that are delinquent which have not been received by the Debtors' Shared Services department for processing or are in a dispute resolution status. Postpetition accounts payable and accrued expenses are being and will be paid in accordance with the Liquidation Budget approved by the Bankruptcy Court in the Final Winddown Order, supplemented from time to time as contemplated by the Final DIP Order.

**[e]** All current wages have been and are being paid. Payments for accrued vacation, severance payments, and other incentive payments will only be made in accordance with the Final Winddown Order. In accordance with such Order, payments for accrued vacation and severance are currently not being made.

**[f]** After the entry of the Final Winddown Order, all payments to professionals were made in accordance with such order.