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

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	:
In re	: Chapter 11
	:
Old HB, Inc.	: Case No. 12-22052 (RDD)
(f/k/a Hostess Brands, Inc.), <i>et al.</i> , ¹	:
	: (Jointly Administered)
Debtors.	:
	:
	X

**MONTHLY OPERATING REPORT FOR
OLD HB, INC. AND ITS AFFILIATED DEBTORS
FOR THE PERIOD MARCH 10, 2013 TO APRIL 6, 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: March 10, 2013 to April 6, 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: John Stewart

Date: 5/10/2013

John Stewart
Executive Vice President and Chief Financial Officer, Old HB, Inc.
Executive Vice President and Chief Financial Officer, Interstate Brands Corporation
Executive Vice President and Chief Financial Officer, IBC Sales Corporation
Chief Financial Officer, MCF Legacy, Inc.
Vice President - Finance, IBC Services LLC
Vice President - Finance, 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).

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended April 6, 2013

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS ^[1]

(\$ in 000's)	CURRENT PERIOD ACTUALS (TOTAL OF 4 MAIN CONCENTRATION ACCOUNTS)
UNRESTRICTED CASH BEGINNING OF PERIOD	\$ 25,126
RECEIPTS	
Customer Receipts	286
Sale of Assets ^[2]	34,592
Non-customer Receipts ^[3]	8,163
TOTAL RECEIPTS	\$ 43,041
DISBURSEMENTS ^[4]	
Net Payroll	(818)
Payroll Taxes	(410)
Payroll-Garnishments	(5)
Payroll-401K	(3)
Sales & Use Tax	(0)
Insurance-Medical and Workers Comp ^[5]	(3,020)
Vendor Trade Payment ^[6]	(8,382)
Non-Customer Payments ^[7]	(15,963)
Professional Fees	(3,812)
U.S. Trustee Quarterly Fees	-
TOTAL DISBURSEMENTS	\$ (32,413)
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)	\$ 10,628
UNRESTRICTED CASH – END OF PERIOD	\$ 35,754

DIP FINANCING BANK ACCOUNT (UMB) #XXXXXX7689	
CASH BEGINNING OF PERIOD	\$ 26,454
Advances on Loan During the Period	-
Less: Premium Loan & Administration Fees	-
Funds Transfer to UMB Parent Account	-
Other Funds Transfers-In/(Out)	-
CASH – END OF PERIOD	\$ 26,454

- [1] The numbers presented represent cash receipts and disbursements from the Debtors' main concentration account and three intermediate concentration accounts.
- [2] The number represents the proceeds from the sale of Beefsteak, the sale of a former plant in Davenport, IA, and the sale of fleet assets.
- [3] The numbers above primarily represent reimbursements for Transition Expenses of approximately \$4.3 million [in accordance with the Order approving bidding procedures for the cake brand assets (Docket No. 2275)], \$1.7 million of funds received from the state of Florida related to a settled workers compensation claim, and return of vendor deposits.
- [4] The disbursements represent all payments that have cleared the Debtors' bank accounts during the reporting period.
- [5] The number includes the disbursement to reimburse the excess carrier that funded the \$1.7 million of funds received from the state of Florida related to a settled workers compensation claim.
- [6] The numbers include disbursements for Transition Expenses of approximately \$2.6 million. Such expenses have been or will be reimbursed by the purchaser.
- [7] The numbers include payments on the ABL Pre-petition Indebtedness in accordance with the Final Winddown Order (approximately \$3.6 million from miscellaneous asset sales) and approximately \$10.7 million for final payoff from the proceeds of the Beefsteak Sale, as well as interest payments on the DIP Financing Facility and Tranche C.

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BANK RECONCILIATIONS

(\$ in 000's)	TOTAL OF ALL ACCOUNTS ^[1]
UNRESTRICTED CASH BALANCE PER BOOKS	\$ 34,690
BANK BALANCE <i>(SEE RECONCILIATION BY ACCOUNT BELOW)</i>	\$ 35,754
(+) DEPOSITS IN TRANSIT <i>(SEE BELOW)</i>	139
(-) OUTSTANDING CHECKS:	(903)
(-) ACCOUNTS PAYABLE--ACH PAYMENTS--CLEAR NEXT BANKING DAY <i>(SEE BELOW)</i> :	(569)
OTHER <i>(SEE BELOW)</i>	269
CASH BOOK BALANCE	\$ 34,690
DEPOSITS IN TRANSIT	
Plant Field Deposits in Transit	\$ 139
Bank ACH Transfer/Thriftstore Deposits-Timing-UMB	-
Total Deposits in Transit	\$ 139
ACH PAYMENTS--OUTSTANDING	
ACH Payments on 4/5/13	\$ (569)
	\$ (569)
OTHER	
Current Payroll-Due Employee-Timing	\$ (12)
Petty Cash for Thriftstores/Plants	0
Payroll Taxes	177
Period Variances	104
Total Other	\$ 269

[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)	Bank of America #XXXXXXX0189	JP Morgan #XXXXXX7256	Wells Fargo #XXXXXXX6059	UMB #XXXXXXX5694	TOTAL
Beginning Balance for the Period	\$ 60	\$ 80	\$ 81	\$ 24,905	\$ 25,126
Customer Receipts	216	137	9	(76)	286
Miscellaneous Receipts	-	-	-	42,755	42,755
Transfers to UMB--Parent Bank	-	(100)	-	100	-
Disbursements	(31)	(4)	(3)	(32,375)	(32,413)
Ending Balance for the Period	\$ 245	\$ 113	\$ 87	\$ 35,309	\$ 35,754

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DISBURSEMENTS BY DEBTOR ENTITY ^[1]

(\$ in 000's)

CASE NO.	CASE NAME	DISBURSEMENTS FOR THE PERIOD ENDED ^[2]		
		4/6/2013	3/9/2013	2/9/2013
087-12-22051	IBC Sales Corporation	\$ 4,750	\$ 1,530	\$ 1,890
087-12-22052	Old HB, Inc.	4,091	4,509	3,251
087-12-22053	IBC Trucking LLC	2	40	108
087-12-22054	IBC Services, LLC	584	1,005	422
087-12-22055	Interstate Brands Corporation	23,248	17,498	17,757
087-12-22056	MCF Legacy Inc.	-	-	-
GRAND TOTAL:		\$ 32,675	\$ 24,582	\$ 23,428

[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.
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Monthly Operating Report for Period Ended April 6, 2013

STATEMENT OF OPERATIONS ^{[1],[2]}

<i>(\$ in 000's)</i>	Four Weeks Ended April 6, 2013
Net Revenue ^[3]	\$ 439
Cost of goods sold (including loss on inventory dispositions)	<u>1,878</u>
Gross profit	(1,439)
Selling expense	1,051
Delivery expense	<u>552</u>
Selling and delivery expense	1,603
Workers' compensation	2,387
Selling, general and administrative	<u>3,779</u>
EBITDA	(9,208)
Restructuring charges, net	44
Reorganization charges, net	6,337
Pension withdrawal expense	5,581
Depreciation and amortization	-
(Gain) loss on asset dispositions ^[4]	(18,977)
Loss on asset abandonment	<u>8,022</u>
Operating income (loss)	(10,215)
Interest expense ^[5]	1,118
Other income (loss)	<u>(702)</u>
Income (loss) before tax	(12,035)
Income tax expense	<u>-</u>
Net income (loss)	<u>\$ (12,035)</u>
 <u>REORGANIZATION CHARGES, NET</u> ^[6]	
Professional fees	\$ <u>6,337</u>
Total reorganization charges, net	<u>\$ 6,337</u>

[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] Certain amounts have been reclassified within the Statement of Operations beginning in the first period of fiscal year 2013, to be consistent with changes made in the Company's internal reporting. Summary category totals such as net revenue, cost of goods sold, gross profit, EBITDA and net income (loss) are consistent with prior periods.

[3] Net revenue reflects the collection of accounts receivable in excess of certain reserves and allowances associated with sales adjustments and returns.

[4] (Gain) loss on asset dispositions includes a \$26.5 million gain on the sale of Beefsteak, offset by a \$7.3 million loss on the sale of fleet vehicles and a \$0.2 million loss on the sale of a former plant in Davenport, IA.

[5] Interest expense excludes unrecorded contractual and other interest expense of \$16,410.

[6] Professional fees have been estimated by the Debtors and will be adjusted for actual invoices received. See Note 5, Reorganization Charges, Net in the Notes to Monthly Operating Report for further discussion.

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
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Monthly Operating Report for Period Ended April 6, 2013

BALANCE SHEET

(\$ in 000's)

**April 6,
2013**

ASSETS ^[1]

Current assets

Cash	\$	34,690
Accounts receivable, net of reserves and allowances		-
Prepays and other current assets		19,166
Deferred income taxes ^[2]		6,157
Total current assets		<u>60,013</u>

Property and equipment

Land and building		259,015
Machinery and equipment		121,262
		<u>380,277</u>
Less accumulated depreciation		<u>(91,612)</u>
Net property and equipment		<u>288,665</u>

Restricted cash		115,918
Other intangible assets		130,055
Other assets		135,268
Total assets	\$	<u><u>729,919</u></u>

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BALANCE SHEET

(\$ in 000's)

**April 6,
2013**

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities not subject to compromise

Current liabilities

DIP borrowing payable within one year	\$ 75,000
Short-term debt	58,864
Accounts payable	59,791
Accrued winddown severance	84,500
Accrued vacation pay	27,678
Accrued payroll	4,349
Worker's compensation reserve	41,351
Accrued expenses	13,854
Total current liabilities	<u>365,387</u>

Worker's compensation reserve	132,156
Deferred income taxes ^[2]	97,267
Other liabilities	19,122
Total long-term liabilities	<u>248,545</u>

Total liabilities not subject to compromise 613,932

Liabilities subject to compromise 2,918,530

Total liabilities 3,532,462

Stockholders' equity (deficit)

Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	-
Common stock, \$0.01 par value, 90,000,000 shares authorized, 16,217,000 shares issued, 16,021,000 shares outstanding	162
Additional paid-in capital	152,565
Accumulated deficit	(2,952,991)
Treasury stock, 196,000 shares at cost	(1,396)
Accumulated other comprehensive income	(883)
Total stockholders' equity (deficit)	<u>(2,802,543)</u>

Total liabilities and stockholders' equity (deficit) \$ 729,919

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BALANCE SHEET

(\$ in 000's)

**April 6,
2013**

LIABILITIES SUBJECT TO COMPROMISE

Pension liabilities ^[3]	\$ 2,047,247
Debt	770,513
Accrued interest	11,848
Accounts payable and outstanding checks	41,809
Auto and general liability claims	14,435
Retiree medical accrual for current employees	17,882
Taxes	11,532
Other	3,264
Total liabilities subject to compromise	<u>\$ 2,918,530</u>

- [1] Assets are stated at the debtors historical book balances and not at liquidation values. Refer to footnote number 2 Background in the Notes to the Monthly Operating Report for changes in accounting policies.
- [2] Deferred income taxes include fiscal 2012 year-end audit adjustments.
- [3] The Debtors have treated all unpaid 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 \$1.94 billion from 21 funds included in the number above. The Debtors have not yet accrued obligations for approximately 19 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.

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**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 Debtors corporate name 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.

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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 19 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 have begun

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the process of reviewing the proofs of claim that have been received, and have filed multiple objections to claims, the Debtors have not yet 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' postpetition 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 have begun the process of reviewing the administrative claim request forms that have been received, they have not yet reviewed or analyzed all filed claims or sought to incorporate information from such claims into their financial reporting.

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The Sale Process

The Final Winddown Order contemplates the sale of substantially all of the Debtors' assets. Accordingly, following entry of the 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 closed during the period ended April 6 and are reflected in the financials presented herein:

- 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 following sales closed after the period ended April 6 and will be reflected in future reporting periods:

- 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 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 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 following sale is awaiting federal antitrust clearance, and will be reflected in future reporting periods when closed:

- 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 \$360 million (subject to certain adjustments) (the "Bread Brand Sale").¹

While the majority of the Debtors' assets were included in these Sale Motions, the Debtors continue to pursue the sale and liquidation of any remaining assets as appropriate.

¹ With respect to the Bread Brand Sale, all key closing conditions have been satisfied but for federal antitrust clearance.

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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 under a chapter 11 plan to be filed with the Bankruptcy Court, that must be confirmed by the Bankruptcy Court after submission to a required vote by certain affected parties. 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 April 6, 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.

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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. Subsequent to the end of this reporting period, on April 15, 2013, the Debtors 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"). Subsequent to the end of this reporting period on April 9, 2013, the Debtors repaid the Hilco Loan in full with funds generated from the closing of the various sales described above.

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

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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 under a chapter 11 plan. 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. Going forward, the Debtors will operate 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, are reviewing and analyzing the proofs of claim timely submitted by the claimants and are investigating any material differences between 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 necessary, in the event of claims disputes, 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 such liabilities is 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

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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 3 on page 9 for additional information.

7. Postpetition Accounts Payable and Accrued Expenses

To the best of the Debtors' knowledge, prior to the approval of the Debtors' winddown, all undisputed postpetition accounts payable and accrued expenses have been paid when due, or were scheduled to be paid under agreed-upon payment terms. 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 are currently reviewing and analyzing timely requests for administrative claims. If necessary, in the event of claims disputes, the Bankruptcy Court will make a final determination whether such claims should be allowed and, if so, the appropriate amount of such allowed claims. Accordingly, the ultimate amount of such liabilities is 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	\$ 19,657	\$ 178,725	\$ (105,030)	\$ 93,352
Federal Insurance Contributions Act (FICA)	(141,690)	170,099	(100,047)	(71,638)
Federal Unemployment Tax (FUTA)	155,029	(110,720)	-	44,309
Federal Income Tax - Corporate	-	-	-	-
Federal Tax - Heavy Weight	(30,000)	-	-	(30,000)
Total Federal Taxes	\$ 2,996	\$ 238,104	\$ (205,077)	\$ 36,023

State and Local	Beginning of Period	Amount Withheld and/or Accrued	Amount Paid	End of Period
State and Local Tax Withholding (SALT)	\$ (28,651)	\$ 46,983	\$ (25,497)	\$ (7,165)
State Unemployment Tax (SUTA)	119,483	74,017	-	193,500
Business Licenses	103,691	914	-	104,605
Sales Taxes	(49,022)	(1,057)	2,185	(47,894)
Use Tax	29,138	(21,086)	(2,271)	5,781
Mileage Taxes	24,162	(736)	-	23,426
Real Property Tax	1,282,634	389,125	-	1,671,759
Personal Property Tax	879,553	-	-	879,553
Vehicle Personal Property Tax	-	-	-	-
Accrued Franchise Tax	54,832	29,530	(1,814)	82,548
Accrued Operating Taxes	122,442	-	-	122,442
State and Local Income Tax - Corporate	485,483	-	-	485,483
Total State and Local Taxes	\$ 3,023,745	\$ 517,690	\$ (27,397)	\$ 3,514,038

[1] Does not include amounts paid by the field or de minimis amounts paid by the corporate departments (these amounts are expensed).

[2] Real property tax accruals are booked ratably over the jurisdiction's tax year to which they relate. The above numbers represent 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.

[3] Amounts include prepetition taxes that the Debtors have been authorized to pay after the Petition Date by the Bankruptcy Court.

SUMMARY OF UNPAID POSTPETITION DEBTS ^[1]

Account Group Name	Current Amt.	1 - 30	31 - 60	61 - 90	Over 90	Total
AP-Direct Vendor Payments ^[2]	\$ -	\$ (5,537)	\$ (11,485)	\$ 19,292	\$ 15,596,278	\$ 15,598,548
AP-Employees	2,794	840	-	-	(185)	3,449
AP-Union Health and Welfare	-	-	(7)	(439)	(821)	(1,267)
AP-Other	427,643	185,636	166,343	886,977	9,528,653	11,195,252
AP-Telephone/Utilities ^[2]	104,868	24,101	5,725	4,746	(49,203)	90,237
AP-Competitive Discounts	27,442	462,281	3,373	-	116,065	609,161
AP-Professional Services	275,215	(844)	1,967	9,508	4,828,201	5,114,047
AP-All Other Tax	-	1,087	9,060	5,140	155,795	171,082
AP-Resale Outside Purchase	770	-	142	(2,775)	378,835	376,972
AP-Engineering	25,980	-	980	5,706	241,702	274,368
AP-Freight	80,591	1,307	2,606	33,603	949,917	1,068,024
AP-Temporary Labor	173,219	3,518	-	17,940	165,758	360,435
Accounts Payable - Escout	-	-	-	-	3,220,343	3,220,343
GR/IR Clearing	-	-	-	-	-	-
Freight Clearing	-	-	-	-	-	-
Expense Accruals ^[3]	21,641,648	-	-	-	-	21,641,648
Payroll Withholding ^[3]	125,466	-	-	-	-	125,466
Miscellaneous ^[3]	(56,985)	-	-	-	-	(56,985)
Total	\$ 22,828,651	\$ 672,389	\$ 178,704	\$ 979,698	\$ 35,131,338	\$ 59,790,780

[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] Past due credit balances are primarily of result of the pro-forma payment process established for certain key vendors during the bankruptcy period. Subsequent reconciliations have highlighted the credits which are in the process of being collected and/or applied against current invoices.

[3] Amounts are not aged.

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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	\$ 7,787
Plus: Amounts billed during the period	-
Less: Amounts collected during the period	1,113
Total Trade A/R at the end of the reporting period	\$ 6,674

Trade Accounts Receivable Aging ^[1]	0-28 Days	29-56 Days	57+ Days	Total
Total Trade Accounts Receivable	\$ 39	\$ 32	\$ 6,603	\$ 6,674

Accounts Receivable Reconciliation	Amount
Total Trade Accounts Receivable	\$ 6,674
Less: Reserve for Sales Adjustment	(646)
Less: Allowance for Stale Return	(5,538)
Less: Bad Debt Reserve	(3,056)
Plus: Non-Trade A/R Accounts	2,566
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 Company is 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.

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PAYMENTS TO INSIDERS

INSIDERS		
NAME	TYPE OF PAYMENT	AMOUNT PAID
Anthony Dowd ^[1]	Independent Director	\$ 25,000
Matthew Gephardt	Expense Reimbursements	300
Matthew Gephardt ^[1]	Independent Director	25,000
Richard Seban	Expense Reimbursements	9,093
Richard Seban	Payroll	14,827
John Stewart	Expense Reimbursements	3,098
John Stewart	Payroll	17,992
TOTAL PAYMENTS TO INSIDERS		\$ 95,310

[1] Amounts represent payment of fees to Independent Directors in accordance with the Order, Pursuant to Sections 105, 363, and 503 of the Bankruptcy Code, for an Order Authorizing the Payment of Fees to the Independent Directors of Debtor Hostess Brands, Inc. (Docket No. 1063). The fees represented above correspond to April - June 2013.

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)	\$ 1,667
Conway, Del Genio, Gries & Co LLC	2/3/12 (Final DIP Order-Docket # 254)	100,357
Curtis, Mallet-Prevost, Colt & Mosle LLP	4/20/12 (Docket # 767)	6,916
FTI Consulting Inc	1/27/2012 (Docket # 192)	1,117,344
Garden City Group	2/28/2012 (Docket # 438)	3,329
Jones Day	1/27/2012 (Docket # 206) & 6/25/12 (Docket # 1165)	1,268,760
Kobi Partners (Gregory Rayburn)	3/14/2012 (Docket # 521)	144,165
KPMG	2/23/2012 (Docket # 399) & 6/25/12 (Docket # 1165)	214,856
Kramer Levin Naftalis & Frankel LLP	2/23/2012 (Docket # 400) & 6/25/12 (Docket # 1165)	131,326
Lazard Freres & Co LLC	2/3/12 (Final DIP Order-Docket # 254)	150,000
Paul, Weiss, Rifkind, Wharton, & Garrison, LLP	2/3/12 (Final DIP Order-Docket # 254)	288,384
Pedersen & Houpt	1/28/13 (Docket # 2219)	75,836
Perella Weinberg Partners LLP	1/27/2012 (Docket # 205) & 6/25/12 (Docket # 1165)	166,657
Proskauer Rose LLP	2/3/12 (Final DIP Order-Docket # 254)	2,289
Stinson Morrison Hecker LLP	1/27/2012 (Docket # 204) & 6/25/12 (Docket # 1165)	33,936
Thompson & Knight	2/3/12 (Final DIP Order-Docket # 254)	99,082
Venable LLP	1/27/2012 (Docket # 203) & 6/25/12 (Docket # 1165)	7,258
TOTAL PAYMENTS TO PROFESSIONALS		\$ 3,812,162

[1] The numbers above reflect payments made to the various professionals involved in the Debtors' chapter 11 cases during the reporting period. The payments represent amounts incurred after commencement of the winddown on November 16, 2012.

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

NAME OF CREDITOR	AMOUNT PAID IN CURRENT PERIOD
General Electric Capital Corporation	\$ 139,741
Silver Point Finance, LLC	328,968
Bank of New York	2,200
TOTAL PAYMENTS	\$ 470,909

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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		[a]
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		[b]
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	
10	Are any post petition real estate taxes past due?	X		[c]
11	Are any other post petition taxes past due?	X		[c]
12	Have any prepetition taxes been paid during this reporting period?	X		[d]
13	Are any amounts owed to post petition creditors delinquent?	X		[e]
14	Are any wage payments past due?			[f]
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	[g]
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?			[h]
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X	

- [a] The Debtors have consummated sales of certain properties, goods, and other assets in accordance with the De Minimis Asset Sales Order (Docket No. 387), the Order Authorizing The Sale of the Beefsteak Brands (Docket No. 2457) and the Final Winddown Order.
- [b] 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.
- [c] Post-petition secured real and personal property 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.
- [d] Prepetition secured real property taxes have been paid or provided for, pursuant to the terms of the sale of certain de minimis real property sales.
- [e] 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.
- [f] 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.
- [g] The Debtors have paid all U.S. Trustee fees due in these chapter 11 cases, which are jointly administered under Case No. 12-22052 (RDD). Pursuant to the Order Approving Chapter 11 Final Report and Granting Joint Motion to Close Certain Cases (Case No. 04-45814, Docket No. 12686), the Debtors paid \$7,800 in March 2013 in full satisfaction of U.S. Trustee fees and costs in connection with their chapter 11 cases in the United States Bankruptcy Court for the Western District of Missouri.
- [h] After the entry of the Final Winddown Order, all payments to professionals were made in accordance with such order.