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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 JULY 27, 2014 TO AUGUST 23, 2014

[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: July 27, 2014 to August 23, 2014

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: D R

Date: 9/26/14

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

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Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended August 23, 2014

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]

($ in 000's)

UNRESTRICTED CASH BEGINNING OF PERIOD	**$**	**28,582**
RECEIPTS		
Customer Receipts	$	-
Sale of Assets		-
Non-customer Receipts [2]		1,141
TOTAL RECEIPTS	**$**	**1,141**
DISBURSEMENTS [3]		
Net Payroll	$	(34)
Payroll Taxes		(14)
Sales & Use Tax		-
Insurance-Medical and Workers Comp		(25)
Vendor Trade Payment		(403)
Non-Customer Payments		(60)
Professional Fees		(395)
Bank of New York - Administrative Fees		(4)
TOTAL DISBURSEMENTS	**$**	**(935)**
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)	**$**	**206**
UNRESTRICTED CASH – END OF PERIOD	**$**	**28,788**

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

[2] The number primarily represents the return of collateral, certain workers' compensation settlements, return of vendor deposits, refunds from healthcare providers and other miscellaneous receipts.

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

BANK RECONCILIATION

($ in 000's)

UNRESTRICTED CASH BALANCE PER BOOKS	**$**	**28,552**

BANK BALANCE	$	28,788
(+) DEPOSITS IN TRANSIT *(SEE BELOW)*		-
(-) OUTSTANDING CHECKS:		(249)
(-) ACCOUNTS PAYABLE--ACH PAYMENTS--CLEAR NEXT BANKING DAY *(SEE BELOW)* :		-
OTHER *(SEE BELOW)*		13
CASH BOOK BALANCE	**$**	**28,552**

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

ACH PAYMENTS--OUTSTANDING		
ACH Payments	$	-
	$	**-**

OTHER		
Current Payroll-Due Employee-Timing	$	17
Outstanding Issues - Medical and WC Insurance		(4)
Payroll Taxes		-
Period Variances		-
Total Other	**$**	**13**

DISBURSEMENTS BY DEBTOR ENTITY [1]

($ in 000's)

CASE NO.	CASE NAME	DISBURSEMENTS FOR THE PERIOD ENDED [2] 7/26/2014	DISBURSEMENTS FOR THE PERIOD ENDED [2] 8/23/2014
087-12-22051	IBC Sales Corporation	$ 38	$ 57
087-12-22052	Old HB, Inc.	542	392
087-12-22053	IBC Trucking LLC	-	-
087-12-22054	IBC Services, LLC	-	-
087-12-22055	Interstate Brands Corporation	401	447
087-12-22056	MCF Legacy Inc.	-	-
	GRAND TOTAL:	**$ 981**	**$ 896**

[1] Represents all disbursements from the Debtors that occurred within period indicated, whether or not they have cleared the Debtors' bank account(s), 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 August 23, 2014

STATEMENT OF OPERATIONS [1]

($ in 000's)		**Four Weeks Ended August 23, 2014**
Net Revenue	$	-
Cost of goods sold		-
Gross profit		-
Workers' compensation [2]		(43,055)
Selling, general and administrative		(1,429)
EBITDA		44,484
Restructuring charges		-
Reorganization charges, net		350
(Gain) loss on asset dispositions		-
Operating income (loss)		44,134
Interest (income) expense [3]		2
Other (income) loss		8
Income (loss) before tax		44,124
Income tax expense (benefit)		-
Net income (loss)	$	44,124

REORGANIZATION CHARGES, NET [4]

Professional fees	$	350
Total reorganization charges, net	$	350

[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] The decrease in workers' compensation of $45.2 million is primarily due to the $43.1 million write-off of the workers' compensation collateral and related claims liability for states in which the Debtors were once self-insured because the collateral is now possessed by those states as a result of liquidation. The write-off of collateral deposits does not reflect a decision by the Debtors that they do not have rights to the return of a portion of such collateral.

[3] Interest expense excludes unrecorded contractual and other interest expense of $12.5 million.

[4] 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 Operations Report for further discussion.

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended August 23, 2014

BALANCE SHEET

($ in 000's)		**August 23, 2014**
ASSETS [1]		
Current assets		
Cash	$	28,552
Accounts receivable, net of reserves and allowances		-
Prepaids and other current assets		7,815
Total current assets		36,367
Restricted cash [2]		15,503
Other assets [3]		81,060
Total assets	$	132,930
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable	$	34,480
Accrued winddown severance		81,156
Accrued vacation pay		27,678
Workers' compensation reserve [4]		16,800
Accrued expenses [5]		16,236
Total current liabilities		176,350
Workers' compensation reserve [4]		34,471
Deferred income taxes		13,020
Other liabilities [6]		15,641
Total long-term liabilities		63,132
Total liabilities not subject to compromise		239,482
Liabilities subject to compromise		2,301,126
Total liabilities		2,540,608
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		(2,559,009)
Treasury stock, 196,000 shares at cost		(1,396)
Total stockholders' equity (deficit)		(2,407,678)
Total liabilities and stockholders' equity (deficit)	$	132,930

Old HB, Inc. (f/k/a Hostess Brands, Inc.), et al.
Case No. 12-22052 (RDD) Jointly Administered
Monthly Operating Report for Period Ended August 23, 2014

BALANCE SHEET

($ in 000's)		**August 23, 2014**
LIABILITIES SUBJECT TO COMPROMISE		
Pension liabilities [7]	$	2,066,822
Debt		165,003
Accrued Interest		4,102
Accounts payable and outstanding checks		39,904
Auto and general liability claims [8]		3,006
Retiree medical accrual for current employees		17,882
Taxes		893
Other		3,514
Total liabilities subject to compromise	$	2,301,126

[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 reduction in restricted cash of $28.7 million is the result of the reclassification of $26.9 million to insurance deposits included in other assets and $1.8 million current period activity.

[3] The net decrease in other assets of $41.0 million is due to the reclassification of $26.9 million of restricted cash to insurance deposits offset by the decrease of $66.9 million in workers’ compensation collateral for states in which the Debtors were once self-insured because the collateral is now possessed by those states as a result of liquidation. The removal of such collateral from Debtors' assets does not reflect a decision by the Debtors that they do not have rights to the return of a portion of such collateral. In addition, the amount reflects the return of $1.0 million in such collateral to the Debtors.

[4] The decrease in workers’ compensation reserves for both current and long-term of $24.6 million and $86.7 million, respectively, is due to the write-off of $24.6 million and $85.4 million, respectively, of the claims liability related to the workers’ compensation collateral deposits for states in which the Debtors were once self-insured, which liabilities transferred to those respective states as a result of liquidation, and $1.3 million in current period activity. The Debtors believe that they may be liable under state law for certain of the liabilities that have been written off, but no longer possess information that would permit them to reasonably estimate a reserve for these states, because claims handling is now being conducted by state entities that are not sharing information with the Debtors.

[5] The increase in accrued expenses current of $9.2 million is primarily a reclassification to increase the current portion of auto liability claims by $3.8 million to the current estimate of auto liability claims be paid within the next year and a correction of an overstatement of $5.4 million to the related liabilities subject to compromise.

[6] Included in other liabilities is a net increase of $2.2 million for the long-term portion of auto liability claims resulting from a reclassification of $3.8 million from long-term to current offset by a correction of an overstatement of $6.0 million to the related liabilities subject to compromise.

[7] 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.

[8] The decrease in liabilities subject to compromise – auto and general liability claims of $11.4 million is due to the correction of an overstatement.

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, August 9, 2012 and January 17, 2014, the Debtors filed with the Bankruptcy Court 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.

On July 15, 2014, the Court entered the Order, Pursuant to Sections 105 and 503(a) of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003, Establishing a New Bar Date for Filing Certain Automotive Liability Claims, Enjoining the Pursuit of Such Late-Filed Claims Against the Debtor and its Insurer and Approving Form and Manner of Notice Thereof (Docket No. 3309) (the "New Auto Liability Bar Date Order"). The New Auto Liability Bar Date Order establishes a new bar date of September 15, 2014 (the "New Auto Liability Bar Date") for certain claimants to file certain personal injury, property damage or wrongful death tort claims, or any claims derived from the same underlying facts as such claims. Claimants who are subject to the New Bar Date Order but do not file their claims prior to the New Auto Liability Bar Date are forever barred, estopped and enjoined from asserting such claims against the Debtors or against the Debtors' insurers. ACE American Insurance Company has filed a Notice of Appeal (Docket No. 3327) as well as a Motion for a Narrowly-Tailored Stay Pending Appeal (Docket No. 3327) from the New Auto Liability Bar Date Order, both of which are pending.

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), and the sale closed a month later. The sale of the Remaining Assets is reflected in the financials of previous MORs.

While substantially all of the Debtors' tangible and intangible assets have been sold in the sale processes described above, the Debtors are continuing to pursue the liquidation of their various non-tangible assets at this time, including their rights to recover funds against certain third parties through litigation.

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 August 23, 2014.

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 Prepetition Indebtedness. 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 Prepetition Indebtedness. On February 6, 2014, an additional payment of $5.0 million, including prepetition interest, was made on the Fourth Lien Prepetition Indebtedness.

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. The Debtors are in the process of seeking to resolve, either consensually or in this Court, their secured administrative claims. If the resolution of the remaining 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.

8. Treatment of Workers' Compensation Assets and Liabilities in Formerly Self-Insured States

While the Debtors were operating entities, they were self-insured for workers' compensation obligations in various states. Many of these states required the Debtors to post letters of credit, bonds or other forms of collateral for the privilege of being self-insured in that state. Historically, the Debtors reported collateral posted with state governments in these states as an asset on their balance sheet (in restricted cash or other assets) and reported potential workers' compensation liabilities as a liability on their balance sheet.

As of the commencement of the winddown of the Debtors' businesses, the Debtors had collateral posted with 15 different state governments in the amount of approximately $89 million. Since the commencement of the winddown, the Debtors have advised all but one of the states in which they were self-insured that they would no longer be paying workers' compensation claims in cash out of their operating funds. The Debtors advised these 14 states that they should instead look to the posted collateral to pay such claims, and these states have drawn (or are soon expected to draw) upon the applicable bond or letter of credit.

The Debtors believe that, in most states, if there is excess collateral after all valid claims are paid, the Debtors have a right to a return of that excess collateral. Many states, however, are not providing the Debtors with current information regarding their usage of the Debtors' collateral in payment of workers' compensation claims. Many states are also not providing the

Debtors with information that would permit the Debtors to reasonably estimate the remaining workers' compensation liabilities in that state.

Due to the fact that the letters of credit and bonds have been drawn upon, the cash collateral is being held by state governments themselves (or entities created by them), and is no longer being held in a restricted account. For this reason, and because of the lack of current information from the states regarding these assets and liabilities, the Debtors have determined, for reporting purposes, to remove these workers' compensation collateral assets from their balance sheet and to remove the workers' compensation liabilities associated with those states from their balance sheet. This action was first taken in connection with the Monthly Operating Report for the period ended August 23, 2014 and will be continued thereafter. This action does not represent a determination by the Debtors that they are not entitled to recover a portion of the collateral posted in these formerly self-insured states; it instead is a consequence of the Debtors believing that they should not continue to report numbers in their Monthly Operating Reports that are out of date and potentially misleading to parties in interest.

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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	$ (501)	$ 7,244	$ (7,244)	$ (501)
Federal Insurance Contributions Act (FICA)	-	4,977	(4,977)	-
Federal Unemployment Tax (FUTA)	3,868	325	-	4,193
Federal Income Tax - Corporate	-	-	-	-
Federal Tax - Heavy Weight	-	-	-	-
Total Federal Taxes	$ 3,367	$ 12,546	$ (12,221)	$ 3,692

State and Local	Beginning of Period	Amount Withheld and/or Accrued	Amount Paid	End of Period
State and Local Tax Withholding (SALT)	$ 393	$ 2,406	$ (2,410)	$ 389
State Unemployment Tax (SUTA)	(9,641)	-	(161)	(9,802)
Business Licenses	101,863	-	-	101,863
Sales Taxes	-	-	-	-
Use Tax	-	-	-	-
Mileage Taxes	23,426	-	-	23,426
Real Property Tax	219,378	265	(43,613)	176,030
Personal Property Tax	152,350	-	(6,578)	145,772
Accrued Franchise Tax	190,706	-	(5,909)	184,797
Accrued Operating Taxes	99,018	-	-	99,018
Income & Receipts Taxes	1,641,150	-	-	1,641,150
Total State and Local Taxes	$ 2,418,643	$ 2,671	$ (58,671)	$ 2,362,643

[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	-	-	-	-	290	290
AP-Union Health and Welfare	-	-	-	-	(856)	(856)
AP-Other	(1,955)	-	-	-	11,556,169	11,554,214
AP-Telephone/Utilities	-	-	-	-	(87,791)	(87,791)
AP-Competitive Discounts	-	-	-	-	678,167	678,167
AP-Professional Services	-	-	-	-	139,554	139,554
AP-All Other Tax	-	-	-	-	185,422	185,422
AP-Resale Outside Purchase	-	-	-	-	384,888	384,888
AP-Engineering	-	-	-	-	331,012	331,012
AP-Freight	-	-	-	-	1,060,654	1,060,654
AP-Temporary Labor	-	-	-	-	163,188	163,188
Accounts Payable - Escout	-	-	-	-	2,964,106	2,964,106
Expense Accruals [2]	1,183,461	-	-	-	-	1,183,461
Payroll Withholding [2]	-	-	-	-	-	-
Miscellaneous [2]	-	-	-	-	-	-
Total	**$ 1,181,506**	**$ -**	**$ -**	**$ -**	**$ 33,298,710**	**$ 34,480,216**

[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	$ 529
Plus: Amounts billed during the period	-
Less: Amounts collected during the period [2]	6
Total Trade A/R at the end of the reporting period	**$ 523**

Trade Accounts Receivable Aging [1]	0-28 Days	29-56 Days	57+ Days	Total
Total Trade Accounts Receivable	**$ -**	**$ -**	**$ 523**	**$ 523**

Accounts Receivable Reconciliation	Amount
Total Trade Accounts Receivable	$ 523
Less: Bad Debt Reserve	$ (996)
Plus: Non-Trade A/R Accounts	473
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 represent a combination of collections and write-offs of uncollectible accounts.

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PAYMENTS TO PROFESSIONALS [1]

PROFESSIONALS		
NAME	**DATE OF COURT ORDER AUTHORIZING PAYMENT**	**AMOUNT PAID IN CURRENT PERIOD**
FTI Consulting Inc.	1/27/2012 (Docket # 192)	$ 86,719
Jones Day	1/27/2012 (Docket # 206)	106,557
Kobi Partners (Gregory Rayburn)	3/14/2012 (Docket # 521)	125,000
KPMG	2/23/2012 (Docket # 399)	8,545
Kurtzman Carson Consultants LLC	1/27/2012 (Docket # 201)	22,616
Stinson Morrison Hecker LLP	1/27/2012 (Docket # 204)	17,254
Thompson & Knight	2/3/12 (Final DIP Order-Docket #254)	28,292
	TOTAL PAYMENTS TO PROFESSIONALS	**$ 394,983**

[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 - Administrative Fees	3,560
TOTAL PAYMENTS	**$ 3,560**

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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 post petition 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		[c]
11	Are any other post petition taxes past due?	X		[b]
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	
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X	[g]
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X	

[a] The Debtors believe that they are no longer themselves paying prepetition liabilities out of their operating cash. That said, certain third parties are paying certain workers' compensation and auto liability claims and seeking reimbursement for such payments from the Debtors, all as approved by orders of the Bankruptcy Court in these chapter 11 cases.

[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] We have either paid the tax or settled with the purchaser via reimbursement or at closing for our agreed share on currently due taxes. However, certain purchasers or their successors have not remitted all taxes to the jurisdictions.

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

[e] Postpetition accounts payable and accrued expenses are being paid only as permitted by 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] After the entry of the Final Winddown Order, all payments to professionals were made in accordance with such order.