IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	Case No. 16-34457-sgj
	§	
TRENDSETTER HR, LLC, *et al.*,	§	Jointly Administered
	§	
Debtors.	§	Chapter 11
	§	

DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS' AMENDED JOINT CONSOLIDATED PLAN OF REORGANIZATION

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DATED: APRIL 17, 2017.

INTRODUCTORY DISCLOSURES

THIS DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS' AMENDED JOINT CONSOLIDATED PLAN OF REORGANIZATION (THE "DISCLOSURE STATEMENT"), FILED BY THE DEBTORS (DEFINED BELOW), SUMMARIZES CERTAIN PROVISIONS OF THE DEBTORS' PLAN OF REORGANIZATION (THE "PLAN"), INCLUDING PROVISIONS RELATING TO THE PLAN'S TREATMENT OF CLAIMS AGAINST THE DEBTORS. THE DISCLOSURE STATEMENT ALSO SUMMARIZES CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTORS AND THE CLAIMS ASSERTED AGAINST THE DEBTORS IN THE BANKRUPTCY CASE. WHILE THE DEBTORS BELIEVE THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE INFORMATION SUMMARIZED, CREDITORS SHOULD REVIEW THE ENTIRE PLAN AND EACH OF THE DOCUMENTS REFERENCED HEREIN, AND SHOULD SEEK THE ADVICE OF THEIR OWN COUNSEL BEFORE CASTING THEIR BALLOTS.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, NO REPRESENTATIONS CONCERNING THE DEBTORS, THE DEBTORS' ASSETS AND LIABILITIES, THE PAST OR FUTURE OPERATION OF THE DEBTORS, THE PLAN, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN, OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, ARE UNAUTHORIZED AND SHOULD BE REPORTED TO THE DEBTORS.

THE APPROVAL OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED AS CONFERRING UPON ANY PERSON ANY RIGHTS, BENEFITS OR REMEDIES OF ANY NATURE WHATSOEVER. THE DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, CREDITORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, INCLUDING THE TREATMENT OF CLAIMS UNDER THE PLAN, THE RELEASES PROVIDED BY AND PROPOSED UNDER THE PLAN, THE TRANSACTIONS AND INJUNCTIONS PROVIDED UNDER THE PLAN, AND THE VOTING PROCEDURES AND ELECTIONS APPLICABLE TO THE PLAN.

THE PLAN CONTAINS STRONG INJUNCTIONS THAT MAY PERMANENTLY AFFECT AND LIMIT YOUR RIGHTS. READ THIS DISCLOSURE STATEMENT AND PLAN CAREFULLY

DEFINITIONS

In addition to the defined terms listed above and defined elsewhere in this Disclosure Statement, the following terms, as used in this Disclosure Statement, shall have the following meanings, and such meanings shall be equally applicable to the singular and plural forms of the terms defined, unless the context otherwise requires. Further, terms that are used in this Disclosure Statement, which are defined in the Plan, shall have the meaning ascribed to them in the Plan.

"Administrative Claim" means a Claim for any cost or expense of administration of the Bankruptcy Case under section 503(b) of the Bankruptcy Code, including, without limitation, any fees or charges assessed against the Estate pursuant to 28 U.S.C. § 1930, and further including a Professional Claim. For the avoidance of doubt, Administrative Claims do not include Secured Tax Claims.

"Administrative Claims Bar Date" means the day that is thirty (30) days after the Effective Date.

"Administrative Tax Claim" means any *ad valorem* tax claim assessed against, or payable by, the Debtors or the Estates or their property for or on account of a period after the Petition Date, specifically excluding Secured Tax Claims.

"AFCO" means AFCO Credit Corporation.

"AFCO Secured Claim" means any and all Claims that AFCO may have or be able to assert against any or all of the Debtors and the Estates, including, without limitation, Claim No. 19 filed against Trend Personnel Services, Inc.

"AIG" means, collectively, American International Group, Inc., American Home Assurance Company, Illinois National Insurance Company, The Insurance Company of the State of Pennsylvania, National Union Fire Insurance Company of Pittsburgh, PA, New Hampshire Insurance Company, and certain other subsidiaries of AIG Property Casualty, Inc.

"AIG Claims" means any and all Claims that AIG may have or be able to assert against any or all of the Debtors and the Estates, including, without limitation, (i) Claim Number 9 filed against Trendsetter HR, LLC; (ii) Claim Number 11 filed against Trend Personnel Services, Inc.; and (iii) Claim Number 6 filed against TSL Staff Leasing, Inc.

"AIG Secured Claims" means any portion of the AIG Claims that are Secured Claims, including, without limitation, with respect to the letter of credit in the amount of $850,683.00 held by AIG and any security underlying or posted for the same, in which AIG alleges any rights, whether by setoff, security, or otherwise.

"Allowed" as it relates to any type of Claim provided for under the Plan, but excluding a Professional Claim, means a Claim:

(i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules in an amount other than zero or unknown, and as to which:

a. no proof of Claim has been timely filed; and
b. no objection has been timely filed (as determined by applicable deadlines contained in the Plan, including the Claims Objection Deadline);

(ii) as to which a proof of Claim has been timely filed and either:
a. no objection thereto has been timely filed (as determined by applicable deadlines contained in the Plan, including the Claims Objection Deadline); or
b. such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court;

(iii) which has been expressly allowed under the provisions of the Plan; or

(iv) which has been expressly allowed by Final Order of the Bankruptcy Court.

"Allowed Administrative Claim" means: (i) an Administrative Claim that has been Allowed (but only to the extent Allowed), if approval from the Bankruptcy Court is required in order to Allow the same; or (ii) an Administrative Claim which: (a) is incurred by the Debtors after the Petition Date in the ordinary course of business operations or pursuant to an order entered by the Bankruptcy Court granting automatic Administrative Claim status; (b) is not disputed by the Debtors; and (c) does not require approval from the Bankruptcy Court to become Allowed.

"Allowed Priority Claim" means a Priority Claim that has been Allowed (but only to the extent Allowed).

"Allowed Secured Claim" means a Secured Claim that has been Allowed (but only to the extent Allowed).

"Allowed Unsecured Claim" means an Unsecured Claim that has been Allowed (but only to the extent Allowed).

"Avoidance Actions" means any and all rights, claims or actions which the Debtors may assert on behalf of the Estates under Chapter 5 of the Bankruptcy Code, including actions under one or more provisions of sections 328, 542, 544, 545, 546, 547, 548, 549, 550, 551 and/or 553 of the Bankruptcy Code.

"Bankruptcy Case" means jointly administered Bankruptcy Case No. 16-34457 in the Bankruptcy Court.

"Bankruptcy Code" means 11 U.S.C. §§ 101, *et. seq.*, in effect as of the Petition Date and as may have been or may be amended or supplemented since, to the extent that any such amendment or supplement is automatically applicable to the Bankruptcy Case by operation of law and not by operation of any election or choice.

"Bankruptcy Court" means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division or, if such court ceases to exercise jurisdiction, the court or adjunct thereof that exercises jurisdiction over the Bankruptcy Case.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, together with the local bankruptcy rules for the Bankruptcy Court as now in effect or as the same may from time to time hereafter be amended.

"Bar Date" means March 20, 2017 for claims of persons other than Governmental Units, and 180 days after the Petition Date for claims of Governmental Units pursuant to Bankruptcy Rule 3002(c)(1).

"Bobst" means, collectively, Dan Bobst and Jennifer Bobst.

"Bobst Claims" means all Claims that Bobst may have or be able to assert against the Debtors or the Estates as of the Petition Date, including, without limitation, pursuant to any proof of claim that may be filed evidencing the same.

"Bobst CD" means the Certificate of Deposit, number 5000330293 at Green Bank, in the approximate amount of $426,598.17 as of March 1, 2017.

"Bobst Properties" means, collectively, that certain real property and improvements thereon located at: (i) 1400 Ridge Road, Rockwall, Texas 75087; and (ii) 1408 Ridge Road, Rockwall, Texas 75087.

"Business Day" means any day which is not a Saturday, a Sunday, or a "legal holiday" within the meaning of Bankruptcy Rule 9006(a).

"Cigna" means Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Cigna Behavioral Health, Inc., Cigna Health Management, Inc., and Cigna Health Corporation, and all affiliated, subsidiary, or parent companies of any of the foregoing.

"Cigna Claims" means any and all Claims that Cigna may have or be able to assert against any or all of the Debtors and the Estates, including, pursuant to any proof of claim that may be filed evidencing the same.

"Cigna Secured Claims" means any portion of the Cigna Claims that are Secured Claims, including, without limitation, with respect to the $450,000.00 held by Cigna in which Cigna may allege a right of setoff (without any admission as to the validity of any such alleged right).

"Claim" means a claim against one or more of the Debtors, the Estates, and/or property of the Debtors or the Estates, as such term is otherwise defined in section 101(5) of the Bankruptcy Code, and arising at any time prior to the Effective Date, including first arising after the Petition Date, regardless of whether the same would otherwise be a claim under said section 101(5) of the Bankruptcy Code.

"Claims Objection Deadline" means the date by which parties authorized by the Plan may file any objection to a Claim, which date shall be sixty (60) days after the Effective Date, except with respect to Administrative Claims as otherwise provided for herein and with respect to Disputed Claims.

"Class" means one of the categories of Claims and Equity Interests established under Article II of the Plan.

"Confirmation Date" means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

"Confirmation Hearing" means the hearing(s) before the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of the Plan, as such hearing(s) may be continued, rescheduled or delayed.

"Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, as such order may be amended, modified, or supplemented.

"Consolidated Estate" has the meaning assigned to it in section 5.4.1 of the Plan.

"Convenience Class Claim" has the meaning assigned to it in section 4.9.1 of the Plan.

"Creditor" means the holder of any Claim entitled to distributions under the Plan with respect to such Claim.

"Cure Claim" means a Claim required to be paid under section 365 of the Bankruptcy Code in order to assume any Executory Contract, including, as may be applicable, any nonmonetary portion thereof.

"Debtor" means any of the Debtors.

"Debtors" means, collectively, Trendsetter HR, LLC, Trend Personnel Services, Inc., and TSL Staff Leasing Inc.

"Disallowed Claim" means, as it relates to any type of Claim provided for under the Plan, except an Administrative Claim (or a Professional Claim), a Claim or portion thereof that:

(i) has been disallowed by a Final Order of the Bankruptcy Court;

(ii) is identified in the Schedules in an amount of zero dollars, unknown dollars, or as contingent, unliquidated, and/or disputed, and as to which a proof of Claim was not filed by the Bar Date; or

(iii) is not identified in the Schedules and as to which no proof of Claim has been filed or deemed filed by the Bar Date, if the filing of such proof of Claim is otherwise required.

"Disclosure Statement" means the Disclosure Statement with respect to the Plan, approved by the Bankruptcy Court as containing adequate information for the purpose of dissemination and solicitation of votes on confirmation of the Plan, either in its present form or as it may be altered, amended or modified from time to time.

"Effective Date" means the first Business Day fourteen (14) days after the Confirmation Date if the Confirmation Order is not stayed or, if the Confirmation Order is stayed, the first Business Day following the lifting, dissolution, or removal of such stay which is at least fourteen (14) days after the Confirmation Date, and upon which the conditions to the effectiveness of the Plan set forth in Article IX hereof are satisfied.

"Equity Auction" has the meaning assigned to it in section 5.4.1 of the Plan

"Equity Funding" has the meaning assigned to it in section 5.4.1 of the Plan.

"Equity Interests" means any ownership of any equity in the Debtors, including, as may be applicable, any share, stock, or stock certificate.

"Equity Purchaser" has the meaning assigned to it in section 5.4.1 of the Plan.

"Estate" means the estate created for each Debtor pursuant to section 541 of the Bankruptcy Code and any other applicable provision thereof.

"Estates" means, collectively, each Estate.

"Executory Contract" means, collectively, "executory contracts" and "unexpired leases" of the Debtors as of the Petition Date as such terms are used within section 365 of the Bankruptcy Code.

"Final Decree" means the final decree entered by the Bankruptcy Court on or after the Effective Date pursuant to Bankruptcy Rule 3022.

"Final Order" means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling, or other decree has not been reversed, stayed, modified, or amended and as to which:

(i) the time to appeal or petition for review, rehearing or certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari is pending; or

(ii) any appeal or petition for review, rehearing or certiorari has been finally decided and no further appeal or petition for review, rehearing or certiorari can be taken or granted.

"Governmental Unit" means a governmental unit as such term is defined in section 101(27) of the Bankruptcy Code.

"**Person**" means and includes natural persons, corporations, limited partnerships, general partnerships, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other legal entities, irrespective of whether they are governments, agencies or political subdivisions thereof.

"Petition Date" means November 17, 2016.

"Plan" means this *Debtors' Joint Consolidated Plan or Reorganization*, either in its present form or as it may be altered, amended or modified from time to time.

"Plan Funding" has the meaning assigned to in in section 5.1 of the Plan.

"Prime Rate" means the Prime Rate as determined on the day that the Confirmation Order is entered as determined by reference to the Wall Street Journal Prime Rate Index, presently 3.75%.

"Priority Claim" means any Claim entitled to priority in payment under section 507(a) of the Bankruptcy Code, excluding any Claim that is an Administrative Claim or that is a Secured Tax Claim.

"Professional" means any Person employed or to be compensated pursuant to sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code.

"Professional Claim" means a Claim by a Professional for compensation and/or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code in connection with an application made to the Bankruptcy Court.

"Rejection Damages Claim" means the Claim in favor of a counterparty to an Executory Contract that is rejected by the Debtors, but that is not an Administrative Claim.

"Rejection Damages Claim Bar Date" means the day that is thirty (30) days after the Effective Date, if the Executory Contract giving rise to the Rejection Damages Claim is rejected under the Plan.

"Reorganized Debtor" means a Debtor on and after the Effective Date.

"Reorganized Debtors" means the Debtors on and after the Effective Date.

"Schedules" means the Schedules of Assets and Liabilities and the Statements of Financial Affairs filed by the Debtors with the clerk of the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been or may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009.

"Secured Claim" means a Claim that is alleged to be secured, in whole or in part, (i) by a lien against an asset of the Debtors or the Estates; or (ii) as a result of rights of setoff under section 553 of the Bankruptcy Code.

"Secured Tax Claim" means a Claim of a Governmental Unit for the payment of *ad valorem* real property and business personal property taxes that is secured by property of the Debtors or the Estates arising prior to the Petition Date.

"Subordinated Claims" means all Claims that are subordinated under section 510 of the Bankruptcy Code, or voluntarily in the Plan, or otherwise voluntarily through a document filed in the Bankruptcy Case.

"Substantial Consummation" means the date on which any of the following first happens: (i) the Bankruptcy Court enters an order on the fee application of the Debtors' general counsel or (ii) the Bankruptcy Court otherwise finds that substantial consummation within the meaning and operation of the Bankruptcy Code has occurred.

"Unsecured Claim" means any alleged Claim against the Debtors that is not secured by (or to the extent not secured by) a valid, enforceable, and unavoidable lien against any asset of the Debtors or the Estates, including any deficiency claim, which does not enjoy any administrative or priority status under the Bankruptcy Code.

"Voting Deadline" means the period established by the Bankruptcy Court within which Ballots may be cast on the Plan.

"Wells Fargo" means Wells Fargo Equipment Finance.

"Wells Fargo Secured Claims" means any and all Claims that Wells Fargo may have or be able to assert against any or all of the Debtors and the Estates, including, without limitation, claim number 5 filed against TSL Staff Leasing, Inc., and including pursuant to that certain UCC financing statement filed with the Texas Secretary of State as File Number 001600397862, as assigned to Wells Fargo by Steelcase Financial Services, Inc.

"Zurich" means, collectively, Zurich American Insurance Company, American Zurich Insurance Company, and all affiliated companies of either, including any entity entitled to any claim or recovery on account of the Zurich Claim.

"Zurich Claims" means any and all Claims that Zurich may have or be able to assert against any or all of the Debtors and the Estates, including, without limitation, (i) Claim Number 6 filed against Trendsetter HR, LLC; (ii) Claim Number 7 filed against Trend Personnel Services, Inc.; and (iii) Claim Number 4 filed against TSL Staff Leasing, Inc.

"Zurich Secured Claims" means any portion of the Zurich Claims that are Secured Claims, including, without limitation, with respect to the $310,400.00 held by Zurich in which Zurich alleges a right of setoff (without any admission as to the validity of any such alleged right).

DISCLOSURE STATEMENT IN SUPPORT OF
DEBTORS' JOINT CONSOLIDATED PLAN OF REORGANIZATION

Trendsetter HR, LLC, Trend Personnel Services, Inc., and TSL Staff Leasing Inc. (the "Debtors"), hereby submit this Disclosure Statement (the "Disclosure Statement") in support of the *Joint Consolidated Plan of Reorganization*, a copy of which is attached hereto as **Exhibit "A"**.

ARTICLE I.
INTRODUCTION

On November 17, 2016, the Debtors filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, thereby initiating their bankruptcy cases. On November 18, 2016, the Bankruptcy Court ordered that the Debtors' bankruptcy cases would be jointly administered, under Case No. 16-34457, for procedural purposes, without the Debtors' respective Estates being substantively consolidated.

On _____, 2017, the Debtors filed the Plan with the Bankruptcy Court. The Plan proposes, among other things, the means by which all Claims against the Debtors will be finally resolved and treated for distribution purposes, consistent with the provisions and priorities mandated by the Bankruptcy Code. The Plan is essentially a new contract between the Debtors and their Creditors, proposed by the Debtors to Creditors for approval. Creditors approve or disapprove of the Plan by voting their Ballots on the Plan, if they are in a Class entitled to vote, and, if appropriate, by objecting to the confirmation of the Plan. Still, the Plan can be confirmed by the Bankruptcy Court even if less than all Creditors or Classes accept the Plan and, in such an instance, the Plan will still be binding on those Creditors or Classes that rejected the Plan. Approval and consummation of the Plan will allow for the conclusion of the Bankruptcy Case.

The Debtors hereby submit this Disclosure Statement in connection with the solicitation of votes on, and providing information regarding, the Plan. On _____, 2017, after notice and a hearing, the Bankruptcy Court, the Honorable Stacey G. C. Jernigan presiding, approved the Disclosure Statement as containing information of a kind and in sufficient detail, to enable Creditors whose votes on the Plan are being solicited to make an informed judgment on whether to accept or reject the Plan. The Bankruptcy Court's approval of the Disclosure Statement does not constitute the Bankruptcy Court's approval or disapproval of the Plan.

This Disclosure Statement, which includes the Plan as Exhibit "A", is being mailed to each holder of a Claim (or potential Claim) against the Debtors that has not been disallowed, together with various other parties-in-interest who, even if not Creditors, may be affected by the Plan and may have the right to object to the Plan. But the Debtors are seeking votes on the Plan only from Classes who are entitled to vote. Only those parties who have received a Ballot may vote to accept or reject the Plan. All Creditors and parties-in-interest may object to the confirmation of the Plan, even if they do not necessarily vote on the Plan.

With respect to voting on the Plan, pursuant to the Bankruptcy Code, only those Creditors within impaired Classes under the Plan are entitled to vote. The purpose of this Disclosure

Statement is to enable such Creditors to make an informed decision in exercising their right to vote to accept or reject the Plan.

The Debtors have promulgated the Plan consistent with the provisions of the Bankruptcy Code. The Debtors believe that the Plan provides the best means for maximizing recovery to each of the Classes under the Plan, in the most expedient manner, and in light of the assets available for distribution to Creditors. The Debtors believe that the Plan enables affected Creditors to receive a distribution on account of their Claims that is substantially greater than what they would receive if the Bankruptcy Case were converted to a Chapter 7 liquidation and assets of the Debtors were liquidated within the parameters of Chapter 7 of the Bankruptcy Code.

This Disclosure Statement is not intended to replace careful review and analysis of the Plan. Rather, it is submitted as an aid and supplement in your review of the Plan and attempts to explain the terms and implications of the Plan. Every effort has been made to fully explain the various aspects of the Plan. All Persons receiving this Disclosure Statement are urged to review all of the provisions of the Plan, which is attached to this Disclosure Statement as Exhibit "A," in addition to reviewing the text of this Disclosure Statement. If you have any questions, you may contact the Debtors' counsel and every effort will be made to assist you. Please note, however, that the Debtors' counsel will not provide you with any legal advice, and you are encouraged to seek the advice of separate legal counsel regarding the Plan, and your rights thereunder.

Creditors should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. No other party has been authorized to utilize any information concerning the Debtors, their operations, and their assets and liabilities, other than the information contained in this Disclosure Statement, to solicit votes on the Plan. Still, you are entitled to rely on your own information, analyses, and opinions even if that information is not contained in this Disclosure Statement.

After carefully reviewing this Disclosure Statement and the Plan, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot (if you have been provided with one) and returning the same to the address set forth on the Ballot, in the enclosed return envelope, so that it will be received by the Balloting Agent no later than 5:00 p.m., Central Time, on _____ __, 2017:

Davor Rukavina
Munsch Hardt Kopf & Harr, P.C.
3800 Ross Tower
500 N. Akard St.
Dallas, TX 75201
Facsimile: (214) 978-5359

If you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim, you may be bound by the Plan if it is accepted by the requisite holders of Claims. See **Article IV** of this Disclosure Statement for a discussion of voting procedures and requirements.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M., CENTRAL TIME, ON _____ ___, 2017.

For detailed voting instructions and the name and address of the person you may contact if you have questions, see **Article IV** of this Disclosure Statement.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan on _____, 2017, at _____.m., Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____, 2017, at ____ p.m., in the manner described in **Article V.B** of this Disclosure Statement.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

ARTICLE II.
OVERVIEW OF THE PLAN

Parties are cautioned to read the Plan carefully in order to fully understand its terms. This section offers a summary of the Plan only, given in lay and non-technical terms, and is not to be construed as conclusive.

The Plan contemplates the reorganization of the Debtors. Under the Plan, the Debtors, as reorganized, are referred to as the Reorganized Debtors. The Reorganized Debtors are responsible for making payments to Creditors under the Plan. By reorganizing, as opposed to liquidating or selling their assets, the Debtors believe that their going concern is preserved and that all Creditors benefit by receiving a materially higher return than would be the case in a liquidation or sale process.

Collectively, the Debtors are a human resource services and outsourcing company. As such, the Debtors' business operations and financial abilities are subject to competition and demand in the market for such services. Although the Debtors are highly reputable, with approximately 20 years in the industry, the Debtors cannot precisely forecast future demand, competition, or other market changes. Thus, because the Plan contemplates the Debtors' reorganization, and because payments to Creditors would be made over time under the Plan, there is a risk that the Debtors would not be able to make the payments required under the Plan if the future market demand declines for the Debtors' services beyond what the Debtors reasonably anticipate, or if some other unexpected event occurs. Thus, the Plan attempts to protect Creditors by protecting, through various mechanisms, their right to future payments under the Plan.

First, with respect to Plan Funding, future revenue and cash flow generated by the Reorganized Debtors from their operations will provide the fund the Plan. This includes what is defined in the Plan as the "Plan Funding," which is quarterly payments by the Reorganized Debtors over five (5) years totaling $4,000,000.00. Second, the Plan provides for the Equity Auction, which is an auction for the Equity Interests in the Reorganized Debtors to determine the amount of the Equity Funding (with the Stalking Horse bid submitted by Daniel Bobst for $250,000.00 in cash and the Plan Security). In providing this additional new value, the Equity Funding shall be free and clear of all claims, liens, interests, and encumbrances, and shall constitute free, unencumbered cash of the Reorganized Debtors and the Consolidated Estate for

the purpose of making payments under the Plan and not for working capital or any other purpose. In addition to providing Equity Funding, Bobst, if he is the Equity Purchaser at the Equity Auction, will voluntarily subordinate his Claims and will post personal property as security for the Plan Funding, consisting of a Certificate of Deposit in the approximate amount of $426,598.17 and two parcels of real property with a fair market value in excess of $800,000 (both of which (CD and real property) currently serve as security for other creditors, which liens should be released over time).

The Plan protects all Creditors by ensuring that the Plan will not become effective, and therefore binding, unless all conditions precedent and contingencies in the Plan are satisfied. These conditions precedent and contingencies include the actual payment of the Equity Funding and the actual establishment of the Plan Security. In other words, it is impossible for the Debtors to make the Plan binding unless the Plan Funding and Plan Security are actually received.

There are alternatives to the Plan, as discussed in this Disclosure Statement. The Debtors believe that each of these alternatives is worse for most Creditors—much worse for many Creditors. The Debtors urge all Creditors to read this Disclosure Statement, to review the Plan, and to consider alternatives to the Plan and, having done so, to vote to accept the Plan.

ARTICLE III.
SUMMARY OF TREATMENT UNDER THE PLAN

A. CLASSES AND DISTRIBUTIONS

The Plan separates Claims and Equity Interests against the Debtors, the Estate, and their property into unclassified Claims and classified Claims. Creditors vote on the Plan by their respective Class.

Unclassified Claims are generally postpetition Claims which must be paid in full and which do not vote on the Plan, and consist of Administrative Claims, including Professional Claims and Cure Claims, and Administrative Tax Claims.

Classified Claims and Equity Interests are classified in the Plan under the provisions of section 1122 of the Bankruptcy Code into following separate Classes:

Class 1: Priority Claims
- Subclass 1A: Non 507(a)(8) Priority Claims
- Subclass 1B: 507(a)(8) Priority Claims

Class 2: Secured Tax Claims
Class 3: Cigna Secured Claims
Class 4: AIG Secured Claims
Class 5: Zurich Secured Claims
Class 6: AFCO Secured Claim
Class 7: Wells Fargo Secured Claims
Class 8: Unsecured Claims
Class 9: Convenience Class
Class 10: Subordinated Claims
Class 11: Equity Interests

The chart below graphically demonstrates the classification and treatment of classified and unclassified Claims under the Plan. In preparing and submitting this chart, the Debtors make clear the following considerations:

- The chart is an estimate only, based on reasonable assumptions, but as an estimate, it is subject to change and uncertainty based on future events.
- Although the deadlines for filing prepetition non-governmental Claims and governmental claims has yet to expire, the possibility remains that a prepetition Creditor may attempt to file and recover on an Unsecured Claim, which, if Allowed, could change the ability to fund the Plan.
- The chart is calculated on the basis of Claims that the Debtors believe may be Allowed.

Category[1]	**Class**	**Impaired**	**Estimated Amount**	**Estimated Recovery**
Administrative Claims	Unclassified	no	$300,000[2]	100%
Priority Claims	1	yes	$750,000	100%
Secured Tax Claims	2	yes	$10,000	100%
Cigna Secured Claims	3	no/yes	$450,000[3]	100%
AIG Secured Claim	4	no	$850,683.00[4]	100%
Zurich Secured Claims	5	no	$310,400.00[5]	100%
AFCO Secured Claim	6	no	30,000.00	100%[6]
Wells Fargo Secured Claims	7	yes	$86,244.29	58%
Unsecured Claims	8	yes	$3,000,000—$13,500,000[7]	25%-75%
Convenience Class	9	no/yes	$20,000 - $30,000[8]	$1,000.00 per claim
Subordinated Claims	10	yes	$3,300,000—$4,500,000	0%
Equity Interests	11	yes	n/a	100%

1. Claims listed in this column refer to Allowed Claims.

2. The Debtors believe that Administrative Claims will consist mostly of the Professional Claims of the Debtors' counsel. Most of these claims will be paid from retainers, and the balance paid by the Reorganized Debtors from cash on hand.

3. This amount refers to the amount currently held by Cigna, in which Cigna may allege a right of set-off (without any admission by the Debtors as to the validity of any such alleged right).

4. This amount refers to security held by AIG. The Debtors believe that the AIG Secured Claim will be disallowed.

5. This is the amount that Zurich currently holds in its loss fund reserve as collateral.

6. The Plan proposes to cure and reinstate the AFCO Secured Claim; basically to pay the claim going forward according to its original terms.

7. The amount of claims in this Cass, and therefore the return to Creditors in this Class, depends primarily on the amount that the Zurich Claims will be allowed at. Zurich has asserted that it is owed over $11 million which, if Allowed at or near that amount, would greatly reduce the return to Creditors in this Class. The Debtors have objected to the Zurich Claims and believe that the Zurich Claims will be allowed at much lower amounts. If the Debtors are correct, then the return to Creditors in this Class will be significantly higher. It is impossible to state how the Bankruptcy Court (or other court) will adjudicate the size of this claim.

7. This amount is based on the estimated number of claimants (approximately 20-30) that the Debtors believe have unsecured claims under $1000.00 or will otherwise elect to have their claims treated as Convenience Class claims.

B. PLAN FUNDING AND THE EQUITY AUCTION

The Plan will be funded through multiple sources. For those Creditors holding valid and unavoidable security against the Debtors, with the exception of Wells Fargo and Class 2, the corresponding secured claims will be paid from such security. For certain Creditors, their Allowed Claims will be paid by the Reorganized Debtors from cash on hand as of the Effective Date and the Equity Funding (and, if needed, the Plan Funding). Other Creditors (Class 8, general unsecured claims) will be paid from a combination of the Equity Funding and the Plan Funding, over time.

The Plan Funding is $4 million over five (5) years, some of which will be used to pay Allowed Priority Claims and the balance used to pay Allowed Unsecured Claims (estimated at $3.5 million). Specifically, from future operations and cash flow, the Reorganized Debtors and Consolidated Estate shall fund $4 million over five (5) years (or such lower amount as is needed to pay Allowed Claims under the Plan in full, if said Allowed Claims to be paid from the Plan Funding are less than $4 million) over five years after the Effective Date as follows: (i) $223,078 for the balance of Year 2017 after the Effective Date; (ii) $1,133,997 in 2018; (iii) $918,824 in 2019; (iv) $1,052,119 in 2020; (v) $842,226 in 2011; and (vi) up to $1,396,308 in 2021 (until said $4 million is funded in full). Each year (or portion thereof) of the Plan Funding shall be paid through quarterly payments for the referenced year, unless the Plan requires more frequent payments (each, a "Quarterly Payment"). The Plan Funding shall be secured as provided for in Section 5.3 of the Plan.

Under the Plan, 100% of the Equity Interests in the Reorganized Debtors will be sold. This will be accomplished through the Equity Auction, the purpose of which is to determine who will buy the Equity Interests in the Reorganized Debtors and for what amount. The Stalking Horse bid—the bid that will be accepted if no one qualifies to participate in the Equity Auction or makes a higher bid—is for $250,000 by Daniel Bobst (plus the Plan Security offered by Mr. Bobst). Daniel Bobst currently owns the Debtors and is their president.

No later than May 8, 2017, the Debtors shall create a virtual data room into which they shall place documents, pleadings, financial information, financial projections, and such other reasonable information as a person interested in becoming a Qualified Bidder may reasonably expert for the purpose of performing due diligence with respect to participating in the Equity Auction; *provided, however,* that the Debtors reserve the right to redact information regarding the identity of their customers. Any person may gain access to said virtual data room, at any time prior to June 2, 2017, by: (i) executing a reasonable and customary non-disclosure agreement; and (ii) identifying in writing who the person is or who the person represents and, in the event the person is an artificial entity or represents an artificial entity, the identity of the owners of such artificial entity, all reasonably sufficient in detail to enable the Debtors to determine whether such person or anyone represented by such person is a competition of the Debtors. A competitor of the Debtors may gain access to the virtual data room, become a Qualified Bidder, and otherwise participate in the Equity Auction; *provided, however,* that the Debtors reserve the right to require additional industry reasonable non-disclosure and confidentiality protections in such an event.

To become a "Qualified Bidder", a person must, no later than June 5, 2017: (i) demonstrate to the Debtors the financial wherewithal to close on the Equity Funding as provided for in the Plan; (ii) tender a cash or cash equivalent deposit in the amount of $50,000.00, which deposit shall be fully refundable except in the event that the Plan is confirmed and the Effective Date fails to occur as provided for in the Plan because the person tendering said deposit fails to pay over the Equity Funding pursuant to its winning bid; (iii) make sufficient arrangement to cover the Plan Security with like kind (or better) security in at least the amounts (or better) than offered by the Stalking Horse, including limited guarantees as otherwise offered by the Stalking Horse in the Plan; (iv) demonstrate evidence reasonably sufficient to satisfy any issue under the Plan with respect to section 365(b)(1)(C) of the Bankruptcy Code, if such section is or becomes an actual issue, and such person demonstrates evidence reasonably sufficient to demonstrate the feasibility of the Plan under such person's ownership of the Reorganized Debtors; (v) agree to appear at the Confirmation Hearing and to provide such information and testimony, subject to its rights and privileges, as may be lawfully elicited from such person; (vi) provide a proposed written contract containing that person's bid, leaving only the amount of cash consideration blank if the person so wishes; and (vii) provide in writing any amendments or modifications to the Plan that such person may request as a condition of its bid. Additionally, if such person is a competitor of the Debtors, such person will have to provide reasonable written and binding assurances that the business and future opportunities of the Reorganized Debtors will not be transferred, impaired, or prejudiced in any way as a result of such competition unless and until all payments to be made under the Plan are made in full. For the avoidance of doubt, the Stalking Horse does not have to comply with these requirements.

The Debtors' Chief Restructuring Officer ("CRO"), together with the Debtors' legal counsel, shall examine any information provided by interested bidders. To the extent the CRO deems it appropriate, the CRO may share such information with the Debtors' other management, except as to the amount of any cash consideration that may have been offered (which information shall be kept confidential by the CRO from all other interested bidders), for the purpose of enabling the CRO to make a determination as to whether any person is a Qualified Bidder and whether any bid by a Qualified Bidder is higher and better than that of the Stalking Horse, and not for any other purpose. No later than noon on June 9, 2017, the CRO shall: (i)

inform the Stalking Horse and all Qualified Bidders whether there are Qualified Bidders and therefore whether the Equity Auction shall be convened; and (ii) with respect to any person who the CRO has rejected as a Qualified Bidder, inform that person in writing of such determination and the reason(s) for that determination. Only Qualified Bidders and the Stalking Horse may bid at the Equity Auction; *provided, however,* that any person with standing to object to the Plan may be present at the Equity Auction. The Equity Auction shall be transcribed. The Equity Auction shall be open such that each Qualified Bidder and the Stalking Horse will know what the then highest and best bid is. The CRO shall open the Equity Auction requesting whether any Qualified Bidder will bid more than the Stalking Horse, unless the CRO has determined by that time that a bid tendered pursuant to section 5.4.4 of the Plan is higher and better than the Stalking Horse, in which case the CRO shall at that time inform the Stalking Horse of the same, shall publicly announce the higher and better bid, and shall inquire whether the Stalking Horse or any other Qualified Bidder wishes to bid. The Equity Auction shall then proceed, with the CRO, with respect to each bid, making the determination in her reasonable judgment as to what the highest and best bid is, until, in her determination, there is no higher and better bid, at which point the CRO shall conclude the Equity Auction.

The Equity Auction shall be held at 2:00 p.m. Central Time on June 12, 2017 at the offices of Munsch Hardt Kopf & Harr, P.C., in Dallas Texas. The CRO shall declare who the winning bidder at the Equity Auction is and, no later than twenty-four (24) hours after the Equity Auction, shall file with the Bankruptcy Court and serve on any person objecting to the Plan information sufficient to identify the winning bidder and the details of the winning bid, including any agreements, documents, or proposed plan amendments that may be part of such bid. Should any other Qualified Bidder wish to serve as a backup bidder in the event that the winning bidder fails to close on its bid, they may so inform the CRO, in which case the CRO shall likewise file and serve the same information for such backup bidder. Other than the bid deposit of the winning bidder and any backup bidder, all other deposits shall be immediately returned.

The Equity Auction has not been preapproved by the Bankruptcy Court and all issues regarding the same shall be determined at the Confirmation Hearing as is otherwise appropriate. Thus, if a Creditor believes that anything having to do with the Equity Auction was unreasonable or deficient, the Creditor will have every ability to raise any such issue in connection with the confirmation of the Plan.

C. PLAN SECURITY

To secure the Plan Funding, Bobst grants under the Plan to the Reorganized Debtors, to secure the Plan Funding, valid, perfected, and unavoidable liens and security interests in and to: (i) the Bobst Properties; and (ii) the Bobst CD, subject to any superior and preexisting liens and security interests against the same. To the extent necessary, and without recourse or personal liability of any kind, Bobst also guarantees the Reorganized Debtors' and the Consolidated Estate's obligation to those Creditors entitlement to payment from the Plan Funding. If any person other than Bobst is the Equity Purchaser, they shall have to post security of like kind and value (or better).

D. LIMITED SUBSTANTIVE CONSOLIDATION

The Plan also provides for the limited substantive consolidation of the Reorganized

Debtors, together with what the Plan defines as the Consolidated Estate, for the purpose of: (i) each Reorganized Debtor basically guaranteeing the debt, as Allowed, of each other Reorganized Debtor; (ii) not paying intercompany claims and debts; and (iii) pooling the assets of the Reorganized Debtors so as to pay all Claims, as Allowed, equitably and equally.

E. DISCHARGE

If the Plan is confirmed by the Bankruptcy Court, the Debtors will receive a discharge under Chapter 11 of the Bankruptcy Code, except with respect to those Claims that the Plan expressly states will not be discharged. As part of that discharge, the Bankruptcy Code automatically imposes certain injunctions, which generally prohibit a Creditor from pursuing or collecting on a discharged Claim as against the Reorganized Debtors or its property, except as provided for in the Plan. All Creditors would be able to pursue Claims and seek recovery only under the terms of the Plan, and not against the Reorganized Debtors or their property except as provided for in the Plan. Collection activities on account of discharged Claims could constitute serious violations of the law and could subject the violator to serious penalties, including contempt, money damages, and punitive damages. However, to the extent that any Creditor has any personal rights against any person other than the Debtors, Estate, or Reorganized Debtors, or against any property that is not property of the Debtors, Estate, or Reorganized Debtors, nothing in the Plan would prevent the Creditor from exercising any such rights.

THE PLAN CONTAINS PERMANENT INJUNCTIONS THAT MAY PREVENT YOU FROM SEEKING TO ASSERT OR COLLECT YOUR CLAIM EXCEPT THROUGH THE PLAN. YOUR RIGHTS MAY BE SEVERELY IMPACTED. STUDY THE PLAN CLOSELY AND CONSIDER CONSULTING WITH LEGAL COUNSEL REGARDING THE PLAN AND YOUR RIGHTS AND LIMITATIONS THEREUNDER.

Separate and apart from the discharge of the Debtors, the Plan contains injunctions and exculpation provisions which the Debtors believe are standard and necessary for the confirmation of the Plan and the Debtors' future operations. These injunctions and exculpation provisions do not impact any personal, non-derivative Claim that a Creditor has against a non-Debtor party. No Claim that the Estate may have, or that Creditors may derivatively assert, arising from gross negligence or intentional wrongdoing is enjoined or prohibited.

F. CLASS TREATMENT UNDER THE PLAN

Treatment of a Claim under the Plan depends on the Class under the Plan that the Claim is classified under, and whether the Claim is classified. What follows below is a summary of the treatments under the Plan of the various Classes created under the Plan. The following is a summary only, and the Plan controls in all events. Thus, close reference to the Plan is required to fully understand any Class's treatment under the Plan.

1. Unclassified Claims

a. Administrative Claim Applications and Deadline: Holders of Administrative Claims, including Professional Claims and Cure Claims, other than: (a) Allowed Administrative Claims as of the Effective Date; (b) Administrative Tax Claims; (c)

Administrative Claims that represent liabilities incurred on or after the Petition Date, but prior to the Effective Date, in the ordinary course of the Debtors' business which may be paid in the ordinary course of the Debtors' business without order of the Bankruptcy Court, including any obligation of the Debtors arising after the Petition Date under any Joint Operating Agreement; and (d) Administrative Claims that constitute fees or charges assessed against the Estate under Chapter 123, Title 28, United States Code, must by no later than the Administrative Claims Bar Date: (x) file an application with the Bankruptcy Court for allowance of the Administrative Claim; and (y) serve a copy of such application on the Debtors, counsel for the Debtors, the United States Trustee, and all other parties otherwise entitled to notice thereof. Failure to file and serve such application by the Administrative Claims Bar Date shall result in the Administrative Claim being forever barred and discharged as against the Debtors, the Estate, and the property of any of the foregoing. Except as specifically provided in the Plan, nothing in the Plan alters the law applicable to, and governing, the allowance of Administrative Claims (including Professional Claims) under the Bankruptcy Code.

b. Treatment of Allowed Administrative Claims: Except with respect to Administrative Tax Claims, and unless previously paid, each holder of an Allowed Administrative Claim, including a Professional Claim, shall be paid in full satisfaction, release and discharge of, and in exchange for such Allowed Administrative Claim, the amount of such Allowed Administrative Claim by the Reorganized Debtors and the Consolidated Estate, in cash, and without interest, attorney's fees (except as Allowed by the Bankruptcy Court), or costs, no later than ten (10) Business Days after the Effective Date.

c. Treatment of Professional Claims: Professional Claims become Allowed the same as Administrative Claims and are treated the same as Administrative Claims, except that: (i) a Professional Claim that has been previously Allowed on a final (not interim) basis by Final Order of the Bankruptcy Court is not subject to the requirement for filing an application; (ii) a Professional Claim that has been Allowed on an interim basis (not final) in whole or in part shall, with respect to being Allowed on a final basis, be subject to the filing of an application for its allowance and shall be subject to such law, rules, and procedures as would be otherwise applicable to the same outside of the Plan; (iii) a Professional Claim that has been previously Allowed and paid on a final basis by Final Order of the Bankruptcy Court, but subject to disgorgement in the event of administrative insolvency, shall cease being subject to said disgorgement ten (10) days after the Administrative Claims Bar Date unless, upon motion and notice, the Bankruptcy Court extends such period; (iv) any interim payments on account of a Professional Claim shall be credited against the payment of the final Allowed amount of such Professional Claim; (v) any retainer provided on account of a Professional Claim may be credited and applied against the payment of the final Allowed amount of such Professional Claim once such Professional Claim is Allowed on a final basis; and (vi) any Professional Claim based on payment under section 328 of the Bankruptcy Code by commission or contingency shall be allowed and paid as provided for in the retention order of the Bankruptcy Code, without need for the filing of any application or other document with the Bankruptcy Court notwithstanding anything contained herein to the contrary.

d. Administrative Tax Claims: Administrative Tax Claims, and any liens securing the same, are not affected by, prejudiced by, discharged by, or treated by the Plan, and shall survive the Plan without need for any action on the part of the holder thereof.

Administrative Tax Claims, and the liens securing the same, shall be paid when and as otherwise appropriate, together with such interest and other charges as otherwise appropriate, as soon as possible after the Effective Date or when the same otherwise become due and payable. Notwithstanding anything contained in the Plan to the contrary, nothing in the Plan transfers or vests any property of the Debtors or the Estates free and clear of any lien securing an Administrative Tax Claim. Any and all rights to contest any Administrative Tax Claim, including as may be appropriate under section 505 of the Bankruptcy Code, are preserved and vest in the Reorganized Debtors as of the Effective Date.

e. Section 505: For the avoidance of doubt, and without limiting the generality of any similar provision of the Plan, the Debtors and the Estates reserve all rights under section 505 of the Bankruptcy Code, as otherwise applicable, to contest any tax Claim and to seek appropriate determinations under said section 505 with respect thereto, and transfer the same hereunder to the Reorganized Debtors and the Consolidated Estate.

2. Classified Claims

Class 1: Allowed Priority Claims.

The Plan separately classifies Priority Claims depending on whether they arise under section 507(a)(8) of the Bankruptcy Code ("Subclass 1A") or whether they arise under any other provision of the Bankruptcy Code granting priority status ("Subclass 1B").

With respect to non-section 507(a)(8) Priority Claims, such Claims, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Priority Claim, by the Reorganized Debtors and the Consolidated Estate, through twelve (12) equal monthly payments after the Effective Date, with simple interest at the Prime Rate, in cash, and without attorneys' fees, penalties, or costs, with the first such monthly payment due by the end of the first calendar month after the calendar month in which the Effective Date occurs, which may be prepaid at any time without premium, with such interest as then accrued. In such event, Subclass 1A is impaired under the Plan. If Subclass 1A rejects the Plan, then each Priority Claim other than one under section 507(a)(8) of the Bankruptcy Code, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Priority Claim, by the Reorganized Debtors and the Consolidated Estate, the amount of such Allowed Priority Claim, in cash, and without interest, attorneys' fees, penalties, or costs, no later than ten (10) Business Days after becoming Allowed, in which case Subclass 1A is not impaired under the Plan.

With respect to section 507(a)(8) Priority Claims, such Claims, to the extent Allowed, shall be paid by the Reorganized Debtors and the Consolidated Estate, through forty-eight (48) equal monthly payments after the Effective Date, with simple interest at the Prime Rate, in cash, and without attorneys' fees, penalties, or costs, with the first such monthly payment due by the end of the first calendar month after the calendar month in which the Effective Date occurs. Subclass 1B may be prepaid at any time without premium, with such interest as then accrued. Subclass 1B is impaired under the Plan.

Class 2: Secured Tax Claims.

Notwithstanding anything contained in the Plan to the contrary, each holder of a Secured Tax Claim shall retain all liens securing the same, which liens shall survive confirmation of the Plan with the same priority, extent, and validity that otherwise exists. Each Secured Tax Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Allowed Secured Tax Claim, including all interest, default interest, fees, and costs as provided under otherwise applicable nonbankruptcy law, but without penalties, by the Reorganized Debtors and the Consolidated Estate in cash through four (4) equal quarterly calendar payments, with the first such payment due by the end of the calendar quarter in which the Effective Date occurs, and with each subsequent payment due by the end of the succeeding calendar quarter, and the final payment including such additional otherwise applicable interest as is necessary to pay such Allowed Secured Tax Claim in full. Class 2 is impaired under the Plan.

Class 3: Cigna Secured Claim.

Class 3 consists only of the Cigna Secured Claims. For the avoidance of doubt, any portion of the Cigna Claims in excess of the Cigna Secured Claims shall be included as Class 8 Claims. Nothing in the Plan allows or disallows the Cigna Secured Claims, and the Cigna Secured Claims shall remain subject to allowance as otherwise appropriate under the Plan, the Bankruptcy Code, and all applicable law. The Plan offers Cigna an election. If it does not take the election, then the Plan preserves and all of Cigna's rights with respect to the Cigna Secured Claim, and the Debtors' rights to contest the same. If Cigna takes the election, then Cigna may keep the security and collateral that it is holding in full and final satisfaction of all Claims against the Debtors.

Class 4: AIG Secured Claims.

Class 4 consists of the AIG Secured Claims. For the avoidance of doubt, any portion of the AIG Claims in excess of the AIG Secured Claims shall be included as Class 8 Claims. Nothing in the Plan allows or disallows the AIG Secured Claims, and the AIG Secured Claims shall remain subject to allowance as otherwise appropriate under the Plan, the Bankruptcy Code, and all applicable law. Nothing in the Plan alters, discharges, or prejudices the AIG Secured Claims. All property transferred to and vested in the Reorganized Debtors and the Consolidated Estate under the Plan shall remain subject to all liens and security interests (and setoff rights) securing the AIG Secured Claims with such validity, extent, and enforceability as otherwise exists, and subject to all rights, defenses, claims, cause of action, and Avoidance Actions that the Debtors, the Estates, or the Reorganized Debtors may be able to assert against the same. On and after the Effective Date, AIG may exercise any and all rights against all liens and security interests (and setoff rights) securing the AIG Secured Claims, provided that the AIG Secured Claim otherwise becomes Allowed and only to the extent Allowed. Class 4 is not impaired under the Plan.

Class 5: Zurich Secured Claims.

Class 5 consists of the Zurich Secured Claims. For the avoidance of doubt, any portion of the Zurich Claims in excess of the Zurich Secured Claims shall be included as Class 8 Claims. Nothing in the Plan allows or disallows the Zurich Secured Claims, and the Zurich Secured

Claims shall remain subject to allowance as otherwise appropriate under the Plan, the Bankruptcy Code, and all applicable law. Nothing in the Plan alters, discharges, or prejudices the Zurich Secured Claims. All property transferred to and vested in the Reorganized Debtors and the Consolidated Estate under the Plan shall remain subject to all liens and security interests (and setoff rights) securing the Zurich Secured Claims with such validity, extent, and enforceability as otherwise exists, and subject to all rights, defenses, claims, cause of action, and Avoidance Actions that the Debtors, the Estates, or the Reorganized Debtors may be able to assert against the same. On and after the Effective Date, Zurich may exercise any and all rights against all liens and security interests (and setoff rights) securing the Zurich Secured Claims, provided that the Zurich Secured Claim otherwise becomes Allowed and only to the extent Allowed. Class 5 is not impaired under the Plan.

Class 6: AFCO Secured Claim.

Class 6 consists only of the AFCO Secured Claim. The Plan Allows the AFCO Secured Claim, subject to reduction for payments actually made. The Plan proposes to "cure and reinstate" the AFCO Secured Claim, meaning that the Reorganized Debtors would pay that claim after the Effective Date according to the original terms thereof. If AFCO believes that any cure payment is necessary, then it must object to the Plan, in which case the Bankruptcy Court will determine whether any such cure is required (and the amount thereof). Class 6 is not impaired under the Plan.

Class 7: Wells Fargo Secured Claims.

Class 7 consists only of the Wells Fargo Secured Claims. If Wells Fargo votes in favor of the Plan: (i) the Wells Fargo Secured Claim shall be Allowed in the amount of $42,000.00, with the balance of Wells Fargo's Claims treated as deficiency claims under section 8 of the Plan; (ii) the underlying lease the basis of the Wells Fargo Secured Claims shall be treated as not a true lease and as a disguised financing statement instead; and (iii) the Debtors, Estates, Reorganized Debtors, and Consolidated Estate release Wells Fargo from any claims and causes of action on account of said lease and any payments prior to the Petition Date, including any Avoidance Actions. Otherwise, if Wells Fargo votes to reject the Plan or does not vote on the Plan, the Wells Fargo Secured Claims shall remain subject to Allowance as is otherwise appropriate, including as to validity and as to any section 506(a) of the Bankruptcy Code valuation, and the foregoing releases shall have no effect. If Wells Fargo accepts this proposal, then its Allowed Secured Claim shall be paid by the Reorganized Debtors through four (4) equal quarterly payments, with 5.9% interest.

Class 8: Unsecured Claims.

Class 8 consists of all Unsecured Claims, including deficiency claims, but excludes Convenience Class Claims, Subordinated Claims, and any otherwise Unsecured Claims that are differently or separately classified in the Plan. Unless specifically and expressly Allowed in the Plan, nothing in the Plan allows any Unsecured Claim. Each Unsecured Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Unsecured Claim, by the Reorganized Debtors and the Consolidated Estate, *pari passu* with all other Allowed Unsecured Claims, only from the combination of: (i) the Equity Funding; and (ii) the Plan Funding. Subject to reserves for Disputed Claims and supplemental payments for

Disallowed Claims as more fully provided for in Section 7.7 of the Plan, the Reorganized Debtors and the Consolidated Estate shall distribute (or reserve as appropriate) the full amount of the Equity Funding no later than ten (10) Business Days following the Claims Objection Deadline. Thereafter, and again subject to reserves for Disputed Claims and supplemental payments for Disallowed Claims as more fully provided for in Section 7.7 of the Plan, the Reorganized Debtors and the Consolidated Estate shall distribute each Quarterly Payment comprising the Plan Funding no later than ten (10) Business Days after the applicable quarter has expired, commencing with the first full calendar quarter after the Effective Date occurs (by way of example only, if the Effective Date occurs on May 15, 2017, then the first Quarterly Payment will be due ten (10) Business Days after September 30, 2017).

So long as the Plan Funding has not been made in full, the Reorganized Debtors shall be prohibited from making or paying any dividend or distribution to any equity interest owner as otherwise provided for in section 5.10 of the Plan. If the Reorganized Debtors fail to pay the Plan Funding as otherwise provided for in the Plan, the Reorganized Debtors shall have no opportunity to cure such default and holders of Allowed Unsecured Claims shall have any and all rights under otherwise applicable law against the Reorganized Debtors, the Consolidated Estate, and the Plan Security, including to accelerate any and all future payments and to assert against the Reorganized Debtors and their property, and any other potentially applicable persons, all claims, rights, and causes of action of an unsecured creditor, including to move the Bankruptcy Court to reopen and/or convert the Bankruptcy Case. In the event of such conversion, the Chapter 7 trustee(s) shall be entitled to enforce and foreclose against the Plan Security and to prosecute Avoidance Actions as otherwise appropriate.

Class 9: Convenience Class.

Class 9 consists of all Unsecured Claims: (i) asserted in an amount of $1,000.00 or less; or (ii) as to which the holder of an Unsecured Claim has affirmatively elected on its Ballot (which shall be prepared so as to offer and explain the election) to reduce its Unsecured Claim to $1,000.00. Unless a Convenience Class Claim is filed after the Bar Date, each Convenience Class Claim as to which an affirmative election under section 4.9.1(ii) of the Plan has been made shall be automatically Allowed in the amount of $1,000.00. A Convenience Class Claim as defined above shall remain subject to allowance as otherwise appropriate under the Plan and applicable law. Each Convenience Class Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Convenience Class Claim, by the Reorganized Debtors and the Consolidated Estate, the amount of such Allowed Convenience Class Claim, in cash, and without interest, attorneys' fees, or costs, no later than ten (10) Business Days after becoming Allowed.

Class 10: Subordinated Claims.

Class 10 shall consist of the Bobst Claims and any other Subordinated Claims. Class 10 Claims are neither Allowed nor disallowed in the Plan, and remain subject to allowance as otherwise appropriate under the Plan, the Bankruptcy Code, and applicable law. Each Class 10 Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Class 10 Claim, *pari passu* from the Plan Funding, if any, that remains available after all Allowed Class 8 and Class 9 Claims have been paid in full as otherwise provided in the Plan. Class 10 is impaired under the Plan.

Class 11: Equity Interests.

As of the Effective Date, and without need for further order, action, or document, all Equity Interests in the Debtors and the Reorganized Debtors shall remain owned by the current owner(s) thereof, but otherwise subject to all restrictions provided for in the Plan, including section 5.10 of the Plan (providing for management of the Reorganized Debtors). Class 11 is impaired under the Plan.

G. ASSUMPTION OF EXECUTORY CONTRACTS

All Executory Contracts with any customer of any of the Debtors are assumed as of the Effective Date without need for further order, notice, pleading, document, or action, except for any such Executory Contract for which the Debtors file a notice no later than ten (10) days prior to the Confirmation Hearing, serving the same on the counterparty thereto, in which case all such Executory Contracts on such notice shall be rejected as of the Effective Date, in which case any resulting Damages Claim must be filed by the Damages Claim Bar Date or be forever barred. No later than ten (10) days prior to the Confirmation Hearing, the Debtors shall file and serve on appropriate parties a notice of what they believe any Cure Claim for the assumption of any such Executory Contract is. Unless an objection to such Cure Claim or the assumption of the Executory Contract is filed no later than two (2) Business Days prior to the Confirmation Hearing, the Cure Claim as stated in the Debtors' notice shall be the only Cure Claim payable for the assumption of said Executory Contract. If such an objection to a Cure Claim or otherwise to the assumption of an Executory Contract is timely filed, the Debtors may adjudicate the issues at the Confirmation Hearing or, in their discretion, at a subsequent hearing, in which latter case the Plan shall be without prejudice to said assumption, potential rejection, Cure Claim, or potential Rejection Damages Claim.

The Debtors' real property lease is assumed as of the Effective Date without need for further order, notice, pleading, document, or action. No Cure Claim is payable for the same.

With respect to any Executory Contract not mentioned above, no later than ten (10) days prior to the Confirmation Date, the Debtors shall file and serve on appropriate parties a notice stating whether the Executory Contract will be assumed or rejected. If such notice provides for the rejection of the Executory Contract, such Executory Contract shall be rejected as of the Effective Date, in which case any resulting Damages Claim must be filed by the Damages Claim Bar Date or be forever barred. If such notice provides for the assumption of such Executory Contract, the notice shall also state what the resulting Cure Claim is. Unless an objection to such Cure Claim or the assumption of the Executory Contract is filed no later than two (2) Business Days prior to the Confirmation Hearing, the Cure Claim as stated in the Debtors' notice shall be the only Cure Claim payable for the assumption of said Executory Contract. If such an objection to a Cure Claim or otherwise to the assumption of an Executory Contract is timely filed, the Debtors may adjudicate the issues at the Confirmation Hearing or, in their discretion, at a subsequent hearing, in which latter case the Plan shall be without prejudice to said assumption, potential rejection, Cure Claim, or potential Rejection Damages Claim.

ARTICLE IV.
VOTING PROCEDURES AND REQUIREMENTS

A. VOTING DEADLINE

Each Creditor holding a Claim which entitles the Creditor to vote on the Plan has been provided a Ballot along with this Disclosure Statement. If a Creditor holds Claims in more than one Class entitled to vote under the Plan, such Creditor has been provided a separate Ballot for each such Class. The Ballot is to be used by the Creditor to accept or reject the Plan.

To ensure that a Ballot is deemed timely and considered by the Balloting Agent, which shall be the Debtors' attorneys, Munsch Hardt Kopf & Harr, P.C., c/o Davor Rukavina, a Creditor must: (a) carefully review the Ballot and the instructions set forth thereon; (b) provide all of the information requested on the Ballot; (c) sign the Ballot; and (d) return the completed and signed Ballot to the Balloting Agent by the Voting Deadline. By order of the Bankruptcy Court, the "Voting Deadline" is 5:00 p.m. (Central Standard Time), on _____, 2017. Therefore, in order for a Ballot to be counted for voting purposes and any applicable election, the completed and signed Ballot must be received at the address specified below by no later than the Voting Deadline:

DEADLINE: Must Be **Received** By 5:00 p.m., Central Time,
on _____, 2017

Addressed To:

Munsch Hardt Kopf & Harr, P.C.
Attn: Davor Rukavina
3800 Ross Tower
500 N. Akard Street
Dallas, Texas 75201
Facsimile: (214) 978-5359

B. CREDITORS SOLICITED TO VOTE

Each Creditor holding a Claim in a Class which is impaired under the Plan is being solicited to vote on the Plan. As to any Claim for which a proof of claim was filed and as to which an objection has been lodged, however, if such objection is still pending as of the Voting Deadline, the Creditor's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless and to the extent that the Bankruptcy Court temporarily allows the Claim upon motion by such Creditor in an amount which the Bankruptcy Court deems proper for the purpose of voting on the Plan. Such motion must be heard and determined by the Bankruptcy Court prior to the date and time established by the Bankruptcy Court for determination of confirmation of the Plan. In addition, a Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. DEFINITION OF IMPAIRMENT

Pursuant to Section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan unless, with respect to each Claim of such Class, the Plan does one of the following:

1. leaves unaltered the legal, equitable, and contractual rights to which such Claim entitles the holder of such Claim; or

2. notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default:

   (a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code;

   (b) reinstates the maturity of such Claim as it existed before the default;

   (c) compensates the holder of such Claim for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

   (d) does not otherwise alter the legal, equitable, or contractual rights to which such claim entitles the holder of such Claim.

D. CLASSES IMPAIRED UNDER THE PLAN

Classes: 1, 2, 7, 8, 10, and 11 are impaired and entitled to vote on the Plan. Classes: 4, 5, and 6 are not impaired. Ballots shall nevertheless be transmitted to holders of Claims in said Classes. Classes 3 and 9 may or may not be impaired depending on elections that holders of Claims in said Classes make. Ballots for the acceptance or rejection of the Plan shall be mailed to holders of such impaired Classes only and to holders of such Claims within such Classes only.

E. VOTE REQUIRED FOR CLASS ACCEPTANCE

Pursuant to the Bankruptcy Code, a Class of Claims under the Plan that is impaired shall be deemed to have accepted the Plan if the Plan is accepted by Creditors holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims within such Class who are entitled to vote and who actually vote using a properly completed and signed Ballot which is returned to the Balloting Agent by no later than the Voting Deadline.

Under the Bankruptcy Code, the votes of certain Creditors or Equity Interest holders may be disregarded if their acceptance or rejection of the Plan was not in good faith, or was not solicited or procured in good faith or in accordance with the Bankruptcy Code. The Debtors reserves all their rights to seek one or more of such designations in the event that the same becomes applicable.

ARTICLE V.
CONFIRMATION OF THE PLAN

A. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor-in-possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest. The present Bankruptcy Case commenced with the filing of voluntary Chapter 11 petitions by the Debtors on the Petition Date. However, Chapter 11 also contemplates a liquidation as opposed to a reorganization, and Chapter 11 permits creditors and others to file a proposed plan in certain instances.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Thus, the Estates exist as the bankruptcy estates of the Debtors and their property (and liabilities). Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession" unless the bankruptcy court orders the appointment of a trustee. In the present Bankruptcy Case, the Debtors have remained in possession of its property and has continued to operate their businesses as debtors-in-possession.

The filing of a Chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the Effective Date of a confirmed plan of reorganization.

B. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) provides that any party in interest may object to confirmation of the Plan. The Confirmation Hearing has been scheduled for **_____, 2017 at _____.m.** in the United States Bankruptcy Court, Courtroom of The Honorable Stacey G. C. Jernigan, U. S. Courthouse, Earle Cabell Federal Building, 1100 Commerce St., 14th Floor, Dallas, Texas 75242.

Any objection to confirmation of the Plan must made in writing, and such written objection must be filed with the Bankruptcy Court by no later than **_____p.m. Central Time on _____, 2017**:

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND SHALL BE DEEMED WAIVED.

C. MODIFICATION OF THE PLAN

Section 1127 of the Bankruptcy Code generally permits the debtor to modify the Plan before or after the Confirmation Hearing, assuming that certain requirements are satisfied. The Debtors reserve their right to submit modifications of the Plan, as may be deemed advisable by the Debtors, and under the provisions of section 1127 of the Bankruptcy Code.

D. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements of section 1129 of the Bankruptcy Code have been satisfied, and in the event that they have been and all other conditions to confirmation set forth in the Plan itself have been met, the Bankruptcy Court will enter an order confirming the Plan. The requirements of section 1129 generally are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.

2. The Debtors comply with the applicable provisions of the Bankruptcy Code.

3. The Plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or to be made by the Debtors or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Bankruptcy Case, or in connection with the Plan and incident to the Bankruptcy Case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

5. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual, is consistent with the interests of Creditors and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation of such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval. The Debtors do not believe this requirement is applicable to the Bankruptcy Case.

7. With respect to each impaired Class: (a) each holder in such Class has accepted the Plan or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtors was liquidated under Chapter 7 of the Bankruptcy Code on such date; or (b) if section 1111(b)(2) of the Bankruptcy Code applies to the Claims of such Class, each holder in such Class will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of such holder's interest in the Estate's interests in the property that secures

such Claims. This means that, if a Creditor rejects the Plan, the Plan must provide the Creditor with at least what it would receive in a hypothetical Chapter 7 liquidation of the Debtors.

8. With respect to each Class: (a) such Class has accepted the Plan; or (b) such Class is not impaired under the Plan. If an impaired Class has rejected the Plan, then the Plan may still be confirmed on cramdown with respect to that Class, as discussed below.

9. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides: (a) that with respect to a Claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the Effective Date of the Plan, the holder of such Claim will receive on account of such Claim cash equal to the Allowed amount of such Claim; (b) that with respect to a Class of Claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a Claim of such Class will receive (i) if such Class has accepted the Plan, deferred cash payment of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim, or (ii) if such Class has not accepted the Plan, cash on the Effective Date of the Plan equal to the Allowed amount of such Claim; and (c) with respect to a Claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such Claim will receive on account of such Claim deferred cash payments, over a period not exceeding six years after the date of assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim.

10. If a Class of Claims is impaired under the Plan, at least one Class of Claims that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider.

11. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

12. All fees payable under Section 1930 of Title 28 (United States Code), as determined by the Bankruptcy Court, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

13. The Plan provides for the continuation after its Effective Date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the Plan, for the duration of the period the Debtors has obligated itself to provide such benefits. The Debtors does not believe this requirement is applicable to the Bankruptcy Case.

There are various other provisions governing the confirmation of the Plan that, on their face, the Debtors do not believe applicable (and are related instead to the confirmation of an individual person's Chapter 11 plan).

E. CRAMDOWN

The Bankruptcy Court may confirm the Plan at the request of Debtors if: (a) all of the requirements of section 1129(a) of the Bankruptcy Code are met, with the exception of section 1129(a)(8); (b) at least one Class of Claims that is impaired under the Plan has accepted the Plan (excluding the votes of Insiders), if a Class of Claims is impaired; and (c) as to each impaired Class that has not accepted the Plan, the Plan does not "discriminate unfairly" and is "fair and equitable." This is referred to as cramdown.

A Chapter 11 plan does not "discriminate unfairly" within the meaning of the Bankruptcy Code if the classification of claims under a plan complies with the Bankruptcy Code and no particular class will receive more than it is legally entitled to receive for its claims. The Debtors believe that the classifications established under the Plan are proper and that no Class under the Plan is receiving more than it is legally entitled to receive. "Fair and equitable," on the other hand, has different meanings for Secured and Unsecured Claims.

With respect to a Class of Secured Claims that rejects the Plan, to be "fair and equitable" the Plan must, among other things, either: (a) provide that the holders of such Secured Claims retain their liens securing such Claims, whether the property subject to such liens is retained by the Debtors or transferred to another entity, to the extent of the Allowed amount of such Claims, and that each holder of a Secured Claim in such Class receive on account of such Claim deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the Effective Date of the Plan, of at least the value of such holder's interest in the Estates' interest in such property; or (b) provide for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such Secured Claims, free and clear of such liens, with such liens to attaching to the proceeds of such sale, and the treatment of such liens on such proceeds in accordance with the Bankruptcy Code; or (c) provide for the realization by the holders of such Secured Claims of the indubitable equivalent of such Claims. The Debtors believe that the Plan is fair and equitable to each Class of Secured Claims under the Plan and that, in fact, all such Classes are unimpaired.

With respect to a Class of Unsecured Claims which rejects the Plan, to be "fair and equitable" the Plan must, among other things, either: (a) provide that each holder of an Unsecured Claim in such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; or (b) not allow the holder of any Claim that is junior to the Unsecured Claims of such Class to receive or retain any property under the Plan on account of such junior Claim; that is, not permit any holder of any equity interest in the Debtors to retain anything under the Plan on account of such interest. This is called the Absolute Priority Rule and it protects Unsecured Creditors by ensuring that equity owners do not retain their equity interests without payment in full to Unsecured Creditors. There is an exception to the Absolute Priority Rule, however, called the New Value exception or corollary, under which, providing that all requirements are met, owners of equity in a debtor may obtain new equity in the reorganized debtor if they pay sufficient new value for that equity. Thus, if Class 8 rejects the Plan, the Bankruptcy Court will determine whether the Equity Funding, and Plan Security provided by Bobst, satisfy the New Value exception or corollary.

In the event that at least one Class of Claims is impaired under the Plan, and if at least one impaired Class of Claims under the Plan accepts the Plan and one or more Classes of

impaired Claims rejects the Plan, the Debtors will seek confirmation of the Plan under the cramdown provisions of section 1129(b) of the Bankruptcy Code. In such event, the Bankruptcy Court will determine, at the Confirmation Hearing, whether the Plan is fair and equitable and whether it does or does not discriminate unfairly against any rejecting impaired Class of Claims.

F. EFFECTIVE DATE OF THE PLAN

The Plan will become effective upon the occurrence of the Effective Date, which is defined in the Plan as the first Business Day fourteen (14) days after the Confirmation Date if the Confirmation Order is not stayed or, if the Confirmation Order is stayed, the first Business Day following the lifting, dissolution, or removal of such stay which is at least fourteen (14) days after the Confirmation Date, and upon which the conditions to the effectiveness of the Plan set forth in the Plan are satisfied. Pursuant to the provisions of the Plan, the Debtors will transmit notice of the effectiveness of the Plan if the Bankruptcy Court confirms the Plan and all conditions precedent to the Plan's effectiveness are satisfied. This notice will also specify various other Plan deadlines that are triggered by the Effective Date of the Plan.

ARTICLE VI.
BACKGROUND INFORMATION

A. THE DEBTORS

The Debtors, collectively doing business as TrendHR, are a human resource outsourcing company based in Dallas, Texas, that provides PEO services to businesses nationwide. Trend Personnel Services, Inc., was founded in 1997 as a traditional staffing and recruiting company specializing in temporary and direct hire replacement. TSL Staff Leasing, Inc. was formed in 2001 and provides professional employer organization ("PEO") services. Trendsetter HR, LLC was formed in 2005 as a human resource outsource company that provides benefit and consulting services. Together, the Debtors are one of the North Texas Corridor's largest human resource outsourcing companies, providing a full range of human resource services, including employee benefits & services, payroll and employee administration services and workers' compensation and risk management services. Debtors have been awarded six times by Inc. 5000 as one of the fastest growing private companies in the United States and two of those years Debtors have been within the top 100 human resource companies nationwide.

Several of the Debtors' services are through a PEO. A PEO is regulated by Chapter 91 of the Texas Labor Code and is defined as a business entity that offers "services provided through coemployment relationships in which all or a majority of the employees providing services to a client or to a division or work unit of a client are covered employees…" The PEO services include the processing of approximately $200 million a year in payroll. A service fee of approximately two percent (2%) is charged for the PEO services provided.

The relative obligations between Debtors and their customers are described in a Professional Employer Services Agreement ("PESA"). The PESA governs the relationship with between Debtors and the customers. Pursuant to the PESA, customers provide Debtors with the hours each employee worked. Debtors then notify the respective customer of the amount of the amount of money necessary to pay wages, taxes, benefits and insurance for the employees as well as its service fee. Customers are required to provide sufficient guaranteed funds into

Debtors' operating account before releasing payroll. Debtors then issue payroll checks or direct deposits to the coemployees. December is the time each year that contracts are renewed and clients consider changing payroll vendors. Any interruption in Debtors' ordinary course of business or banking processes would cause substantial hardship to Debtors' clients and coemployees leading to a substantial client loss that would negatively impact the Debtors' ability to reorganize.

B. THE DEBTORS' EMPLOYEES

In essence, the Debtors have three sets of employees, as follows:

1. Operating Employees

The Debtors' Operating Employees consist of those employees working at the Debtors' offices that perform the operating functions to run the businesses of the Debtors.

The Operating Employees are not employees of the Debtors. THR Outsourcing, LLC employees the Operating Employees and handles as required by law withholdings from wages related to federal, state and local taxes and remits same to the applicable taxing authorities. THR Outsourcing, LLC also handles deduction of certain amounts from the Operating Employees' paychecks, including, without limitation garnishments, child support and service charges, and similar deductions. The Debtors, prior to each pay day, advance THR Outsourcing, LLC the funds necessary to pay the Operating Employees. There are thirty-one (31) full time employees and two (2) part-time employees that are considered Operating Employees. Debtors' payroll to Operating Employees is paid bi-weekly on Friday. The Debtors' payroll is paid in arrears for its employees. The Debtors' total monthly payroll is, on average, approximately $178,000.

2. Staffing Employees

The Staffing Employees are temporary employees of Trend Personnel Services, Inc. that provide staffing services to Debtors' customers. As of the Petition Date, Trend Personnel Services, Inc. had approximately 100 Staffing Employees. The Staffing Employees are paid weekly.

3. Co-Employees

The Co-Employees are those employees that the Debtors provide human resource administrative functions pursuant to a PESA. The Co-Employees are the heart of the Debtors' businesses. Due to the number of the Debtors' customers who have entered in to a PESA and each customer's different payroll cycles, the Debtors are daily processing and paying payroll, taxes, benefits and insurance to Co-Employees. The Debtors have approximately 9,200 Co-Employees.

C. NON-DEBTOR AFFILIATES AND RELATED PARTIES

The Debtors are affiliated companies which, as discussed below, filed their Chapter 11 Bankruptcy Cases largely due to the actions of Zurich. There are other companies that are

affiliated with the Debtors, or are related to the Debtors, or are under common ownership or management as the Debtors, which did not file bankruptcy (and are not debtors in the Bankruptcy Case) because there was no need for those companies to seek bankruptcy protection. The following chart identifies and summarizes those non-debtor affiliated companies.

Name	Address	Ownership	Summary
Debtor Affiliates			
Trend Personnel Services, Inc.	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Daniel Bobst	Staffing and Recruiting
TSL Staff Leasing, Inc.	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Daniel Bobst	Blue Collar PEO
Trendsetter HR, LLC	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Jennifer Bobst	White Collar PEO
RiskMax Management, Inc.	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Daniel Bobst	Restaurant PEO
TrendHR, LLC	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Daniel Bobst	Insurance Program Manager
THR Outsourcing, LLC	2701 Sunset Ridge Suite 500 Rockwall, TX 75032	Daniel Bobst	Corporate Management Services for Affiliates
Related Parties			
Bobst Insurance Agency, Inc.	2701 Sunset Ridge Suite 600 Rockwall, TX 75032	Daniel Bobst	Insurance Agency
J-BR2, LLC	2701 Sunset Ridge Suite 610 Rockwall, TX 75032	Daniel Bobst	Real Estate Holdings
King Outsourcing, LLC	2701 Sunset Ridge Suite 600 Rockwall, TX 75032	Daniel Bobst Jennifer Bobst	Real Estate Management
101 Hubbard Drive, LLC	2701 Sunset Ridge Suite 610 Rockwall, TX 75032	Daniel Bobst Tom Johnson	Real Estate Holdings
Harbor Heights Investors, LP	2701 Sunset Ridge Suite 610 Rockwall, TX 75032	Daniel Bobst HHFM Russell Phillips Joey Howell	Office Tower Partnership (landlord to Debtors)
Inactive Entities			
Bobst Holdings, LLC		Daniel Bobst	Inactive
Bobst Farms, LLC		Daniel Bobst	Inactive
Harbor Heights Retail LLC		Daniel Bobst	d voting
Harbor Heights Multi Family LLC		Daniel Bobst	Inactive
Harbor Heights Medical Tower LLC		Daniel Bobst	Inactive
Harbor Heights Meeting Rooms LLC		Daniel Bobst	Inactive
Trend Tower Holdings Manager LLC		Daniel Bobst	Inactive

Trend Tower Holdings LLC		Trend Towers Holdings Investor, LLC, & Harbor Heights Family Medicine LLC	Inactive
Trend Tower Holdings Investment LLC		Daniel Bobst	Inactive
Trend Advisors LLC		Daniel Bobst	Inactive

D. ALLEGED PREPETITION TRANSFERS TO INSIDERS

Zurich has alleged that the Debtors made substantial prepetition transfers to insiders, including to Danel Bobst and Jennifer Bobst, which transfers may be avoided and recovered as fraudulent transfers for the benefit of creditors. Zurich has obtained an agreed order under Bankruptcy Rule 2004 to examine said alleged transfers. Zurich has not completed its investigation. The Debtors have not undertaken an investigation as to whether such transfers are avoidable and what the potential value of any cause of action to avoid and recover such transfers may be.

The following summarizes prepetition transfers made by the Debtors to insider and affiliates, together with a brief description regarding the amounts and reasons for the transfers. The following is informational only, and nothing in this Disclosure Statement should be construed as a legal admission by the Debtors regarding the merits of any potential fraudulent transfer claim or as legal advice by the Debtors to anyone.

1. Transfers from Trendsetter HR, LLC

As demonstrated in its Statement of Financial Affairs, in response to question 4, Debtor Trendsetter HR, LLC disclosed the following payments made to Daniel Bobst in the year prior to bankruptcy: 1) $666,642.26 in credit card reimbursements from operation of the business; and 2) $126,199.90 in salary. The reimbursements on the credit cards were made in the ordinary course of business and the services performed for a salary was actually earned. In addition, Jennifer Bobst also received a salary of $98,999.90, which was earned for services performed. Brad Peters, the Vice President of Trendsetter HR, LLC, received $176,117.52 in salary and expense reimbursements in the year prior to bankruptcy. Of this amount, $175,000 represented salary. Inasmuch as companies always reimburse business expenses for customers, Mr. Peters should have an ordinary course of business defense with respect to the business expense reimbursements.

THR Outsourcing, LLC, an affiliate of Trendsetter HR, LLC, received payments of $400,075.00 during the year prior to bankruptcy. These payments represented payments for the following services: corporate overhead expenses related primarily to staff compensation. Trend HR, LLC, an affiliate of Trendsetter HR, LLC, received payments of $1,292,657.94 within the year prior to bankruptcy to fund the workers compensation program for Trendsetter employees. RiskMax Management, Inc., an affiliate of Trendsetter HR, LLC, received $25,000 from Trendsetter HR, LLC in the year prior to bankruptcy to correct a deposit made to the wrong account. Harbor Heights Investors, LP, the owner of the building in which Trendsetter HR, LLC conducts its business, was paid $509,024.15 in the year prior to the bankruptcy proceeding by Trendsetter HR, LLC as rent. Trendsetter plans to assume this lease under the Plan.

TSL Staff Leasing, Inc., which is both an affiliate of Trendsetter HR, LLC, and a Debtor in the Bankruptcy Case, received $578,363.20 in payments for health insurance costs related to Trendsetter HR, LLC employees. Trend Personnel Services, Inc., which is both an affiliate of Trendsetter HR, LLC and a Debtor in the Bankruptcy Case, received $5,389.93 to correct a deposit made to the wrong account. Intercompany claims are cancelled under the Plan.

2. Transfers from TSL Staff Leasing Inc.

As demonstrated in its Statement of Financial Affaits, in response to question 4, RiskMax Management, Inc., an affiliate of TSL Staff Leasing, Inc., received $766,733.60 from TSL Staff Leasing, Inc. in the year prior to bankruptcy. A restaurant client of various Trend affiliated entities, (who utilized the services of multiple Trend related entities), instead of making payments to the appropriate entity, made one deposit of cash with TSL Staff Leasing, Inc. for the work to be performed by it and other related entities. The transfer of funds to RiskMax Management was in payment for its services on behalf of the restaurant customer (with the customer's funds). While the funds ran through TSL Staff Leasing's bank account, the funds did not belong to TSL Staff Leasing.

Trend HR, LLC, an affiliate of TSL Staff Leasing, Inc., received payments of $999,000 within the year prior to bankruptcy to fund the workers compensation program for TSL Staff Leasing.

Trendsetter HR LLC, which is both an affiliate of TSL Staff Leasing, Inc., and a Debtor in the Bankruptcy Case, received $995,595.11 in payments for services performed by Trendsetter HR LLC in favor of TSL Staff Leasing for corporate allocation of expenses and health benefit expenses for TSL Staff Leasing employees. Trend Personnel Services, Inc. which is both an affiliate of TSL Staff Leasing, and a Debtor in the Bankruptcy Case, received $118,546.49 within the year prior to filing bankruptcy from TSL Staff Leasing. AIG sent Trend Personnel Services, Inc. a refund of $118,546.49, which belonged to other affiliates of Trend Personnel. This money was then transferred to the Trend entity entitled to receive a refund. Later, AIG requested a refund of the $118,546.49. So TSL Staff Leasing put the $118,546.49 back into the Trend Personnel Services bank account before it, in turn, returned the money to AIG.

3. Transfers from Trend Personnel Services, Inc.

As demonstrated in its Statement of Financial Affairs, in response to question 4, Trend Personnel Services, Inc. disclosed that Trendsetter HR LLC, which is both an affiliate of Trend Personnel Services, and a Debtor in this Bankruptcy Case, received $281,930.37 in payments in the year prior to bankruptcy, for services performed by Trendsetter HR LLC in favor of Trend Personnel Services, Inc. Trendsetter HR provided corporate overhead services to Trend Personnel Services, Inc.

TSL Staff Leasing, Inc., which is both an affiliate of Trend Personnel Services, and a Debtor in this Bankruptcy Case, received $9,000 from Trend Personnel Services, Inc. within the year prior to filing bankruptcy in order to correct a deposit made to the wrong account. THR Outsourcing, LLC, which is an affiliate of Trend Personnel Services, Inc., was paid $4,952.81

within the year prior to bankruptcy, by Trend Personnel Services, Inc.. Trend Personnel Services, Inc. provided corporate overhead services to THR Outsourcing, LLC.

E. EVENTS LEADING TO THE DEBTORS' BANKRUPTCY FILING

There are three primary events, described in more detail below, that led to the Debtors' filing chapter 11: (1) a judgment obtained by Central Freight against the Debtors for $2,050,689.42; (2) the dispute with Zurich, which has a potential liability of over $11 million—the Zurich dispute is currently in arbitration, which has been stayed by the bankruptcy case; and (3) debt of $246,489.48 owed to the IRS as a result of the Debtors' third party accountant absconding with payroll tax funds.

1. Central Freight Judgment

In 2008, Trendsetter HR contracted with Central Freight to provide their employees with Workers Compensation coverage. Central Freight participated in Trendsetter HR's staffing WC program through AIG. The AIG program consisted of a large deductible policy ($500,000 per occurrence) which has much lower initial premiums than a traditional workers' compensation policy. The staffing program required Central Freight to turn in payroll in order to determine premium and to identify covered workers. The program renewed in 2009 and in 2010. In 2010, AIG investigated and ultimately denied coverage for three injury claims by Central Freight employees on the basis there was not adequate evidence that the injured employees were in fact employees of Central Freight covered under the policy. Central Freight then sued the Debtors for breach of contract to provide workers compensation insurance coverage even though they had received coverage for three years; however, a jury agreed with Central Freight. In January 2016, Central Freight obtained a $2,050,689.42 judgment against Debtors for an alleged breach of contract. In September, 2016, the Debtors and Central Freight entered into a settlement agreement which provides that the Debtors will repay Central Freight $1.5 million over time, with $60,000 paid immediately, 36 monthly payments of $20,000 each, followed by 22 monthly payments of $32,500 each, and a final payment of $5,000.00. To secure the same, Bobst personally guaranteed the first $800,000 of the settlement and granted Central Freight liens against the Bobst Properties. After the Effective Date, Bobst has been paying the $20,000 monthly payments from his funds so as to not trigger a default.

2. Zurich Dispute

AIG non-renewed the Debtors' workers compensation policy after 2011. Debtors then entered into another large deductible workers compensation insurance program with Zurich. This relationship lasted between 2011 and 2015. It was subsequently discovered by all parties that a letter of credit in order to cover future losses and the amount owed to reimburse Zurich for claims paid and Zurich's fees to that time was not properly posted. Zurich asserted that the Debtors needed to immediately pay approximately $4.5 million and that future losses could exceed $10 million. The Debtors believe the amount currently owed is far less and that future losses will be less than Zurich asserts. Prior to filing, Zurich initiated arbitration proceedings against the Debtors. The arbitration panel ordered the Debtors to post security of more than $4.5 million, which the Debtors were unable to do. Zurich confirmed this interim award order the posting of security and then sought contempt against the Debtors for failing to post the security, even though the Debtors were unable to do so. Zurich then sought additional relief in the

arbitration, including in the nature of "death penalty" sanctions. This forced the Debtors to file the Bankruptcy Case to preserve their businesses and their assets for the benefit of their creditors, customers, employees, and all stakeholders. This liability is listed as disputed with an unknown value in the Debtors' Schedule F. Zurich has filed claims against all of the Debtors for more than $11 million.

3. IRS Debt

With respect to the IRS, the Debtors retained a third party accountant to handle, in addition to other matters, corporate financial affairs beginning in 2010. The accountant was responsible for, among other things, ensuring that federal taxes were paid. In January 2016 the Debtors learned that 941s for the year 2014 had not been paid and that the accountant had funneled Debtors' monies sent to him for the payment of payroll taxes to the IRS into an account he maintained for his own purposes. The total amount owed to the IRS was $2.6 million. The Debtors have been making payments and as of the Petition Date the IRS was owed $246,489.48. The accountant provided a payment schedule for return of the funds, which the IRS accepted. Debtors are liable for the debt should the accountant fail to pay. Satisfactory payment plans with the IRS are required to ensure the ongoing operation and viability of the company for customer concerns, licensing and certifications. As of the Petition Date, the accountant owed the Debtors $1,450,000.

The Debtors commenced these cases in order to fully implement their restructuring efforts. The Debtors believe that once they shed themselves of the burdens associated with the judgment and the insurance dispute, they can focus their efforts on their business which will provide sufficient cash to fund the Debtors' ordinary course expenses and enable the Debtors to continue as a profitable enterprise.

F. FIRST DAY PLEADINGS AND HEARING

Upon the filing of the Bankruptcy Case, it was critical to the Debtors that it smoothly transition into bankruptcy and continue to operate its business in Chapter 11 in compliance with all of the requirements thereof. Accordingly, on the Petition Date, the Debtors filed multiple so-called "first day" pleadings to ensure this purpose. These first day pleadings included:

1. Motion for Joint Administration of the Debtors Cases [Docket No. 2];

2. Motion for Authority to Continue Customer Programs and Honor Obligations [Docket No. 3];

3. Motion for Order Authorizing the Debtors to (I) Comply with Terms of Customer Contracts, (II) Enter Into Postpetition Contracts, and (III) Authorizing Banks and Financial Institutions to Honor and Process all Related Check and Electronic Payment Requests [Docket No. 4];

4. Motion for Order Authorizing Debtors to Pay Pre-Petition Wages and Other Compensation, and Employee Benefits, and Continue Existing Employee Benefit Plans and Programs; Authorizing Banks and Financial Institutions to Pay All Checks

and Electronic Payment Requests; Approving the Debtors' Discretionary Employee Incentive Programs [Docket No. 6)]; and

5. Motion for Authority to Use Cash Management System, Bank Accounts, and Business Forms; Perform Intercompany Transactions; Authority for Banks and Financial Institutions to Honor and Process All Related Check and Electronic Payment Requests [Docket No. 7].

The Bankruptcy Court approved these motions first day motions.

G. RETENTION OF MUNSCH HARDT

The Debtors initially employed the law firm of Akerman, LLC ("Akerman"), as their general bankruptcy counsel, and the Debtors filed their application to employ Akerman, *nunc pro tunc* to the Petition Date, on December 7, 2016.

Due to a potential conflict between Akerman and certain creditors of the Debtors, Munsch Hardt Kopf & Harr, P.C. ("Munsch Hardt") agreed to substitute for Akerman as Debtors' counsel. On January 9, 2017, the Debtors filed their application to employ Munsch Hardt as their general bankruptcy counsel, and Munsch Hardt is filed its Motion to Substitute as Counsel for Debtors.

By order entered February 10, 2017, the Bankruptcy Court authorized the Debtors to retain Munsch Hardt on a final basis, effective as of January 8, 2017, and for the compensation of Munsch Hardt pursuant to interim and final fee applications to be filed by Munsch Hardt [Docket No. 103].

H. RETENTION OF OTHER PROFESSIONALS

Prior to filing their Bankruptcy Cases, the Debtors had retained BFS Law Group to represent them in the following litigation with Zurich:

1. Case No.: 1:15-cv-08696; *Zurich American Insurance Company and American Zurich Insurance Company v. Trendsetter HR, LLC, TSL Staff Leasing, Inc. and Trend Personnel Services, Inc.*; In the United State District Court for the Northern District of Illinois;

2. Case No. 16-3302; *Zurich American Insurance Company and American Zurich Insurance Company and Trendsetter HR, LLC, TSL Staff Leasing, Inc. and Trend Personnel Services, Inc.*; In the United States Court of Appeals for the Seventh Circuit;

3. Case Number 01-15-004-0291; *Zurich American Insurance Company and American Zurich Insurance Company v. Trendsetter HR, LLC, TSL Staff Leasing, Inc., and Trend Personnel Services, Inc*. pending before the American Arbitration Association in Dallas County, Texas;

4. Cause No. DC-15-11728; styled *Trendsetter HR, LLC, TSL Staff Leasing, Inc., and Trend Personnel Services, Inc. v. The American Arbitration Association, Mr. Andrew*

Barton, and Ms. Chelsey Gaida, pending before the 116th Judicial District Court in Dallas, Dallas County, Texas;

5. Civil Action No. 3:15-CV-03226-G; *Trendsetter HR, LLC, TSL Staff Leasing, Inc., and Trend Personnel Services, Inc. v. The American Arbitration Association, Mr. Andrew Barton, and Ms. Chelsey Gaida*, pending before the United States District Court for the Northern District of Texas, Dallas, Division;

6. Appellate Court Case Number: 16-1212, styled *Zurich American Insurance Company, et al., Petitioners – Appellees v. TSL Staff Leasing, Inc., et al., Respondents – Appellants,* pending before the United States Circuit Court of Appeals for the Seventh Circuit in Chicago, Illinois; and

7. Appellate Court Case Number: 16-1213, styled *Zurich American Insurance Company, et al., Petitioners – Appellees v. TSL Staff Leasing, Inc., et al., Respondents – Appellants,* pending before the United States Circuit Court of Appeals for the Seventh Circuit in Chicago, Illinois.

Accordingly, considering BFS's significant involvement in the Zurich litigation prior to filing their Bankruptcy Cases, on December 9, 2016, the Debtors filed their application to retain BFS as special counsel pursuant to section 327 of the Bankruptcy Code [Docket No. 54]. The services for the Debtors and the Estate performed by BFS provide a material benefit to the Debtors and the Estate. On February 10, 2017, the Bankruptcy Court approved BFS's employment [Docket No. 105].

The Debtors also retained Dawn Reagan, of Bridgepoint Consulting, LLC, to serve as their Chief Restructuring Officer in the Bankruptcy Case.

I. THE DEBTORS' OPERATIONS IN BANKRUPTCY

During the course of the Debtors' Bankruptcy Case, the Debtors have succeeded in continuing to operate their business. Although a small number of their client contracts have been lost due to the perceived uncertainties related to the filing of Chapter 11, the Debtors have maintained a large majority of their client contracts and expect to continue to do so. The Debtors' monthly operating reports filed with the Bankruptcy Court, reflect the financial performance of the Debtors during the Bankruptcy Case, and are attached hereto, as described below.

J. OTHER SIGNIFICANT ACTIVITY IN THE BANKRUPTCY CASE

On February 13, 2017, the Debtors filed an objection to the claims filed by Zurich in the Bankruptcy Cases [Doc. 107]. Specifically, the Debtors objected to: (i) Claim Number 6 filed against Trendsetter HR, LLC; (ii) Claim Number 7 filed against Trend Personnel Services, Inc.; and (iii) Claim Number 4 filed against TSL Staff Leasing, Inc. (collectively, the "Subject Claims"), arising out of the certain insurance policies (the "Policies") pursuant to which Zurich provided workers' compensation insurance to the Debtors.

The Debtors objected to the portions of the Subject Claims that sought: (1) a 25% fee for medical cost containment or medical bill review as unenforceable and void under applicable statute and law, as not earned or authorized by the Policies, and as unconscionable; (2) a "loss cost factor" or any other fees under certain "Side Agreements" as unenforceable and void; (3) reimbursement for future losses under the Policies as disallowable under section 502(e)(1)(B) of the Bankruptcy Code; and (4) any collateral, reserve, or security for present or future losses, as disallowable under the Bankruptcy Code. Generally, the Debtors objected to the Subject Claims to the extent they are overstated, and the Debtors requested a reconciliation and detailed breakdown of all past, present, or future losses and deductible amounts. Also, the Debtors requested a credit against the Subject Claims, to the extent otherwise allowed, for prior payments made by the Debtors and allocated by Zurich to medical cost containment or bill review fees, or to loss cost factor charges.

On February 22, 2017, Zurich filed a motion: (1) for relief from stay to allow the arbitration of claims and (2) to stay the Debtors' claim objection (the "Lift Stay Motion") [Docket No. 115]. In its Lift Stay Motion, Zurich argued that the Bankruptcy Court should lift the automatic stay to allow the parties to arbitrate the amount of Zurich's claims against the Debtors. Also, Zurich argued that because most of the issues raised will be adjudicated at arbitration, this Court should stay the Debtors' objection to their claims until the arbitration panel renders its decision.

On March 8, 2017, the Debtors filed their objection to Zurich's Lift Stay Motion [Docket No. 131], and argued that, instead of breaking up the adjudication of one of the central issues—if not the central issue—in the Chapter 11 Case, it would be faster, more efficient, and compliant with policies of reorganization under Chapter 11 to resolve all issues within the centralized forum of the Bankruptcy Court.

K. AVOIDANCE ACTIONS

Unless expressly and specifically released in the Plan or through any order entered in the Bankruptcy Case, all claims and causes of action, including Avoidance Actions, assertable by the Debtors or the Estates, including any of the same assertable against Bobst or any other insider of the Debtors, are reserved and preserved under the Plan and transfer to and vest in the Reorganized Debtors and the Consolidated Estate as otherwise provided for in the Plan, subject to all defenses and affirmative defenses thereto.

There are two principal types of Avoidance Actions. A preference is a lawsuit to recover payments made by the Debtors prior to the Petition Date on debt: payments made within 90 days prior to the Petition Date for non-insiders, and payments made within 1 year of the Petition Date for insiders. A fraudulent transfer is a lawsuit to recover a transfer made by the Debtors which the Debtors made in fraud of creditors or for which the Debtors did not receive reasonably equivalent value, at a time when the Debtors was insolvent or if the transfer rendered the Debtors insolvent (fraudulent transfer claims also encompass potential debts or obligations the Debtors incurred). Under the Bankruptcy Code's provisions, transfers made within 2 years of the Petition Date may be avoided, while under the Texas Uniform Fraudulent Transfer Act, transfers within 4 years may be avoided. Any preference or fraudulent transfer avoidance may then be recovered by a money judgment or an order to return the property transferred. There are various other requirements, as well as affirmative defenses and defenses.

It has been alleged, primarily by Zurich, that the Debtors and the Estates own millions of dollars in fraudulent transfer causes of action against Bobst, due to payments and distributions the Debtors made to Bobst prior to bankruptcy. The Debtors and Bobst dispute this allegation. However, the Debtors have not undertaken a detailed analysis of the potential validity or value of these alleged causes of actions. At a minimum, in order to prove these causes of action, various factual elements would have to be proven, and various defenses and affirmative defenses of Bobst would have to be overcome.

Under the plan, these claims, including the ones against Bobst, are retained and preserved, and are transferred to the Reorganized Debtors and the Consolidated Estate. However, no Creditor that could otherwise assert such claims outside of bankruptcy may assert them under the Plan (although causes of action that are personal to a Creditor, meaning causes of action that the Estates could not also assert, are preserved). So long as the Reorganized Debtors are not in default under the Plan, the Reorganized Debtors have no intention of prosecuting any cause of action against Bobst. However, the claims are preserved such that, if the Reorganized Debtors default and the Bankruptcy Case is converted to Chapter 7, a Chapter 7 trustee would have the benefit of those causes of action and will be able to assert them, subject to all of Bobst's defenses.

ARTICLE VII.
PROJECTIONS, LIQUIDATION ANALYSIS, AND PLAN ALTERNATIVES

A. FUTURE PROJECTIONS

Payments to various Creditors under the Plan are to be made from the Reorganized Debtors' future operations and revenue. According to the Debtors' projections, the Reorganized Debtors will be able to satisfy all operational, overhead, tax, royalty, capital, and other expenses, and fund its obligations under the Plan, for each year of the Plan with net excess cash flow remaining after the payment of all such and all other expenses. Attached hereto as **Exhibit "B"** is a summary of the Debtors' projections under the Plan. All parties are cautioned that the projections do not mean that the Reorganized Debtors will necessarily have that amount of cash on hand at those precise times.

B. MONTHLY OPERATING REPORTS

Attached hereto collectively as **Exhibit "C"** are the monthly operating reports that the Debtors are required to file with the Bankruptcy Court, and that they have filed since the Petition Date through to the date of this Disclosure Statement. These reports are presented such that Creditors can review them for real life evidence of the Debtors' financial performance and in order to make a more informed decision regarding the reasonableness and feasibility of the Debtors' projections.

C. LIQUIDATION ANALYSIS

As a condition to confirmation of a plan, section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that each impaired Class must receive or retain at least the amount of value it would receive if the Debtors was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan. This is frequently referred to as the "best interests" test. The Debtors

present this liquidation analysis to demonstrate that a liquidation of the Debtors would result in substantially lower returns for some Classes.

As reflected on the Debtors' schedules of assets and liabilities, based on the Debtors' business model, the Debtors' primary assets are in the form cash or cash equivalents on hand, accounts receivable, contracts, and Avoidance Actions. A smaller portion of assets are in the form office equipment and furniture, or other deposits and prepayments, which may be subject to setoff rights. Upon a liquidation, the Debtors' business will cease, the Debtors will generate no revenue, and all of the Debtors' property likely be sold or abandoned. The Debtors' future revenue and ability to repay debt would become zero. Also in a liquidation, a Chapter 7 Trustee would choose whether to pursue certain accounts receivable, and such pursuit would increase administrative expenses and would reduce the liquidation value of the Debtors' assets, adding another layer of expenses on top of the Debtors' assets.

The chart below graphically demonstrates the estimated and anticipated results of a liquidation of the Debtors. The Debtors note that this estimation is by definition uncertain. The Debtors and their agents set forth below what their best, educated, and good faith analysis of the same would be. The Debtors also advise Creditors of the following factors, all affecting their liquidation analysis.

(i) The Debtors believe that liquidation under Chapter 7 would result in little to no distributions to Unsecured Creditors because a Chapter 7 trustee is unlikely to sell the Debtors' property for amounts that exceed the Claims of any claimant with senior priority, and there would then be no assets remaining for payment to Unsecured Creditors. Even if there were any remaining assets, Administrative Claims would most likely exhaust those assets and it is highly unlikely that unsecured creditors would receive anything in any Chapter 7 liquidation.

(ii) The Debtors do not have extensive physical personal property that can be readily marketed and sold. Rather, the real value of the Debtors' property is its book of business, customer contacts, and customer contracts. However, in a Chapter 7 liquidation, those customers and contracts would immediately lose substantially all, if not all, of their value. This is because, in a Chapter 7 liquidation, the Debtors' business would "go dark," meaning that all employees would be let go and the Debtors would not be able to serve their customers, who would immediately be forced to find new providers to replace the Debtors' services. Even if a Chapter 7 trustee cold obtain authority to operate the Debtors' business in Chapter for a limited period, which is unlikely (as the trustee would have to be immediately appointed, would have to immediately seek such relief, and would have to immediately obtain such relief), most if not all of the value would be gone.

(iii) With respect to the Debtors' accounts receivable, the value of those receivables would be severely impaired in Chapter 7. This is because the Debtors' clients are unlikely to pay, and may have offsetting counterclaims against, the Debtors if the Debtors cease providing services and the customers are forced to seek immediate replacement and cover providers.

(iv) In a Chapter 7 case, Chapter 7 administrative claims must be paid in full prior to any other claims being paid. This would mean that the administrative claims of the Chapter 7 trustee would have to be paid in full, to the extent allowed by the Bankruptcy Court. Next, unpaid Chapter 11 administrative claims would have to be paid in full before any distribution to Priority Claims and Unsecured Claims.

DEBTORS' LIQUIDATION ANALYSIS	
Book of Business (customers, contacts, and contracts)	$100,000
Accounts Receivable (not intercompany)	$100,000
Cash	$250,000
Office Furniture, Appliances, Computes, Machines, and Software	$100,000
Vehicles	$50,000
Deposits, Prepayments, and Retainers	$0.00
Litigation Claims	unknown
Total Assets for Distribution (without Litigation Claims)	**$600,000**
Chapter 7 Administrative Claims (without litigation fees and expenses)	$100,000
Chapter 11 Professional Claims (net of retainers)	$250,000
Chapter 11 Provider Administrative Claims (alleged)	$180,000
Secured Tax Claims	$10,000
Priority Claims	$800,000
Percent Distribution to Unsecured Creditors (without Litigation Claims)	**0.00%**

Therefore, and even applying a liberal estimate of the liquidation value of the Debtors' assets, Unsecured Claims are highly likely to receive no distribution in Chapter 7 while Priority Claims are highly likely to not be paid in full. This conclusion assumes, however, no value to the Debtors' litigation claims, the largest ones of which are the Avoidance Actions.

As has been discussed above, the Debtors made transfers prior to the Petition Date to various non-debtor insiders, including to Daniel Bobst. These transfers may give rise to Avoidance Actions under the Bankruptcy Code, mainly fraudulent transfer causes of action under the Bankruptcy Code and under the Texas Uniform Fraudulent Transfer Act—as has been alleged by Zurich. The furthest extent of these claims would permit the potential avoidance of transfers made within four years of the Petition Date.

All Creditors are cautioned that the Debtors have not undertaken an analysis of those Avoidance Actions, including the strength of the actions, the strength of any defenses, the collectability of any defendant, and the value of the causes of action.

However, the following is the Debtors' reasonable estimate of the costs of prosecuting such actions. First, whether a trustee hires contingency counsel or hourly counsel, the estimated fees and costs for securing a judgment and defending it on appeal for fraudulent transfer actions, including all experts, costs of litigation, depositions, and the like, is 40%. The trustee would be entitled to compensation estimated at 5% of the collected amounts of the actions. Thus, an

estimated amount of 45% would come off the top before any potential recovery flows to Unsecured Creditors. Then, because there would likely be unpaid Priority Claims, upwards of $750,000 of the next recoveries would go to those creditors.

Under the Plan, Priority Claims are paid in full, and (non-priority) Unsecured Claims are paid approximately $3.5 million over time—and potentially more, if the Equity Auction results in greater Equity Funding than is presently offered. This means that, in order to obtain a greater recovery in Chapter 7 from the Avoidance Actions, a trustee would have to obtain and *collect* judgments in excess of $9 million, such that the net return to Unsecured Creditors would equal $3.5 million after the costs of litigation are considered, the trustee's compensation is considered, and after Priority Claims are paid in full. It is possible under the Texas Fraudulent Transfer Act to obtain an award of attorney's fees and expenses against a defendant, although this is discretionary. Assuming that the trustee would be awarded such fees and expenses and would *collect* them from the defendants, the trustee would still have to obtain and collect a judgment in excess of $4.5 million such that the net return to Unsecured Creditors would equal $3.5 million after the trustee's compensation is considered, and after Priority Claims are paid in full. And, the foregoing is a "best case" scenario: rarely is the full face amount of a transfer fully avoided (as there are defenses and affirmative defenses) and rarely is the full amount of a judgment fully collected from an individual.

Here, there simply are not $9 million or even $4.5 million of Avoidance Actions against the insiders even on the face of the amounts involved. Therefore, whatever the actual merit and value of the Avoidance Actions may be, there simply are not enough transfers or Avoidance Actions on their face to equal or exceed the return to Unsecured Creditors under the Plan even if every dollar of every Avoidance Action is successfully avoided, recovered, and collected. Furthermore, there is timing to be considered. To collect on an Avoidance Action, a trustee must first sue, which will likely tame time. Then, there must be a trial, estimated to be 1 year later on a best case scenario. Then, there are potential appeals to the District Court and later to the Fifth Circuit Court of Appeals. Then there are potential collection actions that must be prosecuted—assuming a defendant has funds to pay and does not itself file bankruptcy, which would add years to any recovery. Thus, a litigated recovery on Avoidance Actions can reasonably be estimated to take four years, although a trustee can recover funds much faster by way of settlement, but then likely only for large discounts. The Debtors therefore believe that confirmation of the Plan represents the highest and best return to all Creditors, and Unsecured Creditors in particular.

D. ALTERNATIVES TO CONFIRMATION OF THE PLAN

There are two basis alternatives to the Plan. First, liquidation of the Debtors is an alternative. However, as discussed above, the Debtors believe that this would lead to a much lower return and repayment to most if not all creditors. Second, a different plan of reorganization or sale could be proposed, if the Debtors' exclusive right to propose a plan is terminated. However, such a plan, unless it is a sales plan, would again depend on future operations and cash flow, the same as the current Plan, but would likely not have the benefit of the Equity Funding and the Plan Security. Moreover, a very large portion of the Debtors' business is due to the personal participation, reputation, and contacts of Daniel Bobst. A plan that seeks to sell or reorganize the Debtors without his active participation and support is highly

unlikely to be successful, and neither the Debtors nor any creditor can force his continuing participation and support.

ARTICLE VIII.
RISK FACTORS

A. ESTIMATED RECOVERY RISKS

The greatest economic risk under the Plan is uncertainty regarding future demand, competition, or other market changes with respect to the Debtors' industry. Thus, because the Plan contemplates the Debtors' reorganization, and because payments to Creditors would be made over time under the Plan, there is a risk that the Debtors would not be able to make the payments required under the Plan if the future market demand declines for the Debtors' services beyond what the Debtors reasonably anticipate, or if some other unexpected event occurs. The Debtors' projections, as discussed above, represent a middle, base, fairly conservative model. Another economic risk under the Plan is potential increases in expenses. Here, given the Debtors' experience and knowledge, the Debtors believes that they have reasonably projected future expenses. The Debtors do not reasonably expect materially increased expenses while, if the Reorganized Debtors' expenses materially increase, that is most likely the result of increased business, which would be more beneficial through increased revenue than the incremental increase in expenses that would be involved. Moreover, the Debtors believe that, once they are out of bankruptcy, their business operations and profitability will likely increase.

B. BANKRUPTCY RISKS

Insufficient Acceptances. For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by Claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Debtors reserve the right to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Debtors would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

Confirmation Risks. The following specific risks exist with respect to confirmation of the Plan:

(a) Any objection to confirmation of the Plan can either prevent confirmation of the Plan, or delay such confirmation for a significant period of time.

(b) Since the Debtors may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes, the cramdown process could delay confirmation or prevent confirmation if the Bankruptcy Court finds that the cramdown standards have not been met.

(c) The Bankruptcy Court may take the confirmation of the Plan under advisement, meaning that the Bankruptcy Court may take weeks or months to determine whether to confirm the Plan.

Conditions Precedent. Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may not occur. The Debtors, however, will work diligently with all parties in interest to ensure that all conditions precedent are satisfied.

Feasibility. The Feasibility of the Plan is based, in part, on future projections, which are based on the Debtors' projection of the demand for services provided by the Debtors. Although unlikely, it is possible that a substantial decrease in demand for the Debtors' services may occur prior to the Confirmation Hearing, which may have a materially detrimental effect on the Debtors' projections, thereby rendering the Plan not feasible.

ARTICLE IX.
CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN

THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. THERE ALSO MAY BE STATE, LOCAL OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND OTHER TAX LAWS. NOTHING IN THIS DISCLOSURE STATEMENT OR IN THE PLAN IS MEANT TO PROVIDE ANY TAX ADVICE TO ANY CREDITOR.

ARTICLE X.
CONCLUSION

The Debtors urges holders of Claims impaired Classes to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before 5:00 p.m., Central Standard Time, on _____ ___, 2017.

DATED: APRIL 17, 2017.

MUNSCH HARDT KOPF & HARR, P.C.

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