

SALE PROCEDURES

By motion dated May 13, 2013 (the “Motion”), Oreck Corporation (“Oreck”) and its debtor parent and subsidiaries, as debtors in possession (collectively, the “Debtors” or the “Company”), sought, among other things, approval of the process and procedures through which it will determine the highest or otherwise best price for the purchase of substantially all the assets (the “Assets”) of the Debtors (the “Sellers”). On May __, 2013, the United States Bankruptcy Court for the Middle District of Tennessee (the “Bankruptcy Court”) entered an order (the “Sale Procedures Order”), which, among other things, authorized the Debtors to determine the highest or otherwise best price for the Assets through the process and procedures set forth below (the “Sale Procedures”).

On June __, 2013, as further described below, in the Motion, and in the Sale Procedures Order, the Bankruptcy Court shall conduct a hearing (the “Sale Hearing”), at which the Debtors shall seek entry of an order (the “Sale Order”) authorizing and approving the sale of the Assets (the “363 Transaction”) pursuant to either; (i) that certain Asset Purchase Agreement dated May 13, 2013 (the “APA”) between the Sellers and Oreck Acquisition Holdings LLC (the “Stalking Horse Bidder”), substantially in the form annexed as Exhibit “A” to the Motion; or (ii) a different Successful Bid (as defined below).

OBTAINING DUE DILIGENCE ACCESS

In order to participate in the Bidding Process and obtain access to due diligence materials, each interested party (“Potential Bidder”), must deliver (unless previously delivered) to the Debtors’ financial advisor, Sawaya Segalas & Co., LLC, (“Sawaya”) the following documents: (i) a statement fully disclosing the identity of each Potential Bidder that will be bidding for the Assets or otherwise participating in connection with such bid, and the complete

terms of such participation; (ii) an executed confidentiality agreement in form and substance reasonably satisfactory to the Debtors, (iii) written evidence of that party's financial ability and experience sufficient to close a sale of the magnitude contemplated herein,

If the Debtors, in their business judgment, determine that a Potential Bidder is reasonably likely to make a bona fide offer that would result in greater value being received for the benefit of the Sellers' estates than under the APA (a "Qualifying Expression of Interest"), then the Debtors shall afford such Potential Bidder reasonable due diligence, provided, a competitor of the Debtors ("Potential Competitor Bidder"), will not be given access to confidential proprietary business information regarding the Debtors

The Debtors, along with their advisors, shall coordinate all reasonable requests for additional information and due diligence access from Potential Bidders; provided, however, that the Debtors may decline to provide such information to Potential Bidders who, in the Debtors' reasonable business judgment, have not established that such Potential Bidder intends in good faith, or has the capacity, to consummate the purchase of the Assets. No conditions relating to the completion of due diligence shall be permitted after the Bid Deadline. Potential Bidders are advised to exercise their own discretion before relying on any information regarding the Assets provided by anyone other than the Debtors or their representatives.

Neither the Debtors nor any of their affiliates (or any of their respective representatives) are obligated to furnish any information relating to the Sellers, the Assets, and/or the 363 Transaction to any person except to the Stalking Horse Bidder or another Potential Bidder who makes a Qualifying Expression of Interest. The Debtors shall simultaneously give the Stalking Horse Bidder (i) any materials not previously provided to the Stalking Horse Bidder that contains information and financial data with respect to the Assets and (ii) access to all due

diligence information provided to any other Potential Bidder.

The Debtors shall coordinate all reasonable requests for additional information and due diligence access from a Potential Bidder. If the Debtors determine that due diligence material requested by a Potential Bidder is reasonable and appropriate under the circumstances, but such material has not previously been provided to any other Potential Bidder or the Stalking Horse Bidder, the Debtors shall provide notification of such transmission to the Potential Bidder of material not previously provided to the Stalking Horse Bidder and provide those same materials simultaneously to any other Potential Bidder and the Stalking Horse Bidder.

Unless the Debtors determine otherwise, the availability of additional due diligence to a Potential Bidder will cease after the Bid Deadline (as defined below).

BIDDING REQUIREMENTS

In order to participate in the bidding process, a Potential Bidder or a Potential Competitor Bidder must first deliver the following materials to the Debtors:

A statement setting forth the Potential Bidder's financial capacity and wherewithal of providing a bid greater than the Stalking Horse Bid, which may include (i) the most current audited, if any, and latest unaudited financial statements of the Potential Bidder, (ii) if the Potential Bidder is an entity formed for the purpose of purchasing the Assets, (x) financials of the equity holder(s) of the Potential Bidder or such other form of financial disclosure acceptable to the Debtors, and/or (y) the written commitment acceptable to the Debtors from a lender of the Potential Bidder's ability to be responsible for the Potential Bidder's obligations in connection with purchasing the Assets, or (iii) other demonstration of the financial capacity of the Potential Bidder.

A "Qualified Bidder" is a Potential Bidder or Potential Competitor Bidder whose Financials (or the Financials of its equity holder(s), if applicable) demonstrate the financial capability to consummate the 363 Transaction, whose bid meets all of the Bid Requirements described below *and* that the Debtors, in their discretion but after consulting with the committee

of unsecured creditors appointed in these Chapter 11 cases (the “Creditors Committee”), or the U.S. Trustee, if no Creditors Committee has been appointed, determine is likely to consummate the 363 Transaction, if selected as the Successful Bidder, after taking into account all relevant legal, regulatory, and business considerations. The Stalking Horse Bidder is a Qualified Bidder for all purposes hereunder and is not required to make a Good Faith Deposit (as defined below).

Within two (2) business days after the Debtors receive from a Potential Bidder all the materials required above, the Debtors shall determine, in consultation with their advisors, and the Creditors Committee, and shall notify the Potential Bidder in writing, whether the Potential Bidder is a Qualified Bidder.

BID REQUIREMENTS

The deadline for submitting bids by a Qualified Bidder shall be June 28, 2013, at noon (Central Time) (the “Bid Deadline”)

Prior to the Bid Deadline, a Qualified Bidder that desires to make a bid shall deliver (i) one written copy of its bid, and (ii) a copy of the APA that has been marked to show amendments and modifications to the APA, including price and terms, that are being proposed by the Qualified Bidder (a “Marked Agreement”), to the Debtors advisers, Sawaya or such other person as the Qualified Bidder may be directed. A copy of the Marked Agreement will be provided to (a) Oreck Corporation, Attn: Mike Robbins, 565 Marriott Dr., Suite 300, Nashville, TN 37214, (b) Bradley Arant Boult Cummings LLP, attorneys for the Debtors, Roundabout Plaza, 1600 Division Street, Suite 1700, Nashville, Tennessee 37203 (Attn.: William L. Norton, III); (e) the attorneys for the Creditors Committee; and (f) Office of the United States Trustee for the Middle District of Tennessee.

A “bid” should include the following:

- A. Provide for a purchase price of no less than \$24,132,000 million, consisting of a cash bid of not less than (i) \$14.5 million; (ii) the amount of the Break Up Fee (\$800,000); (iii) the amount of the actual and documented reasonable fees and expenses of the Stalking Horse Bidder (\$1,200,000); *plus* (iv) an initial overbid of no less than \$250,000. Including within the purchase price within the APA are the following assumption of liabilities of the Debtors:
- (i) Cure amounts of \$500,000 and up to an additional \$500,000 for a total of \$1,000,000;
 - (ii) warranty claims of the Sellers asserted before or after the Closing Date relating to products or services sold or rendered prior to the Closing Date in an amount not to exceed \$3,800,000;
 - (iii) coupon liability of the Sellers not to exceed \$400,000;
 - (iv) certain royalty payments owed by the Sellers to Contico International, Inc. ("Contico") under that certain Supply Agreement dated as of August 11, 1998 by and between Oreck Corporation and Contico in an amount not to exceed \$300,000;
 - (v) contingent customer return liability of the Sellers in an amount not to exceed \$1,400,000; and
 - (vi) credit balances of the Sellers' customers up to \$982,000.
- B. Constitute a good-faith, bona fide offer to purchase the Assets on terms that are substantially similar to and not more materially burdensome or conditional than the terms of the APA;
- C. State that the Qualified Bidder is financially capable of consummating the transactions contemplated by the Marked Agreement and maintains financial and other information that will allow the Debtors and their respective advisors to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transactions contemplated by the Marked Agreement, including, without limitation, such financial and other information setting forth adequate assurance of future performance under Bankruptcy Code section 365;
- D. Not request or entitle the Qualified Bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment;
- E. Fully disclose the identity of each entity that will be bidding for the Purchased Assets or otherwise participating in connection with such bid and the complete terms of any such participation;
- F. State that, if such Qualified Bidder submits the Successful Bid or Back-Up Bid (each as defined herein), such Qualified Bidder's offer is irrevocable until the closing of the purchase of the Assets; provided, however, that if the offer of such Qualified Bidder is deemed to be the Back-Up Bid, the Qualified Bidder's offer is irrevocable until the earlier of 5:00 p.m. prevailing Central Time on the date that is (a) the Outside Back-Up Date (as defined herein) or (b) the closing of the Sale with the Successful Bidder (as defined herein);

- G. Not contain any due diligence or financing contingencies of any kind, and contain evidence that the Qualified Bidder has received debt and/or equity funding commitments, or has financial resources readily available and sufficient in the aggregate to finance the purchase of the Assets, which evidence is reasonably satisfactory to the Debtors;
- H. Include evidence of authorization and approval from the Qualified Bidder's board of directors or comparable governing body with respect to the submission, execution, delivery, and closing of the Marked Agreement; and
- I. Be accompanied by a deposit (the "Good Faith Deposit") in the form of a certified check or wire transfer of immediately available funds payable to the order of Oreck Corporation in an amount equal to \$2.0 million.

Each of the foregoing are collectively referred to herein as the "Bid Requirements."

A timely bid received from a Qualified Bidder that meets the requirements set forth above will be considered a Qualified Bid if the Debtors, in consultation with their advisors, and the Creditors Committee or the U.S. Trustee, reasonably believe that such bid would be consummated if selected as the Successful Bid (as defined below). For all purposes hereof, the Stalking Horse Bidder's offer to acquire the Assets pursuant to the APA shall constitute a Qualified Bid.

Prior to the Auction, the Debtors shall evaluate the Qualified Bids and identify the Qualified Bid that is, in the Debtors' reasonable business judgment, the highest or otherwise best bid (the "Starting Bid"). No later than twelve (12) hours prior to the start of the Auction, the Debtors shall notify the Stalking Horse Bidder and other Qualified Bidders as to which Qualified Bid is the Starting Bid. At least 3 business days prior to the Auction, all Qualified Bidders and the Stalking Horse Bidder will receive copies of the offers made by the other Qualified Bidders and the Debtors selection of the Starting Bid.

The Sale of the Assets shall be in accordance with certain representations, warranties, and covenants of the Stalking Horse Bidder and the Debtors as set forth the APA. Except as otherwise provided in the APA, all of the Debtors' right, title, and interest in and to the Assets

shall be sold free and clear of all liens, claims, and encumbrances and successor liability in accordance with section 363(f) of the Bankruptcy Code, which such liens, claims, or encumbrances to attach to the net proceeds (if any) of the Sale of the Assets.

Each bidder shall be deemed to acknowledge and represent that it has had an opportunity to inspect and examine the Assets, and to conduct any and all due diligence related thereto prior to making its offer, that it relied solely upon its own independent review, investigation, and/or inspection of any documents and materials in making its bid, and that it did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law, or otherwise, regarding the Sellers or the Assets, the completeness of any information provided in connection therewith, or the Auction, except as expressly stated in the Bidding Procedures or, as to the Successful Bidder, in its own Marked Agreement.

AUCTION PROCESS

If one or more Qualified Bids are received by the Bid Deadline, the Debtors shall conduct the auction of the Assets (the "Auction"). If no Qualified Bids are received other than from the Stalking Horse Bidder, the Debtors shall cancel and not hold an Auction; the APA shall be deemed to be the highest or best offer; the Stalking Horse Bidder shall be the Successful Bidder (as defined below), and the Debtors shall proceed to close the APA with the Stalking Horse Bidder following entry of the Sale Order. The Auction shall commence at 10:00 a.m. prevailing Central Time on June ____, 2013 at the offices of Bradley Arant Boult Cummings, 1600 Division St., Suite 700, Nashville, TN 37203, or at such later time or other place as the Debtors shall timely notify (but in no event less than two (2) business days notice) the Stalking Horse

Bidder and all other Qualified Bidders.

The Auction shall be conducted in accordance with the following procedures (the “Auction Procedures”):

- A. the Auction shall be conducted openly;
- B. only the Qualified Bidders, including the Stalking Horse Bidder, shall be entitled to bid at the Auction;
- C. the Qualified Bidders, including the Stalking Horse Bidder, shall appear in person or through duly-authorized representatives at the Auction;
- D. only such authorized representatives of each of the Qualified Bidders, the Stalking Horse Bidder, the Debtors, their respective advisors, and the advisors to the Committee and U.S. Trustee shall be permitted to attend the Auction;
- E. the Stalking Horse Purchaser shall be entitled to credit bid its Break Up Fee and its reasonable, actual, and documented expenses incurred up to the date of the Auction (subject to the cap fixed in the APA.);
- F. bidding at the Auction shall begin at the Starting Bid;
- G. subsequent bids at the Auction, including any bids by the Stalking Horse Bidder, shall be made in minimum increments of \$250,000, provided that the minimum increment may be increased to \$500,000 or such other amount at the Debtors’ discretion;
- H. each Qualified Bidder shall be informed of the terms of the previous bids;
- I. the bidding shall be transcribed to ensure an accurate recording of the bidding at the Auction;
- J. each Qualified Bidder shall be required to confirm on the record at the Auction that it has not engaged in any collusion with respect to the bidding or the Sale;
- K. absent irregularities in the conduct of the Auction, the Bankruptcy Court shall not consider bids made after the Auction is closed; and
- L. the Auction shall be governed by such other reasonable procedures as may be announced by the Debtors, after consultation with its advisors, from time to time on the record at the Auction.

The Auction shall continue in one or more rounds until there is only one offer that the Debtors shall identify as the highest or otherwise best bid (the “Successful Bid”). The Qualified Bidder having submitted the Successful Bid shall be deemed the “Successful Bidder.” The Debtors and the Successful Bidder shall, as soon as commercially reasonable and practicable,

complete and sign all agreements, contracts, instruments, or other documents evidencing and containing the terms upon which the Successful Bid was made. If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid only when such bid is declared the Successful Bid at the Auction and definitive documentation has been executed in respect thereof. Such acceptance is conditioned upon approval by the Bankruptcy Court of the Successful Bid and the entry of an order approving such Successful Bid.

If an Auction is conducted, the party with the second highest or otherwise best Qualified Bid (including, for this purpose, the Stalking Horse Bidder), as determined by the Debtors in the exercise of their reasonable business judgment and in consultation with their advisors, shall be required to serve as a back-up bidder (the “Back-Up Bidder”) and keep such bid (the “Back-Up Bid”) open and irrevocable until the earlier of 5:00 p.m. prevailing Central Time on the date that is (a) fifteen (15) days after the date of the Sale Hearing (the “Outside Back-Up Date”) or (b) the closing of the Sale with the Successful Bidder. The Back-Up Bidder may advise the Debtors within five (5) days of the Sale Hearing of its intention to withdraw from the bidding in which case the Debtors may select a secondary Back-Up Bidder.

ACCEPTANCE OF SUCCESSFUL BID

The Debtors shall present to the Bankruptcy Court at the Sale Hearing the Successful Bid that the Debtors, in their business judgment, determine, in consultation with their advisors, and the Creditors Committee, would provide the highest or best offer for the Assets and is in the best interests of the Debtors and their estates in the Debtors’ Chapter 11 cases. At the Sale Hearing, certain findings will be sought from the Bankruptcy Court, including that (i) the Successful Bidder was selected in accordance with these Bidding Procedures, and (ii) consummation of the 363 Transaction as contemplated by the Successful Bid will provide the highest or otherwise best

value for the Assets and is in the best interests of the Debtors and their estates in these Chapter 11 cases.

In the event that, for any reason, the Successful Bidder fails to close the 363 Transaction contemplated by its Successful Bid, then, without notice to any other party or further Bankruptcy Court order, the Debtors shall be authorized to close with the Back-up Bidder.

Except as otherwise provided in this paragraph with respect to the Successful Bidder and the Back-up Bidder, the Good Faith Deposits of all Qualified Bidders required to submit such a deposit under the Bidding Procedures shall be returned upon or within two (2) business day after entry of the Sale Order. The Good Faith Deposit of the Successful Bidder required to submit such a deposit under the Bidding Procedures shall be held until the closing of the 363 Transaction and applied in accordance with the Successful Bid. The Good Faith Deposit of the Back-Up Bidder shall be retained in escrow until 48 hours after the closing of the 363 Transaction. If the closing does not occur, the disposition of Good Faith Deposits shall be as provided in the Successful Bid and Back-Up Bid, as applicable.