

Memo

Date: 05/17/2013
To: All Employees
From: Mark J. Gendregske
RE: Employee Update

Dear Employee,

I am writing to share some significant news on our ongoing plans to make Allied a stronger Company now and for the next 80 years.

I'm pleased to announce that we have reached an agreement in principle to sell the Company to our primary lenders. They are interested in buying the Company because they understand Allied's value and believe we're positioned for a bright future. I couldn't agree more.

This process has admittedly taken longer than anticipated, in part because of litigation between other parties. The litigation has created some challenges for the business, which many of you are familiar with. I'm proud to say that we have met every single one of those challenges and that our business continues to eclipse projections. We're clearly good at what we do and our customers know that. We just need to take that next step and emerge from the bankruptcy process with a healthier balance sheet. The proposed sale will set us on the path to accomplishing that.

That said, because we are an industry leader I expect other parties may also express an interest in purchasing the Company. For that reason, we are seeking Court permission to conduct a sale process that will ensure we maximize the value of the Company for both our benefit and the benefit of our customers and stakeholders.

Specifically, we are requesting permission to conduct an auction at which the current offer from our lenders will be the opening bid. I am confident that once others hear about this process, they will come to the table with offers of their own.

The important thing is that the Company gets to select the winning bidder. That means that we can and will select the buyer that we believe provides the most value and best positions Allied going forward. We expect to hold the auction this summer, in late July or early August, and will share any news as soon as it develops.

Under this agreement, the Company would continue normal operations during the sale process and after the sale closes, just with new owners.

Additionally, the lenders have also agreed to provide us with up to \$33.5 million in new debtor-in-possession financing. The proposed financing, along with cash generated from operations, will provide the Company with ample liquidity to support our continued operations during the sale process.

I know we've all been extremely busy. We've asked some of you to do even more by helping prepare materials and data for the sale process. I sincerely appreciate your help with this and hope to take up as little of your time as possible so you can focus on your day-to-day responsibilities.

We began this process almost a year ago and I could not be more proud of the job each and every one of you has done. Our employees are the reason why Allied has remained an industry leader. Thank you for your hard work and commitment.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark J. Gendregske". The signature is written in a cursive style with a large, prominent initial "M".

Mark J. Gendregske
President, Chief Executive Officer
Allied Systems Holdings, Inc.
"Safety First"