

Stadium Capital Releases Letter to Insperty, Inc. Shareholders

Believes Company is Deeply Undervalued and that Opportunities Exist to Greatly Improve Operating and Stock Price Performance

Explains Stadium's Rationale for Voting Against Current Slate of Directors

Urges Board to Engage in Formal Strategic Alternatives Process

NEW CANAAN, CT April 22, 2014 /PRNewswire/ — Stadium Capital Management GP, LP and its affiliates (collectively referred to as "Stadium"), which own approximately 2.3 million shares, or about 9% of the common stock of Insperty, Inc. ("Insperty" or the "Company") (NYSE:NSP), today announced that it had released a letter to fellow Insperty shareholders. Stadium has been a shareholder since 2008 and the Company's largest shareholder since the middle of 2012. The letter explains Stadium's rationale for voting against the Company's current slate of directors in the upcoming election and why Stadium believes the board should initiate a formal review of strategic alternatives.

In the letter, Stadium states that Insperty is trading at a steep discount to its intrinsic value and to its Peer Group Index as a result of the following:

- Poor operating results
 - Substantial operating underperformance compared with Insperty's own publicly shared long-term and shorter-term operating goals
 - Unacceptably poor operating performance compared to the Company's Peer Group Index
- Excessive executive compensation and perquisites
 - The Company's CEO and executive team have received over \$50 million in compensation over the last five years in spite of serious underperformance versus their own publicly communicated goals and guidance
 - Insperty provides the CEO unlimited use of two enormous private jets, paid for by shareholders to commute between his multiple residences and the company's headquarters in Houston. This includes quasi-daily flights between Houston, TX and the CEO's primary residence in Dallas, TX. The company also allows the CEO and other executives unlimited personal use of these aircraft with only partial reimbursement to the Company
- Excessive expense structure
 - The Company uses its large aircraft for "business" travel more than 750 hours annually. Stadium believes that these excessive travel expenses alone may equate to almost \$8 million annually, which is a major percentage of the Company's operating profits
- Poor governance
 - Stadium believes the Company's current board has failed in its duties on a variety of issues related to operating results, expense management, executive compensation and financing strategy

Stadium hopes other Insperty shareholders will examine the details of its letter to shareholders and understand why Stadium has elected to vote against the Company's current slate of directors. The full text of the letter follows:

STADIUM CAPITAL MANAGEMENT GP, LP

April 22, 2014

To our fellow Insperty shareholders:

Stadium Capital Management GP, LP and its affiliates (collectively "Stadium" or "We") currently own approximately 2.3 million shares of common stock of Insperty, Inc. ("Insperty" or the "Company"), or about 9% of the Company's outstanding common stock. We have been a shareholder since 2008 and the Company's largest

shareholder since the middle of 2012. We believe Insperty is substantially undervalued because of both poor operating performance and severe corporate governance failures. The purpose of this letter is to:

- Explain why Stadium intends to vote against the current slate of directors; and
- Convey the substantial governance changes we believe are required at Insperty to generally maximize shareholder value and specifically allow for the facilitation of an independent strategic alternatives process.

Stadium is a long-term oriented, research-driven investment management firm that focuses on smaller capitalization public companies. Over the past ten years, we have met with Insperty management numerous times and, more importantly, conducted intensive due diligence and research on the business. This has included, among other things, almost two hundred Insperty customer and competitor research calls. We learned from our deep research that the Company provides valuable services to its customers and that the long-term opportunity for organic customer growth remains strong, despite the Company's lackluster growth and cost mismanagement over the past several years. We have been continuous, patient and supportive shareholders of Insperty since 2008. Since our strategy's inception over 17 years ago, we have prided ourselves on our constructive, supportive relationships with our portfolio companies. It is highly unusual for us to express formal and serious frustration with the conduct and performance of a portfolio company. As high as this bar is, unfortunately in this case we feel the need to convey to fellow shareholders our deep dissatisfaction with the situation at Insperty. We believe the governance changes detailed below would encourage increased investor interest and confidence, which in turn could result in a materially higher trading multiple for the Company that is also more consistent with its peers and the overall market. We believe that this, combined with obvious operating expense changes and a more rational capital structure, should result in Insperty's being worth approximately \$45-60/share in the public markets, which is a significant premium to yesterday's close of \$30.88/share.

We also believe a strategic alternatives process is warranted now because over a multiyear period the Company's operating results and share price have dramatically underperformed those of its competitors, the Company's Peer Group Index¹ and all market indices, despite being in a growing and attractive industry. We have specific knowledge of serious current and past private equity interest in the Company. We also believe the interest from a broad range of strategic players would be high as well. Combining Insperty's large and loyal customer base with a more efficient cost structure or with an emergent, cloud-based HR technology company could represent a compelling value creation scenario for Insperty's shareholders. The current board and management have had ample time to generate superior shareholder returns and have clearly failed to do so, as we will illustrate below. Now is the time to see if the value of this business can be optimized by someone else.

199 Elm Street
New Canaan, CT 06840
(203) 972-8235 Fax: (203) 972-2988

STADIUM CAPITAL MANAGEMENT GP, LP

Over the last several weeks, we have engaged in a series of discussions with the company's officers and directors, including providing management with much of our analyses concerning the issues in this letter. We asked the board to make several governance and expense changes that we believe would benefit all non-management shareholders. We also asked for three Stadium representatives on Insperty's board as a way to align the board properly with shareholders' interests. The board refused our governance and expense control suggestions, but did eventually offer to appoint one Stadium representative to the board, claiming additional representation beyond one director would not benefit all shareholders. Given the seriousness of the issues we see at the Company, we strongly believe additional board seats are warranted and required to effect real change, and consequently we ultimately rejected the Company's counterproposal. In fact, the premise that adding three Stadium directors would somehow be contrary to the interests of all shareholders only confirms the board's surprising lack of basic governance principles. As most investors know, there is nothing about being a large shareholder that creates misalignment with other shareholders; on the contrary, a large shareholder by its very nature is much more aligned with other shareholders (of any size) than are directors with minimal holdings or insider manager/shareholders. This, however, is an all too common misconception (or convenient excuse) used by managers and directors who lack shareholder value creation incentives and mindsets.

In the spirit of embarking on a constructive and private path forward, we offered to compromise and accept two board seats, rather than the requested three board seats. This compromise was rejected by the Company as well. To be clear, Insperty has two management representatives on the board, including the Chairman's role, with

significant and obvious potential for misalignment of interest with shareholders. Furthermore, the seven non-management directors collectively own approximately 0.7% of Insperty. Even this meager quantity was likely “earned” as compensation for director service, and does not represent a deliberate capital investment in the Company. Somehow, for reasons that defy governance logic, the board seems to view two board seats by the company’s largest shareholder and most-aligned stakeholder in a different light than the seven directors whose collective ownership is a tiny fraction of Stadium’s. In this context, the board’s denial of Stadium’s compromise request for two board seats seems hypocritical, logically inconsistent and self-serving.

Operating Underperformance

As the charts below show, Insperty has significantly underperformed its own operating expectations and the performance of its peers over both the short- and long-term. In fact, Insperty has not grown EBITDA over the past five years at all, and if Insperty achieves the midpoint of its FY 2014 guidance, this will mark six years of essentially no growth in EBITDA². Insperty has also consistently failed in its ability to deliver shareholder value.

In Chart 1, note that Insperty has not remotely achieved its publicly communicated average paid worksite employees objective that was issued in 2011³. As we all know, average paid worksite employees is a critical performance metric for the Company. Chart 2 clearly demonstrates that the Company has performed even more poorly on its EBITDA objective³. Chart 3 illustrates similar underperformance versus the Company’s initial FY 2013 guidance⁴.

STADIUM CAPITAL MANAGEMENT GP, LP

Chart 1: Underperformance vs. 5-year Plan – Average Paid Worksite Employees

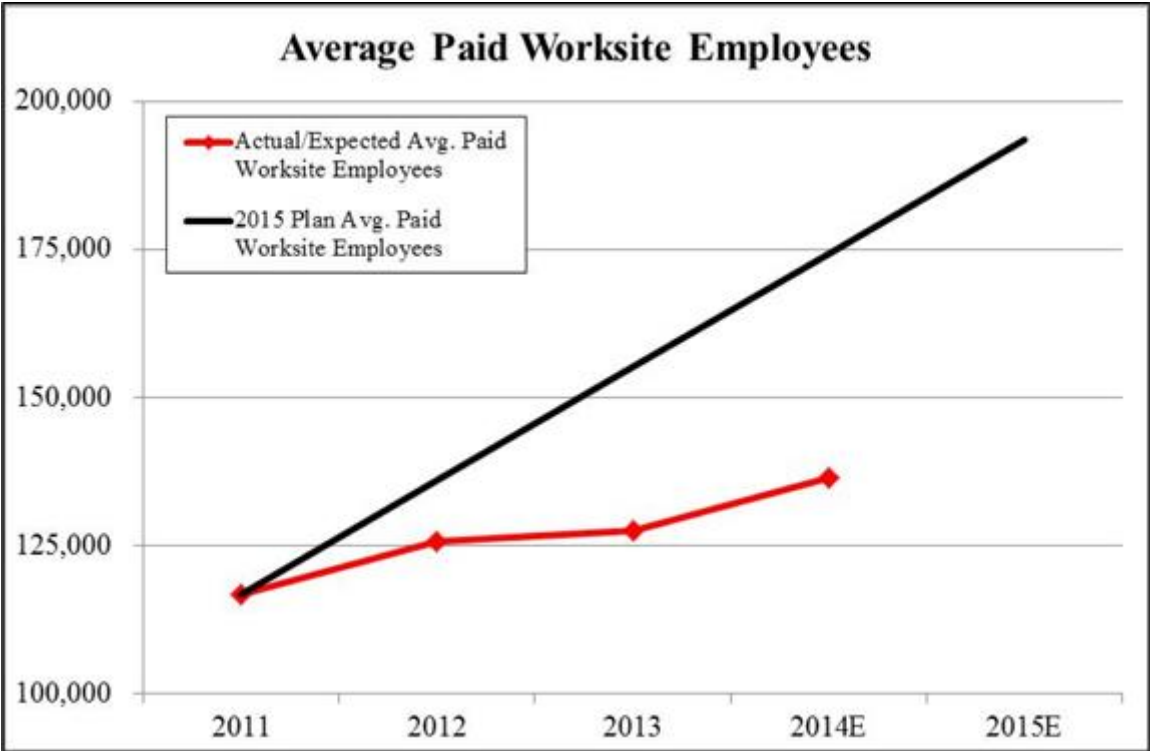
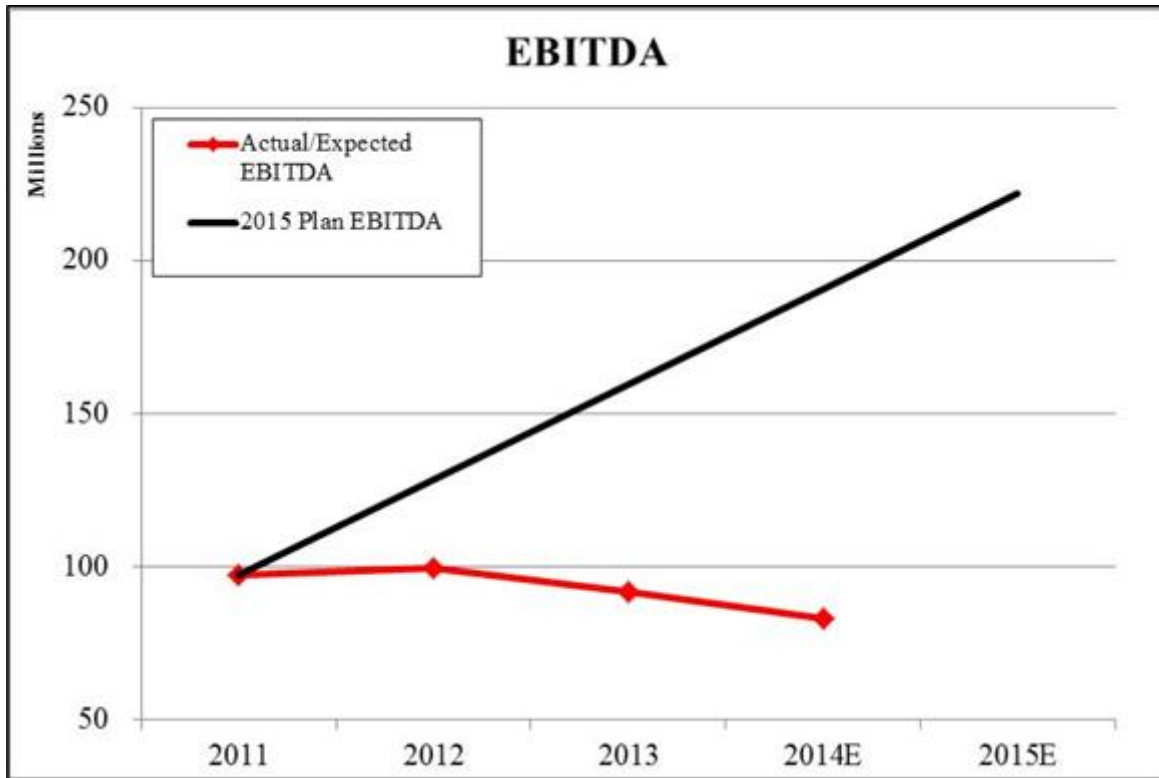
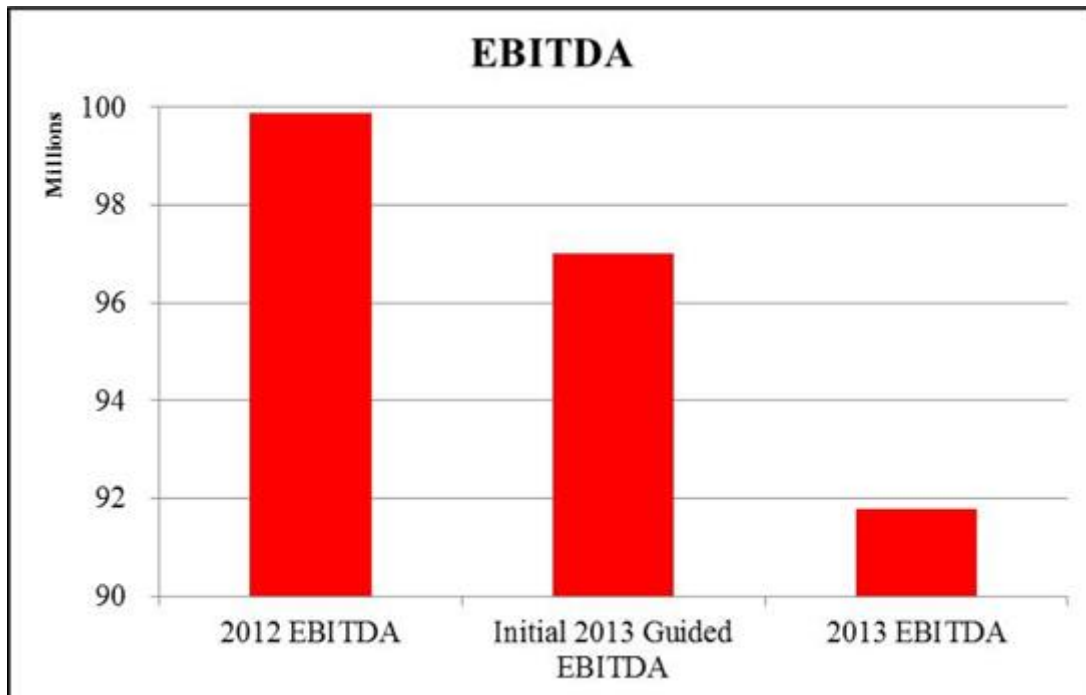


Chart 2: Underperformance vs. 5-year Plan – EBITDA



STADIUM CAPITAL MANAGEMENT GP, LP

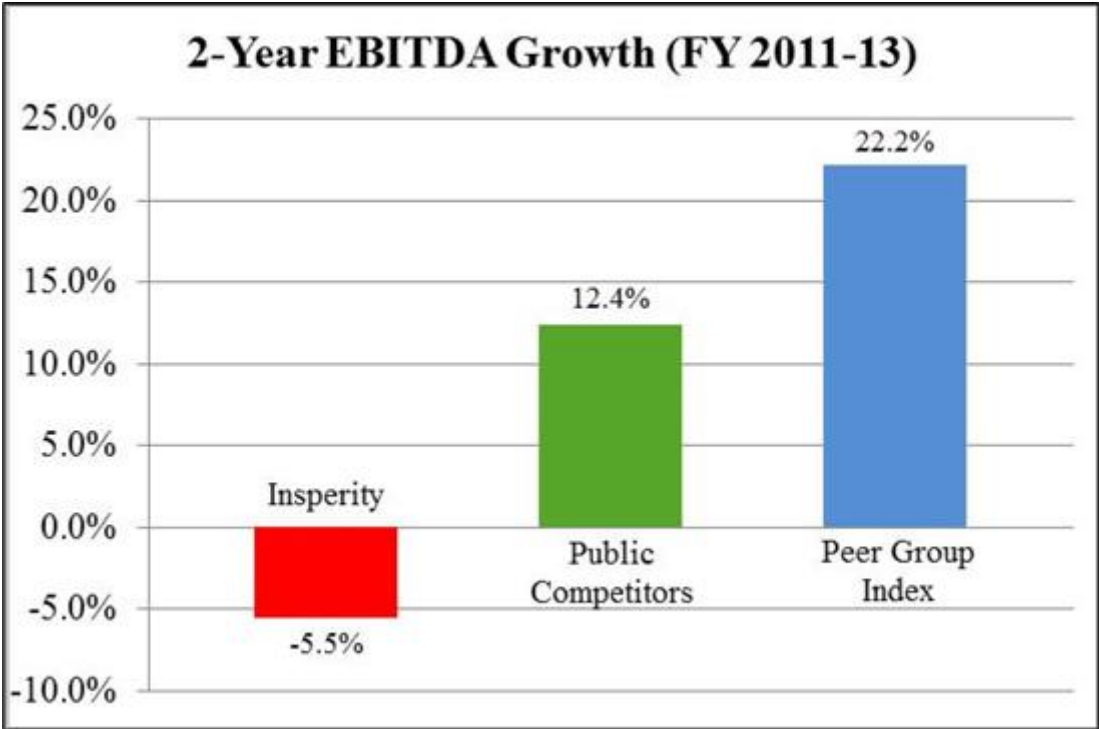
Chart 3: Underperformance vs. 2013 Initial Guidance – EBITDA



In addition to underperforming its own outlook, Insperty's performance has also fallen short of its peers' over the last couple of years. As Chart 4 shows below, Insperty's total EBITDA declined 5.5% from FY 2011 to FY 2013, while its public competitors' ⁵ grew 12.4% and that of the Peer Group Index ⁵ grew 22.2% over a similar time

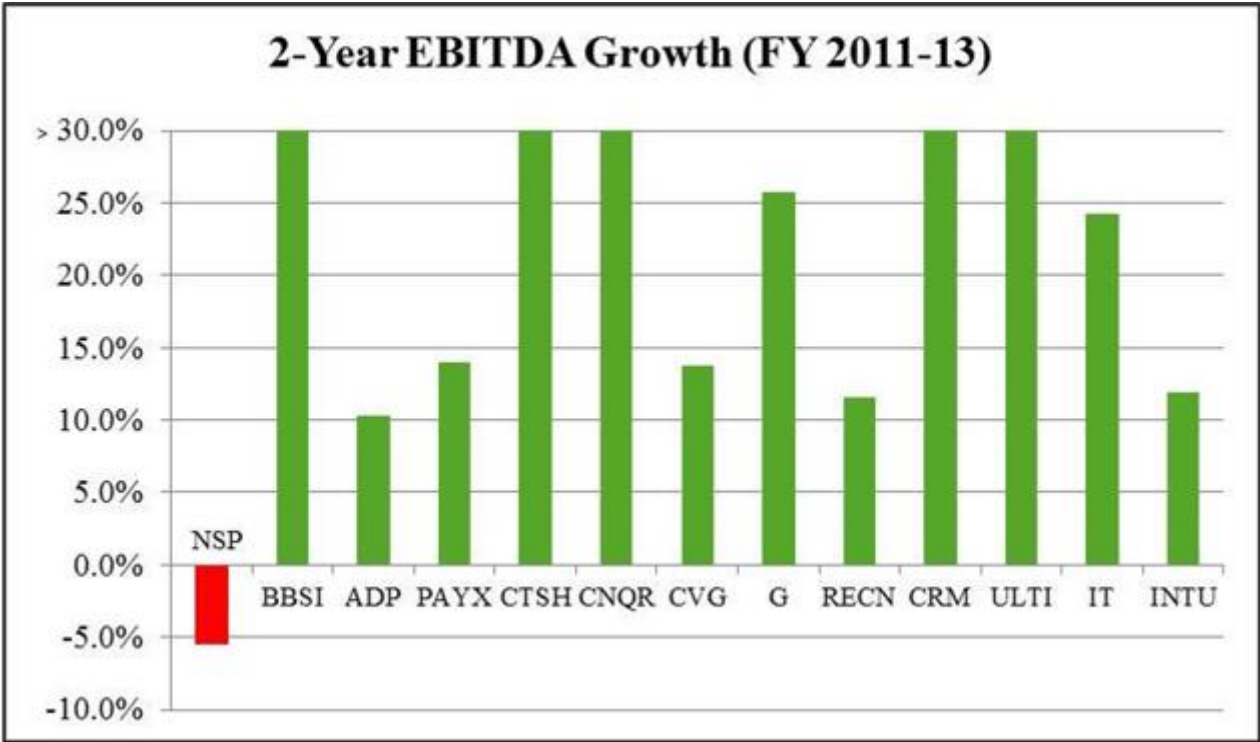
period. Additionally, Chart 5 illustrates that Insperty is the only one of its Peer Group and publically-traded competitors that did not grow EBITDA between FY 2011 and FY 2013.

Chart 4: Underperformance vs. Peers – EBITDA Growth



STADIUM CAPITAL MANAGEMENT GP, LP

Chart 5: Underperformance vs. Peers – EBITDA Growth



Corporate Governance Failures

The board has tolerated the Company's poor operational performance, overpaid the management team that delivered such performance and has allowed, or perhaps even participated in, the misuse of corporate resources to the detriment of the shareholders. For example:

- Despite this period of stagnant EBITDA and dismal shareholder value creation, Insperty's CEO has received nearly \$18 million in total compensation over the last six years, while Insperty's named executive officers ("NEOs") have collectively received nearly \$53 million over the same time period⁶. As we highlighted earlier, Insperty's forecasted EBITDA for FY 2014 is tracking approximately 50% below the rate articulated in the five-year plan released by management in 2011 (also attached in this filing), yet the total compensation for both the CEO and the company's NEOs has remained consistently high. Short-term cash bonuses have typically been too easy to achieve, Insperty's long-term equity incentives lack any form of performance-based vesting, and the board has shown no inclination to reduce management's lavish perquisites.
- In defiance of Insperty's stated policy and despite these generous levels of compensation, the board has continued to allow the CEO to pledge 17% of his shares (1% of Insperty's shares outstanding) as collateral on various loans⁷.
- We believe that the Company's investment in and usage of not one, but two enormous aircraft (37-passenger EMB-135s, retrofitted and configured for luxury corporate travel) is simply a gross and conspicuous misuse of shareholder resources. Insperty's board, via its compensation agreement with the CEO, allows for unlimited and unreimbursed personal use of these two planes, at the sole expense of shareholders, for the CEO to travel between his multiple residences and company facilities. In an effort to gain some understanding of the costs involved, we have reviewed several years of publically

STADIUM CAPITAL MANAGEMENT GP, LP

available flight logs⁸ and believe this arrangement, including quasi-daily and remarkably short commuting between Dallas and Houston via such a large aircraft, is a massive and inexcusable waste of shareholder money. In addition, the management team has made significant personal use of these aircraft. While the CEO and other senior management are required to "reimburse" the Company for variable costs, these costs do not cover the actual total costs of operation including capital costs and maintenance expenses. In addition, the frequency of travel to what appear to be domestic and international golf and other vacation destinations is wholly inappropriate for a full-time and well-paid CEO of a public company. Furthermore, flight logs for these two aircraft suggest that above and beyond the excessive expenses noted above, the Company uses these airliner-sized planes for hundreds of hours of corporate travel. These data suggest that Insperty appears to rack up more than 750 hours annually on these aircraft. Our research suggests that if so, the annual cost to shareholders – including variable, fixed and capital costs – is likely close to \$8 million, a shockingly high proportion of overall Company profitability⁹. If Insperty were to trade at similar multiples to that of its competitors (11-14x EBITDA), the cost to shareholders of this indulgence would equate to approximately \$90-\$110MM in market value, or roughly an increase of 12-15% in the total market value of Insperty.

We believe these clear governance failures may be the product of a board that lacks functional independence or lacks the prudent business judgment to preside over a public company.

The Result: Market Value Underperformance

The growth in Insperty's shareholder value, as reflected in market valuation, has significantly underperformed both its peers and the market indexes. We strongly believe that this is the result of the Company's disappointing and poor operating underperformance combined with the market's perception that Insperty's flawed governance structure will prevent the Company from (a) achieving better results, (b) making the changes required if results are not improved and (c) realizing value to shareholders through a sale of the Company.

Chart 6 below illustrates the degree to which Insperty's market valuation has underperformed versus all relevant benchmarks. Insperty's public market multiple of Total Enterprise Value ("TEV") to EBITDA, currently at 7.4x,

is significantly below the average of its public industry competitors (12.5x), the average of its Peer Group Index (20.6x) and well below the overall market, as defined by the Russell 2000 Index (13.3x)¹⁰.

STADIUM CAPITAL MANAGEMENT GP, LP

Chart 6: Lagging TEV / LTM EBITDA Multiples

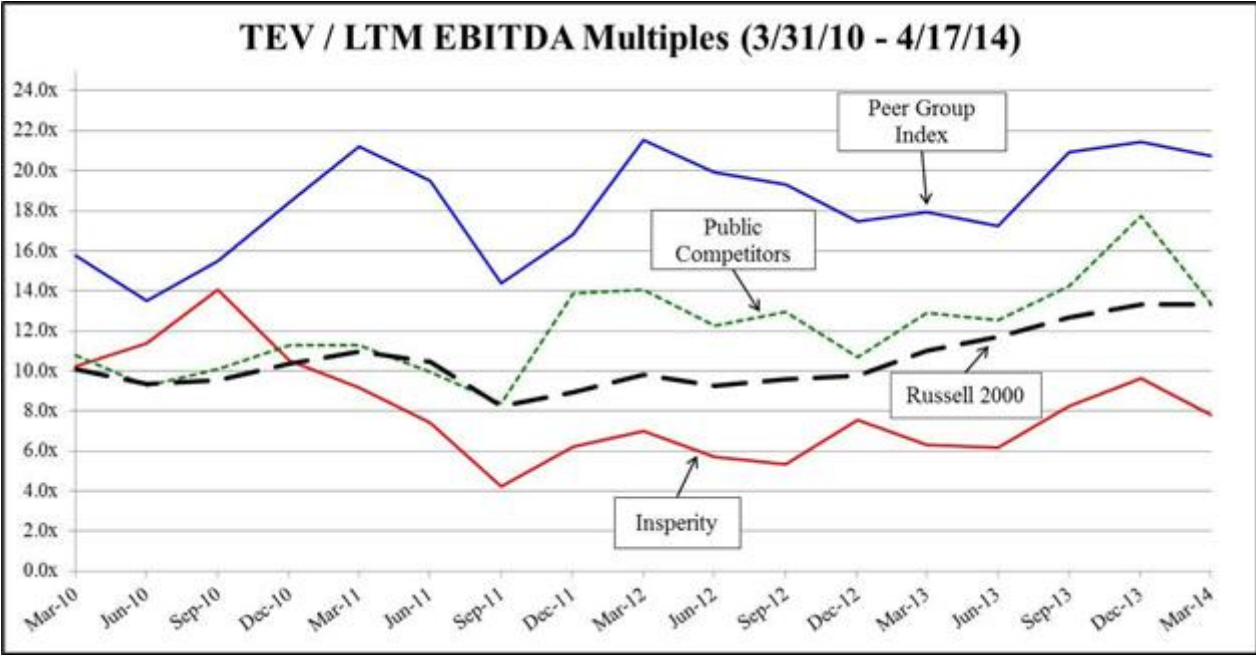
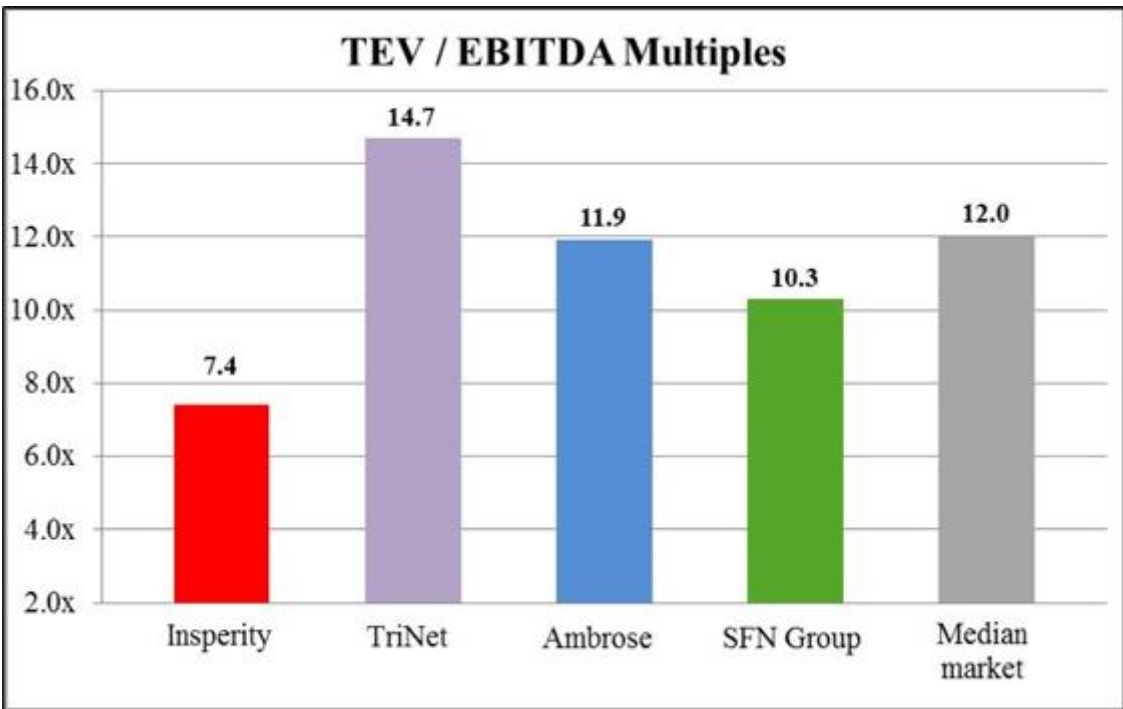


Chart 7 compares Insperity’s TEV / EBITDA multiple with recent industry acquisition multiples, the recently public TriNet (a direct competitor), as well as with the average of the median M&A TEV / EBITDA sector multiples for North American companies in Q1 2014¹¹:

Chart 7: TEV / EBITDA Multiples Comparison



STADIUM CAPITAL MANAGEMENT GP, LP

We believe the net result of all these factors has produced an unacceptable return to shareholders over the last five years. Chart 8 below compares Insperty's shareholder returns versus its peer group and those of the Russell 2000 Total Return index, and speaks for itself, in our view¹².

Chart 8: Total Shareholder Returns



Changes Required to Maximize Shareholder Value

To address and remedy these issues, we are calling on Insperty's board to do the following, immediately:

A. Enact Governance Changes

- Split the role of CEO and Chairman.
- De-classify the board.
- Appoint three new directors designated by Stadium, with one of the three to become a truly independent Chairman.
- Immediately eliminate personal use of the Company's aircraft by executives and spouses. Establish a board committee to evaluate the Company's travel expenses and costs and benefits to the shareholders of owning and operating two enormous jets.
- Change compensation agreements for management so that annual cash bonuses are more difficult to achieve and stock awards are subject to performance-based vesting, making them more aligned with shareholder value creation.
- Deploy excess capital in the most advantageous manner for shareholders. Insperty has significant excess cash that it should immediately use to repurchase large amounts of stock. Not doing so suggests that the board lacks confidence in the Company's prospects and/or management's ability to generate shareholder value.

B. Explore Strategic Alternatives

Insperty needs to engage new, independent financial advisors and create a special committee of the board, with a Stadium representative as Chair, to explore strategic alternatives for the Company. There is clear evidence the market is willing to pay high multiples for this type of business and that many industry participants' businesses are growing, not stagnant. After such a long period of underperformance and dismal shareholder returns, shareholders should demand the board perform its duty to explore whether the value of this business could be optimized by someone else.

Conclusion

In our opinion, it is time for immediate change at Insperty. The board needs to address stagnant operating results as well as the corporate governance practices that have permitted excessive compensation and the squandering of shareholder resources. The board must also explore strategic alternatives for the Company immediately. We also look forward to Insperty's receiving any additional overtures from potential private equity or strategic acquirers, as we think there is significant potential value to be unlocked at Insperty that is well in excess of today's current market valuation.

We fear that little may be accomplished without direct and active shareholder involvement and a rejection of the status-quo at Insperty. For this reason, we are voting against Insperty's current board slate and urge our fellow shareholders to consider what we have outlined above when they cast their votes in the coming weeks.

Sincerely,

The Investment Committee of Stadium Capital Management GP, LP



Alexander M. Seaver, Co-founder and Managing Director



Bradley R. Kent, Co-founder and Managing Director



Dominic P. DeMarco, Managing Director and Co-Chief Investment Officer



John L. Welborn, Jr., Managing Director and Co-Chief Investment Officer

STADIUM CAPITAL MANAGEMENT GP, LP

Notes:

- (1) The Peer Group Index is defined using Insperty's most recent compensation peer group per the Company's 2014 proxy filing and includes the following 15 companies: Automatic Data Processing, Inc., CBIZ, Inc.,

- Cognizant Technology Solutions Corporation, Concur Technologies, Inc., Convergys Corporation, Genpact Limited, Korn/Ferry International, Paychex, Inc., Resources Connection, Inc., salesforce.com, Inc., Towers Watson & Company, The Ultimate Software Group, Inc., Gartner, Inc., Intuit, Inc. and Web.com Group, Inc.
- (2) EBITDA is defined as Earnings before Interest and Taxes (EBIT), plus depreciation and amortization, and adjusted to add back stock-based compensation expense and other non-recurring expenses and/or extraordinary items (most notably the Company's \$12MM rebranding costs in 2011).
 - (3) FY 2014 guidance was taken from Insperty's Q4 2013 earnings call held on 2/10/14. The mid-point of the FY 2015 outlook was taken from Insperty's investor day presentation on 3/31/11 (also attached in this filing). Assumptions for depreciation, amortization, and stock-based compensation were made in order to arrive at an estimated EBITDA for FY 2015. These are based on historical trends.
 - (4) Initial FY 2013 guidance was given on Insperty's Q4 2012 earnings call held on 2/8/13.
 - (5) Public competitors include Automatic Data Processing, Paychex, and Barrett Business Services. TriNet was not included in this group as it has completed material acquisitions during the FY 2011-13 time period. In addition, for the purposes of calculating EBITDA growth, the Peer Group Index excludes CBIZ, Inc., Korn/Ferry International, Towers Watson & Company, and Web.com Group, Inc., as these companies completed material acquisitions during this time period.
 - (6) Compensation data sourced from Insperty's annual proxy filings.
 - (7) Information sourced from Insperty's most recent proxy filing on 3/31/14: "Prohibition on Hedging and Pledging of Company Common Stock."
 - (8) Please reference Exhibit 1 and Exhibit 2 for detailed flights logs; data sourced from FlightAware.
 - (9) Airplane usage costs estimated per information obtained from Embraer for a similar-sized aircraft, the Legacy 600. Total hours estimated at 750 (across both planes) based on 2013 flight logs. Hourly variable costs estimated at \$3,600/hour, annual fixed operating costs estimated at \$660,000 per plane per year, and depreciation assumes \$35MM in gross book value with a 20 year straight-line useful life. Capital costs assume a 10% cost of capital applied to an estimated \$35MM book value of plane assets, as noted in the 2013 10-K.
 - (10) The latest multiple data points are as of 4/17/14. The Total Enterprise Value for Insperty, the public competitors, and the Peer Group Index includes adjustments for long-term cash and marketable securities (considered additional excess cash), if applicable, as well as deducting from cash the amount that is held on behalf of clients (e.g. withholding taxes, client prepayments, etc.), if applicable. The EBITDA calculation is the same as noted above in Note 2. TriNet was not included within the public competitors as it just recently went public and does not have a long/significant public trading history. No companies were excluded from the Peer Group Index for these calculations and all companies were equally-weighted for averaging purposes. For the Russell 2000 Index, multiples history was obtained directly from Capital IQ. The Russell 2000 Index multiples are market-cap weighted.
 - (11) Historical acquisition multiples data was obtained from Capital IQ. The Q1 2014 market multiple represents the average of the median transaction multiples with deal sizes greater than \$500MM and excludes the energy, financials, and utilities sectors. The multiple for Ambrose was calculated from data contained within TriNet's amended S-1 filing on 3/14/14. TriNet's multiple was calculated as of 4/17/14 and is adjusted for the pro forma cash and debt balances, as well as share count, provided on TriNet's 424B4 filing on 3/27/14.
 - (12) Total shareholder returns data was obtained from Capital IQ. Total shareholder returns are adjusted to include dividend payments and assume that dividends are reinvested into the stock as of the pay-

STADIUM CAPITAL MANAGEMENT GP, LP

date. The Russell 2000 Total Return Index also includes dividend reinvestment. The Peer Group Index is equal-weighted, whereas the Russell 2000 Total Return Index is market-cap weighted.