EXHIBIT B

Blackline

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
VELOCITY HOLDING COMPANY, INC., *et al.*,[1]	Case No. 17-12442 (KJC)
Debtors.	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF VELOCITY HOLDING COMPANY, INC. AND ITS AFFILIATED DEBTORS

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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Dated: ~~January 10,~~February 12, 2018

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Velocity Holding Company, Inc. (1790); Velocity Pooling Vehicle, LLC (4630); Ed Tucker Distributor, Inc. (9197); Ralco Holdings, Inc. (0707); Rally Holdings, LLC (0707); Tucker Rocky Corporation (5967); Tucker-Rocky Georgia, LLC (8121); Motorsport Aftermarket Group, Inc. (0080); DFR Acquisition Corp. (4542); J&P Cycles, LLC (2512); Kuryakyn Holdings, LLC (2341); MAG Creative Group, LLC (4754); MAGNET Force, LLC (2635); Motorcycle Superstore, Inc. (1046); Motorcycle USA LLC (8994); Mustang Motorcycle Products, LLC (3660); Performance Machine, LLC (3924); Renthal America, Inc. (3827); and V&H Performance, LLC (2802). The location of the Debtors' service address is 651 Canyon Drive, Suite 100, Coppell, Texas 75019.

IMPORTANT INFORMATION REGARDING THIS DISCLOSURE STATEMENT

DISCLOSURE STATEMENT, DATED JANUARY 10, 2018

SOLICITATION OF VOTES ON THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF VELOCITY HOLDING COMPANY, INC., *ET AL.* PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

TO THE HOLDERS OF OUTSTANDING:

VOTING CLASS	NAME OF CLASS UNDER THE PLAN
CLASS 3	FIRST LIEN TERM LOAN CLAIMS

IF YOU ARE IN CLASS 3, YOU ARE RECEIVING THIS DOCUMENT AND THE ACCOMPANYING MATERIALS BECAUSE YOU ARE ENTITLED TO VOTE ON THE PLAN

DELIVERY OF BALLOTS

BALLOTS MUST BE ACTUALLY RECEIVED BY THE SOLICITATION AGENT BY THE VOTING DEADLINE, WHICH IS 4:00 P.M. (EASTERN TIME) ON [March 21], 2018, AS PER THE INSTRUCTIONS ON YOUR BALLOT

IF YOU HAVE ANY QUESTIONS ON THE PROCEDURE FOR VOTING ON THE PLAN, PLEASE CALL THE DEBTORS' RESTRUCTURING HOTLINE AT:

800-581-5607 (TOLL FREE) OR 212-771-1128 (INTERNATIONAL)

This disclosure statement ("Disclosure Statement") provides information regarding the *Joint Chapter 11 Plan of Reorganization of Velocity Holding Company, Inc. and its Affiliated Debtors* (as may be amended, supplemented, or otherwise modified from time to time in accordance with the Restructuring Support Agreement, the "Plan"), that the Debtors seek to have confirmed by the Bankruptcy Court.[2] A copy of the Plan is attached hereto as Exhibit A. The Debtors are providing the information in this Disclosure Statement to certain holders of Claims for purposes of soliciting votes to accept or reject the Plan.

[2] Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan.

The Plan is supported by the Debtors and holders of more than 90 percent of the Class 3 First Lien Term Loan Claims.

The consummation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Bankruptcy Court will confirm the Plan or, if the Bankruptcy Court does confirm the Plan, that the conditions necessary for the Plan to become effective will be satisfied or otherwise waived.

You are encouraged to read this Disclosure Statement (including the Risk Factors described in Article VI hereof) and the Plan in their entirety before submitting your Ballot to vote on the Plan. Assuming the requisite acceptances to the Plan are obtained, the Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

The Debtors urge each holder of a Claim or Interest to consult with its own advisors with respect to any legal, financial, securities, tax, or business advice in reviewing this Disclosure Statement, the Plan, and each proposed transaction or distribution contemplated by the Plan.

RECOMMENDATION BY THE DEBTORS

EACH OF THE DEBTORS HAS APPROVED THE TRANSACTIONS CONTEMPLATED BY THE PLAN AND DESCRIBED IN THIS DISCLOSURE STATEMENT, AND THE DEBTORS BELIEVE THAT THE COMPROMISES CONTEMPLATED UNDER THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE OF THE DEBTORS' ESTATES, AND PROVIDE THE BEST RECOVERY TO CLAIM AND INTEREST HOLDERS. AT THIS TIME, THE DEBTORS BELIEVE THAT THE PLAN AND RELATED TRANSACTIONS REPRESENT THE BEST OPTION FOR ACCOMPLISHING THE DEBTORS' RESTRUCTURING OBJECTIVES. THE DEBTORS THEREFORE STRONGLY RECOMMEND THAT ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED SUBMIT BALLOTS TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO AS TO BE ACTUALLY RECEIVED BY THE SOLICITATION AGENT NO LATER THAN MARCH [21], 2018, AT 4:00 P.M. (EASTERN TIME).

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

Securities to be issued on or after the Effective Date will not have been the subject of a registration statement filed with the United States Securities and Exchange Commission (the "SEC") under the United States Securities Act of 1933 (as amended, the "Securities Act") or any securities regulatory authority of any state under any state securities law ("Blue Sky Laws"). Neither this Disclosure Statement nor the solicitation of votes to accept or reject the Plan (the "Solicitation") constitutes an offer to sell or the solicitation of an offer to buy securities in any state or jurisdiction in which such offer or solicitation is not authorized.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily prepared in accordance with the Securities Act or Blue Sky Laws. Neither this Disclosure Statement nor the Plan has been approved or disapproved by the SEC or any state regulatory authority and neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of the information contained in this Disclosure Statement or the Plan. Any representation to the contrary is a criminal offense.

The offering, issuance, and distribution of any securities pursuant to the Plan will be exempt from the registration requirements of section 5 of the Securities Act pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, or any other available exemption from registration under the Securities Act, as applicable.

DISCLAIMER

This Disclosure Statement contains summaries of certain provisions of the Plan and certain other documents and financial information. The information included in this Disclosure Statement is provided solely for the purpose of soliciting acceptances of the Plan and should not be relied upon for any purpose other than to determine whether and how to vote on the Plan. All holders of Claims entitled to vote are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting. The Debtors believe that the summaries contained in this Disclosure Statement are fair and accurate. The summaries of the financial information and the documents that are attached to, or incorporated by reference in, this Disclosure Statement are qualified in their entirety by reference to such information and documents. In the event of any inconsistency or discrepancy between a description in this Disclosure Statement, on the one hand, and the terms and provisions of the Plan or the financial information and documents incorporated in this Disclosure Statement by reference, on the other hand, the Plan or the financial information and documents, as applicable, shall govern for all purposes.

Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement. The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee of the accuracy or completeness of the information contained herein or the Bankruptcy Court's endorsement of the merits of the Plan. The statements and financial information contained in this Disclosure Statement have been made as of the date hereof unless otherwise specified. Holders of Claims reviewing this Disclosure Statement should not assume at the time of such review that there have been no changes in the facts set forth in this Disclosure Statement since the date of this Disclosure Statement. No holder of a Claim should rely on any information, representations, or inducements that are not contained in or are inconsistent with the information contained in this Disclosure Statement, the documents attached to this Disclosure Statement, and the Plan. This Disclosure Statement does not constitute legal, business, financial, or tax advice. Any Person or Entity desiring any such advice should consult with its own advisors.

The financial information contained in or incorporated by reference into this Disclosure Statement has not been audited, except as specifically indicated otherwise. The Debtors' management, in consultation with its advisors, has prepared the financial projections attached hereto as **Exhibit B** and described in this Disclosure Statement. The financial projections, while presented with numerical specificity, necessarily were based on a variety of estimates and assumptions that are inherently uncertain and may be beyond the control of the Debtors' management. Important factors that may affect actual results and cause the management forecasts not to be achieved include, but are not limited to, risks and uncertainties relating to the Debtors' businesses (including their ability to achieve strategic goals, objectives, and targets over applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors. The Debtors caution that no representations can be made as to the accuracy of these projections or to their ultimate performance compared to the information contained in the forecasts or that the forecasted results will be achieved. Therefore, the financial projections may not be relied upon as a guarantee or other assurance that the actual results will occur.

Regarding contested matters, adversary proceedings, and other pending, threatened, or potential litigation or other actions, this Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation, or waiver by the Debtors or any other party, but rather as a statement made in the context of settlement negotiations in accordance with Rule 408 of the Federal Rules of Evidence and any analogous state or foreign laws or rules. As such, this Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtors or any other party in interest, nor shall it be construed to be conclusive advice on the tax, securities, financial or other effects of the Plan to holders of Claims ~~and Interests~~ against or Interests in~~,~~ the Debtors or any other party in interest. Please refer to Article VII of this Disclosure Statement, entitled "Certain Factors To Be Considered", for a discussion of certain risk factors that holders of Claims voting on the Plan should consider.

Except as otherwise expressly set forth herein, all information, representations, or statements contained herein have been provided by the Debtors. No person is authorized by the Debtors in connection with this Disclosure Statement, the Plan or the Solicitation to give any information or to make any representation or statement regarding this Disclosure Statement, the Plan, or the Solicitation, in each case, other than as contained in this Disclosure Statement and the exhibits attached hereto or as otherwise incorporated herein by reference or referred to herein. If any such information, representation, or statement is given or made, it may not be relied upon as having been authorized by the Debtors.

This Disclosure Statement contains certain forward-looking statements, all of which are based on various estimates and assumptions. Such forward-looking statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, but not limited to, those summarized herein. When used in this Disclosure Statement, the words "anticipate," "believe," "estimate," "will," "may," "intend," and "expect" and similar expressions generally identify forward-looking statements. Although the Debtors believe that their plans, intentions, and expectations reflected in the forward-looking statements are reasonable, they cannot be sure that they will be achieved. These statements are only predictions and are not guarantees of future performance or results. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by a forward-looking statement. All forward-looking statements attributable to the Debtors or Persons or Entities acting on their behalf are expressly qualified in their entirety by the cautionary statements set forth in this Disclosure Statement. Forward-looking statements speak only as of the date on which they are made. Except as required by law, the Debtors expressly disclaim any obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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INTRODUCTION

The Debtors (together with their non-Debtor affiliates, the "Company") are a leading wholesale distributor, designer, manufacturer, retailer, and marketer of aftermarket parts, apparel, and accessories for the powersports industry. The powersports industry is a subset of the broader motorsports industry and consists of vehicles such as motorcycles, all-terrain vehicles, "side-by-sides" or utility terrain vehicles, and snowmobiles, among others. The Company achieves substantial efficiencies and competitive advantages by maintaining a diversified, vertically-integrated platform of brands, distributors, and retailers.

As of the Petition Date, the principal amount of the Debtors' consolidated funded debt obligations (the "Prepetition Debt Obligations") totaled approximately $440 million, comprised of: (a) approximately $65 million of obligations under a revolving ABL Facility (the "ABL Facility"); (b) approximately $290 million of obligations under a First Lien Term Loan (the "First Lien Term Loan"); and (c) approximately $85 million of obligations under a Second Lien Term Loan (the "Second Lien Term Loan"). For the year ended December 31, 2016, the Debtors reported approximately $700 million of total revenue.

The Company's business has recently come under significant pressure from macroeconomic forces beyond ~~their~~its control. The U.S. powersports aftermarket, contrary to the Debtors' predictions, contracted in the post-business combination years, with the market declining approximately 2% in 2015, 6% in 2016, and 8% in 2017. The impact on the Company's sales as a result of the market decline was significant, with projected 2017 sales being approximately 20% lower than 2014 sales. While ~~there were~~ operational efforts were taken in an effort to streamline the Company and accommodate the hostile market, the Company suffered a significant loss in earnings, as well as the liquidity to fund both its operations and its debt service obligations.

Because the current market and operating conditions and attendant liquidity challenges have made servicing the Company's debt obligations unsustainable, the Company and its advisors engaged with certain holders of the Prepetition Debt Obligations regarding various restructuring alternatives—both out-of-court and in-court—to strengthen the Company's balance sheet and create a sustainable capital structure to meet the Company's future needs.

After extensive negotiations, the Company~~,~~ and holders of more than approximately 90 percent of the First Lien Term Loan reached an agreement ~~for~~on the terms of a consensual, balance-sheet restructuring to be implemented through a chapter 11 plan of reorganization—namely, the Plan—that significantly deleverages the Company, provides liquidity through two Exit Facilities, and minimizes the time and expense associated with the restructuring. In exchange for the compromises contained in the Plan, holders of Class 3 First Lien Term Loan Claims will each receive their pro rata share of 100% of the New Common Units (subject to dilution by the New Warrants and the Management Incentive Plan).

The Company believes that its core strengths, the durability of its business model, including the experience of its executive management team, and its ability to pursue growth opportunities, will allow ~~them~~it to implement the balance-sheet restructuring contemplated by

the Restructuring Support Agreement, attached hereto as **Exhibit E**, and the Plan and better position it for long-term viability as a reorganized Entity.

ARTICLE I

THE PLAN

1.1 Discharge of Claims and Interests

The Plan provides for the reorganization of the Debtors as a going concern and will reduce long-term debt and annual interest payments, resulting in a stronger, de-levered balance sheet for the Debtors. Specifically, the Plan provides for the discharge of Claims and Interests through, among other things: (a) the issuance of New Common Units to holders of Class 3 First Lien Term Loan Claims; (b) the payment in full in Cash of certain Claims, including Administrative Claims, Fee Claims, and DIP ABL Claims; (c) the exchange of DIP Term Facility Claims for the Exit Term Loan Credit Facility; and (d) the cancellation and extinguishment of certain Claims and Interests, including Second Lien Term Loan Claims, General Unsecured Claims, and Holdings Interests.

Although proposed jointly for administrative purposes, the Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims against and Interests in each Debtor pursuant to the Bankruptcy Code. Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The classifications of Claims and Interests set forth in Article III of the Plan shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable. The Plan does not contemplate substantive consolidation of any of the Debtors.

1.2 New Capital Structure

On the Effective Date, the Debtors will effectuate the Plan by: (a) issuing the New Common Units; (b) entering into the Exit Revolving Credit Facility and the Exit Term Loan Credit Facility (collectively, the "Exit Facilities"); (c) issuing the New Warrants; and (d) entering into all related documents to which the Reorganized Debtors are contemplated to be a party on the Effective Date. All such documents shall become effective in accordance with their terms and the Plan.

(a) Issuance and Distribution of the New Common Units

All existing Interests in Velocity Holdings shall be cancelled as of the Effective Date, and Reorganized Pooling shall issue the New Common Units pursuant to the Plan. The issuance of the New Common Units (including Interests reserved under the Management Incentive Plan and the New Warrants), shall be authorized without the need for any further corporate or limited liability company action and without any further action by the holders of Claims or Interests or the Debtors or the Reorganized Debtors, as applicable. The New Organizational Documents shall authorize the issuance and distribution on the Effective Date of the New Common Units to the Disbursing Agent for the benefit of Entities entitled to receive the New Common Units on

the Effective Date pursuant to the Plan. All of the New Common Units issued under the Plan shall be duly authorized and validly issued. The holders of Allowed First Lien Term Loan Claims that will receive New Common Units shall be required, as a condition to receiving their distribution, to execute the New Operating Agreement before receiving their respective distributions of New Common Units under the Plan. The New Operating Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Common Units shall be bound thereby. Each distribution and issuance of the New Common Units under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

On the Effective Date, none of the New Common Units will be registered under the Securities Act or listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports with the Bankruptcy Court after the Effective Date. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Exchange Act, except in connection with a public offering, the New Organizational Documents may impose certain trading restrictions, and the New Common Units may be subject to certain transfer and/or other restrictions pursuant to the New Organizational Documents designed to maintain the Reorganized Debtors as private, non-reporting companies.

(b) **New Warrants**

The terms of the New Warrants shall be substantially similar in all respects with those provided in the Restructuring Support Agreement. For the avoidance of doubt, ~~the New Warrants shall consist of warrants exercisable into New Common Units constituting, in the aggregate, 0.0008% of the total equity of Reorganized Pooling (calculated as of~~each Exit Term Loan Lender shall receive New Warrants to acquire an aggregate number of New Common Units equal to (after giving effect to the full exercise of the New Warrants) 0.0008% of the total number of New Common Units that are issued and outstanding on the Effective Date ~~and subject to dilution on account of the Management Incentive Plan and future equity issuances~~(immediately after giving effect to the consummation of the Plan), per $1,000 in principal amount of Exit Term Loans. The New Warrants issued under the Plan shall be exercisable at an ~~initial~~ exercise price of $0.01 per share. The New Warrants shall be exercisable at any time and from time to time prior to ~~(i)~~ the expiration ~~of~~ thereof. The New Warrants shall expire on the earlier to occur of (a) the ten (10) year ~~term commencing on~~anniversary of the Effective Date~~, or (ii) the occurrence of Liquidity Event. The New Warrants shall be issued to each of the Exit Term Lenders, in the proportion of one~~ and (b) the consummation of a liquidity event (to be defined in the New Warrant ~~per $1,000 of principal amount of Exit Term Loan provided.~~ Documents).

(c) **Management Incentive Plan**

Within ninety (90) days after the Effective Date, the New Board, acting in accordance with the New Organizational Documents, shall adopt the Management Incentive Plan, that provides for the issuance of options and/or other equity or equity-based awards ("Awards") to certain employees of the Reorganized Debtors or any of their respective Subsidiaries. The form of the Awards (i.e., stock options, restricted stock, appreciation rights, etc.), the employee participants in the Management Incentive Plan, the allocations of the Awards to such participants, and the terms and conditions of the Awards shall be determined by the New Board; provided, that, no Specified Stockholder, and no employee of a Specified Stockholder, shall be eligible for receipt of an Award under the Management Incentive Plan.

(d) **Exit Facilities**

On the Effective Date, the Reorganized Debtors shall enter into the Exit Facilities to provide the necessary liquidity for the Reorganized Debtors, the terms of which will be set forth in the Exit Facility Documents, without the need for any further corporate action and without further action by the holders of Claims or Interests. Confirmation of the Plan shall be deemed approval of the Exit Facilities and the Exit Facility Documents, if applicable, and all transactions contemplated thereby, including, without limitation, any supplemental or additional syndication of the Exit Facilities, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein, and authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents and such other documents as may be required to effectuate the treatment afforded by the Exit Facilities, if applicable.

1.3 Classified Claims and Interests

(a) **Classified Claims and Interests Summary**

The Plan establishes a comprehensive classification of Claims and Interests. The table below summarizes the classification, treatment, and projected recoveries of the Claims and Interests, by Class, under the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE PLAN'S CLASSIFICATION SCHEME AND THE TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
1	Other Priority	Except to the extent that a holder of an Allowed Other Priority Claim against any of the Debtors	$[ ]0	100%

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
	Claims	agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Other Priority Claim, at the option of the Debtors (with the consent of the Requisite Consenting Term Lenders) or the Reorganized Debtors, as applicable (i) each such holder shall receive payment in Cash in an amount equal to such Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, in each case, or as soon as reasonably practicable thereafter, (ii) such holder's Allowed Other Priority Claim shall be Reinstated, or (iii) such holder shall receive such other treatment so as to render such holder's Allowed Other Priority Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code.		
2	Other Secured Claims	Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Other Secured Claim, at the option of the Debtors (with the consent of the Requisite Consenting Term Lenders) or the Reorganized Debtors, as applicable (i) each such holder shall receive payment in Cash in an amount equal to such Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, in each case, or as soon as reasonably practicable thereafter, (ii) each such holder shall receive the Collateral securing its Allowed Other Secured Claim on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, in each case, or as soon as reasonably practicable thereafter, (iii) such holder's Allowed Other Secured Claim shall be Reinstated, or (iv) such holder shall receive such other treatment so as to render such holder's Allowed Other Secured Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code.	$[ ]0	100%
3	First Lien Term	In full and final satisfaction and extinguishment of each Allowed First Lien Term Loan Claim, on the	$[ ]287.2	

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
	Loan Claims	Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed First Lien Term Loan Claim will be entitled to receive its Pro Rata share of one hundred percent (100%) of the New Common Units issued and outstanding on the Effective Date (subject to dilution by the New Warrants and the Awards issued under the Management Incentive Plan).	million	~~[ ]~~27%[3]
4	Second Lien Term Loan Claims	Holders of any Second Lien Term Loan Claims shall not receive any recovery or distribution on account of such Claims.	$~~[ ]~~86 million	0%
5	General Unsecured Claims	Holders of any General Unsecured Claims shall not receive any recovery or distribution on account of such Claims.	$~~[ ]~~7.6 million	0%
6	Section 510(b) Claims	Holders of any Section 510(b) Claims shall not receive any recovery or distribution on account of such Claims.	$~~[ ]~~0	0%
7	Holdings Interests	Prior to the Effective Date, and without the need for any further corporate or limited liability company action or approval of any board of directors, management, or shareholders of any Debtor or Reorganized Debtor, as applicable, all Holdings Interests shall be cancelled and the holders of any Holdings Interests shall not receive any recovery or distribution on account of such Interests.	N/A	0%
8	Other Debtor Interests	On the Effective Date, and without the need for any further corporate or limited liability company action or approval of any board of directors, ~~management, or~~board of managers, members, shareholders or officers of any Debtor or Reorganized Debtor, as applicable, all Other Debtor Interests (except for ~~such Other Debtor~~the Interests in Velocity Pooling Vehicle, LLC, which ~~are~~shall be cancelled as addressed in, and subject to, the Description of Structure) shall be unaffected by the Plan and continue in place following the Effective Date, solely for the administrative convenience of maintaining the existing ~~corporate~~organizational structure of the Debtors.	N/A	N/A

(b) **Subordinated Claims**

[3] Assumes midpoint Enterprise Value of $215 million, as set forth in the Valuation Analysis.

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

(c) **Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code**

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors, with the consent of the Requisite Consenting Term Lenders, reserve the right to modify the Plan in accordance with ~~Article~~Section 12.5 of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification of the Plan, including by modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

1.4 Liquidation Analysis

The Debtors believe that the Plan provides the same or a greater recovery for holders of Allowed Claims and Allowed Interests as would be achieved in a liquidation under chapter 7 of the Bankruptcy Code. This belief is based on a number of considerations, including: (a) the absence of a robust market for the sale of the Debtors' assets and services in which such assets and services could be marketed and sold; and (b) the additional Administrative Claims generated by conversion to a chapter 7 case and any related costs in connection with a chapter 7 liquidation.

The Debtors, with the assistance of AP Services LLC ("AlixPartners"), have prepared an unaudited liquidation analysis, which is attached hereto as **Exhibit C** (the "Liquidation Analysis"), to assist holders of Claims and Interests in evaluating the Plan. The Liquidation Analysis compares the projected recoveries that would result from the liquidation of the Debtors in a hypothetical case under chapter 7 of the Bankruptcy Code with the estimated distributions to holders of Allowed Claims and Allowed Interests under the Plan. The Liquidation Analysis is based on the value of the Debtors' assets and liabilities as of a certain date and incorporates various estimates and assumptions, including a hypothetical conversion to a chapter 7 liquidation as of a certain date. Further, the Liquidation Analysis is subject to potentially material changes, including with respect to economic and business conditions and legal rulings. Therefore, the actual liquidation value of the Debtors could vary materially from the estimate provided in the Liquidation Analysis.

1.5 Valuation Analysis

AlixPartners, at the request of the Debtors, has performed an analysis, a summary of which is attached hereto as **Exhibit D**, of the estimated implied value of the Debtors on a hypothetical enterprise valuation on a going-concern basis as of the Effective Date (the "Valuation Analysis"). The Summary of the Valuation Analysis, including the procedures followed, assumptions made, qualifications, and limitations on review undertaken described therein, should be read in conjunction with ~~Artice~~Article VII of this Disclosure Statement, entitled "Certain Factors To Be Considered." The Valuation Analysis is based on data and information as of December 31, 2017. AlixPartners makes no representations as to changes to such data and information that may have occurred since the date of the Valuation Analysis.

1.6 Financial Information and Projections

In connection with the planning and development of the Plan, the Debtors, with the assistance of their advisors, prepared projections for the fiscal years 2018, 2019, and 2020, including management's assumptions related thereto, which are attached hereto as **Exhibit B**, to present the anticipated impact of the Plan. For purposes of the financial projections, the Debtors have assumed an Effective Date of March 30, 2018. The projections assume that the Plan will be implemented in accordance with its stated terms. The Debtors are unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the projections due to a material change in the Debtors' prospects.

The projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes, and/or a variety of other factors, including the factors listed in this Disclosure Statement. Accordingly, the estimates and assumptions underlying the projections are inherently uncertain and are subject to significant business, economic, and competitive uncertainties. Therefore, such projections, estimates, and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and other financial information.

ARTICLE II

VOTING PROCEDURES AND REQUIREMENTS

2.1 Classes Entitled to Vote on the Plan

The following Class is entitled to vote to accept or reject the Plan (the "Voting Class"):

Class	Claim or Interest	Status
3	First Lien Term Loan Claims	Impaired

If your Claim or Interest is not included in the Voting Class, you are not entitled to vote and you have not received a Solicitation Package, including a ballot setting forth detailed voting instructions. If your Claim is included in the Voting Class, you should read your ballot and carefully follow the instructions included in the ballot. Please use only the ballot that accompanies this Disclosure Statement or the ballot that the Debtors, or the Solicitation Agent on behalf of the Debtors, otherwise provided to you.

2.2 Votes Required for Acceptance by a Class

Acceptance by a class of claims requires an affirmative vote of more than one-half in number of the total allowed claims that have voted and an affirmative vote of at least two-thirds in dollar amount of the total allowed claims that have voted.

2.3 Certain Factors to Be Considered Prior to Voting

There are a variety of factors that all holders of Claims entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan and include:

- unless otherwise specifically indicated, the financial information contained in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement;

- although the Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;

- the Debtors may request Confirmation without the acceptance of all Impaired Classes in accordance with section 1129(b) of the Bankruptcy Code; and

- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims and Professional Claims.

While these factors could affect distributions available to holders of Allowed Claims under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of the Voting Class or necessarily require a re-solicitation of the votes of holders of Claims in the Voting Class.

For a further discussion of risk factors, please refer to Article VII, entitled "Certain Factors to Be Considered," of this Disclosure Statement.

2.4 Classes Not Entitled To Vote on the Plan

Under the Bankruptcy Code, holders of claims and interests are not entitled to vote if their contractual rights are unimpaired by the proposed plan or if they will receive no property

under the plan. Accordingly, the following Classes of Claims and Interests are not entitled to vote to accept or reject the Plan:

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
4	Second Lien Term Claims	Impaired	Deemed to Reject
5	General Unsecured Claims	Impaired	Deemed to Reject
6	Section 510(b) Claims	Impaired	Deemed to Reject
7	Holdings Interests	Impaired	Deemed to Reject
8	Other Debtor Interests	Unimpaired	Deemed to Accept

2.5 Solicitation Procedures

THE DISCUSSION OF THE SOLICITATION PROCEDURES SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE DISCLOSURE STATEMENT ORDER, THE DISCLOSURE STATEMENT ORDER CONTROLS.

(a) Solicitation Agent

The Debtors have retained Donlin, Recano and Company, Inc. to act, among other things, as the Solicitation Agent in connection with the solicitation of votes to accept or reject the Plan.

(b) Solicitation Package

The following materials constitute the solicitation package (the "Solicitation Package") distributed to holders of Claims in the Voting Class:

- the Debtors' cover letter in support of the Plan;
- ~~the appropriate~~a ballot and ~~applicable~~associated voting instructions, together with a pre-addressed, postage pre-paid return envelope;

- the Disclosure Statement Order (without exhibits except the Solicitation and Voting Procedures);
- the notice of the Confirmation Hearing; and
- this Disclosure Statement and all exhibits hereto, including the Plan and all exhibits thereto.

(c) **Distribution of the Solicitation Package and Plan Supplement**

~~On or before the Voting Record Date, the~~The Debtors will mail, or cause to be mailed, the Solicitation Package to all holders of Claims in the Voting Class within seven (7) days after entry of the Disclosure Statement Order by the Bankruptcy Court. The Solicitation Package will provide the Plan, the Disclosure Statement, and the Disclosure Statement Order (without exhibits except the Solicitation and Voting Procedures) in electronic format (i.e., CD-ROM or flash drive format), and all other contents of the Solicitation Package, including Ballots, will be provided in paper format.

The Debtors also will serve, or cause to be served, all of the materials in the Solicitation Package (*excluding* a ~~Ballot~~ballot) on the U.S. Trustee.

No later than seven (7) days before the Voting Deadline, the Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors' restructuring website. ~~The Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement from the Solicitation Agent.~~

2.6 Voting Procedures

[February 14], 2018 (the "Voting Record Date") was the date used for determining which holders of Claims are entitled to vote to accept or reject the Plan and receive the Solicitation Package in accordance with the solicitation procedures. Except as otherwise set forth herein, the Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' claimholders, interest holders, and other parties in interest.

In order for the holder of a Claim in the Voting Class to have such holder's ballot counted as a vote to accept or reject the Plan, such holder's ballot must be properly completed, executed, and delivered as per the instructions on the ballot, so that such holder's ballot is actually received by the Solicitation Agent **on or before the Voting Deadline, *i.e.* [March 21, 2018] at 4:00 p.m. prevailing Eastern Time**.

~~If a holder of a Claim in the Voting Class transfers all of such Claim to one or more parties on or after the Voting Record Date and before the holder has cast its vote on the Plan, such Claim holder is automatically deemed to have provided a voting proxy to the purchaser(s) of the holder's Claim, and such purchaser(s) shall be deemed to be the holder(s) thereof as of the~~

~~Voting Record Date for purposes of voting on the Plan, provided that the transfer complies with the applicable requirements under the Restructuring Support Agreement, if applicable.~~

BALLOTS ARE ONLY BEING SOLICITED FROM HOLDERS OF CLASS 3 CLAIMS AS OF THE VOTING RECORD DATE. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED UNLESS THE DEBTORS DETERMINE OTHERWISE.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM BUT THAT DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR A REJECTION OF THE PLAN OR ANY BALLOT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN.

EACH HOLDER OF A CLAIM MUST VOTE ALL OF ITS CLAIMS WITHIN A PARTICULAR CLASS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT SUCH VOTES. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH RESPECT TO SUCH ~~CLAIM~~CLASS OF CLAIMS HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS, SUCH OTHER BALLOTS INDICATED THE SAME VOTE TO ACCEPT OR REJECT THE PLAN. IF A HOLDER CASTS MULTIPLE BALLOTS WITH RESPECT TO THE SAME CLASS OF CLAIMS ~~OR INTERESTS~~ AND THOSE BALLOTS ARE IN CONFLICT WITH EACH OTHER, THE LAST PROPERLY EXECUTED BALLOT TIMELY RECEIVED WILL BE DEEMED TO REFLECT THAT HOLDER'S INTENT AND WILL SUPERSEDE AND REVOKE ANY PRIOR RECEIVED BALLOT.

IT IS IMPORTANT THAT THE HOLDER OF A CLAIM IN THE VOTING CLASS FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON SUCH HOLDER'S BALLOT AND THE ACCOMPANYING INSTRUCTIONS.

ARTICLE III

BUSINESS DESCRIPTION

3.1 Corporate Overview and Organizational Structure

The Company is a leading wholesale distributor, designer, manufacturer, retailer, and marketer of aftermarket parts, apparel, and accessories for the powersports industry. The powersports industry is a subset of the broader motorsports industry and consists of vehicles such as motorcycles, all-terrain vehicles, "side-by-sides" or utility terrain vehicles, and snowmobiles, among others.

The Company ~~originated~~developed through ~~a series of~~ organic growth and a series of strategic acquisitions. Most recently, in March 2014, Motorsports Aftermarket Group, Inc. ("MAG") and Tucker Rocky Corporation, Inc. ("Tucker Rocky") entered into a definitive

agreement to pursue a business combination. The merger of MAG and Tucker Rocky was expected to create a leading vertically-integrated platform in the aftermarket powersports industry with a diversified group of product offerings through both owned and distributed brands. Prior to the merger, Tucker Rocky, a leader in wholesale distribution of aftermarket parts, apparel, and accessories for the powersports industry, was fully owned by LDI, Ltd. ("LDI"), while MAG, a leading independent designer, manufacturer, retailer, and marketer of branded aftermarket powersports parts and accessories, was a portfolio company of Leonard Green & Partners ("Leonard Green"). LDI and Leonard Green continue to own the majority of the equity in Holdings, the ultimate parent of all of the Debtors, subsequent to the merger, and the Company is able to leverage these relationships to obtain favorable economic terms under certain key contracts.

The Company achieves substantial efficiencies and competitive advantages by maintaining a diversified, vertically-integrated platform of brands, distributors, and retailers. The Debtors achieve these synergies through the integrated operation of three separate business divisions.

The "Brands" division designs, manufactures, sources, and markets finished goods and apparel under a variety of brand names that are market leaders in multiple business segments. The Brands division manufactures its high ticket, larger technical items and sources smaller components, relying on on-site product design and engineering and a non-unionized workforce to achieve key competitive advantages. The Brands division sells its branded products to OEM's, retailers and distributors, including to Tucker Rocky, in the Company's own Distribution division. Some of the key brands in the Brands division include Kuryakyn, a market leader in chrome parts, electronics, luggage, exhaust, performance parts and windscreens for cruisers; Vance & Hines, the market leader in V-Twin exhaust parts and accessories; Mustang, the market leader in hand-crafted seats for cruiser motorcycles; Performance Machine, the market leader for high-end custom motorcycle wheels, brakes, and related accessories; and Progressive Suspension, the market leader in cruiser and touring suspension.

The "Distribution" division purchases branded products and distributes them to a network of over 10,000 dealers for retail sale. The Distribution division is the second largest U.S. wholesale distributor of aftermarket parts, apparel, and accessories in the powersports industry and the leading distributor in the "Metric" motorcycle segment, with approximately 20 percent market share.

The Company's dealer network includes franchise dealers (such as Harley Davidson), traditional retail dealers, independent dealers (typically service shops), and e-commerce dealers. The Distribution division offers these dealers over 100,000 "SKUs" from a portfolio of more than 600 brands. The offerings include goods purchased from the Company's own Brands division, goods purchased from third parties and repackaged by Tucker Rocky as "private label" brands, and third-party brands with strong brand equity. The third-party brands tend to be leaders in their respective market segments, such as Dunlop (tires), Bridgestone/Firestone (tires), Arai (helmets), Cobra (exhausts and accessories), and Yuasa (batteries). Brands from the Company's Brands division are responsible for approximately 20% of the Distribution division's

sales, Tucker Rocky private label brands are responsible for approximately 10% of such sales, and third-party brands are responsible for the balance of such sales.

The Distribution division leverages six, geographically-diverse supply distribution centers, including a dedicated supply distribution center in Louisville, Kentucky that exclusively serves the Company's "Retail" division, to quickly ship products and inventory to its customers throughout the ~~United States~~U.S, including one-day shipping to approximately two-thirds of the U.S.

The "Retail" division purchases branded finished goods from key distributors, including Tucker Rocky, who offer broad product lines in the motorcycle aftermarket ~~segments~~segment. The Company builds demand for these products through online marketing, search engine optimization, and brand equity and then sells them directly to consumers at one of its three physical retail store locations or through its online retail websites, including J&P Cycles (www.jpcycles.com). J&P Cycles is a leading online retailer in the powersports industry and the world's largest parts and accessories retailer for Harley Davidson and other cruising motorcycles through catalog, online, and physical locations. The Retail division relies heavily on paid advertising on third-party search websites, such as Google, to drive traffic to both its online websites and its retail locations.

In sum, the Company effectively operates as a "one-stop-shop" for its customers, and customers confidently use its services because of the quality and breadth of the brands, parts, accessories and apparel it provides.

3.2 Current Organizational Structure

The chart attached hereto as **Exhibit F** depicts a condensed summary of the Debtors' organizational structure (complete with the Debtors' sole non-Debtor affiliate, Renthal Ltd.) as of the date of this Disclosure Statement.

3.3 The Debtors' Business Operations

The table below provides a summary of the Debtors' consolidated historical revenue by division over the last two fiscal years (all dollar values expressed in thousands).

Segment	2015	2016
Brands	$ 209,409	$ 185,168
Distribution	$ 494,700	$ 487,406
Retail	$ 188,521	$ 157,351
Intercompany Eliminations	$ (111,307)	$ (113,077)
Consolidated Sales	$ 781,323	$ 716,847

3.4 The Debtors' Key Assets

For purposes of book value, the Debtors' key assets consist of ~~its~~their inventory, receivables, and PP&E. As described in greater detail in the Liquidation Analysis, attached

hereto as **Exhibit C**, the liquidation value of the Debtors' property and equipment at this time is significantly less than the value of the equipment to the Debtors' on a going-concern basis. The chart below summarizes the book value of the Debtors' assets over the four-month period from August 31, 2017 – November 30, 2017 (all dollar values expressed in thousands).

	Period Ending August 31, 2017	Period Ending September 30, 2017	Period Ending October 31, 2017	Period Ending November 30, 2017
ASSETS				
CASH & CASH EQUIVALENTS	$5,370	$4,101	$3,956	$4,701
TOTAL RECEIVABLES	47,946	42,642	40,854	40,344
TOTAL PREPAIDS	13,752	10,364	6,075	8,199
NET INVENTORIES	160,944	158,061	155,481	149,369
DUE FROM AFFILIATES	1,061	920	374	588
DEFERRED TAXES	3	3	3	3
TOTAL CURRENT ASSETS	229,076	216,092	206,743	203,203
NET FIXED ASSETS	46,632	46,115	45,250	44,493
OTHER ASSETS	1,864	1,897	1,919	3,329
UNAMORTIZED INTANGIBLES	36,024	36,465	36,420	36,399
GOODWILL	45,286	45,292	45,290	45,292
TOTAL ASSETS	358,882	345,862	335,621	332,717

3.5 The Debtors' Prepetition Funded Debt Obligations

As of the Petition Date, the Debtors' Prepetition Debt Obligations totaled approximately $440 million, comprised of: (a) approximately $65 million of obligations under the ABL Facility; (b) approximately $290 million of obligations under the First Lien Term Loan; and (c) approximately $85 million of obligations under the Second Lien Term Loan.

(a) ABL Facility

On May 14, 2014, the Debtors entered into that certain Credit Agreement by and among the Debtors, as borrowers and guarantors, General Electric Capital Corporation ("GECC"), as administrative agent, and the lenders from time to time party thereto (the "ABL Lenders"), which ~~currently provides~~, as of the Petition Date, provided for a revolving credit facility of up to $110 million, and letter of credit facilities which ~~provide~~provided necessary liquidity and working capital for general corporate matters (the "ABL Facility").

The ABL Facility ~~is~~was secured by first liens on substantially all of the Debtors' personal property, equity holdings and intellectual property rights, subject to the Prepetition Intercreditor Agreement. The ABL Facility ~~accrues~~accrued interest: (a) for base rate loans, at a flexible rate calculated by reference to the higher of the Federal Funds Rate, the Prime Rate as quoted by the Wall Street Journal, or the Eurocurrency Rate multiplied by the Statutory Reserve Rate plus

1.00%, plus an additional margin which varies based on the excess availability of the credit facility; and (b) for Eurocurrency loans, at a flexible rate calculated by reference to the Eurocurrency Rate multiplied by the Statutory Reserve Rate, payable quarterly.

The ABL Facility matures on May 14, 2019. As of November 15, 2017, the amount drawn, including through the opening of letters of credit, on the ABL Facility amounted to approximately $65.5 million, with another $15.6 million remaining in excess availability, which was reduced by a $15 million block on availability.

As discussed in Article V.1 herein, the ABL Facility was refinanced in full by the DIP ABL Facility.

(b) **First Lien Term Loan**

On May 14, 2014, the Debtors entered into that certain First Lien Credit Agreement by and among the Debtors, as borrowers and guarantors, Credit Suisse A.G. ("Credit Suisse"), as administrative agent, and the lenders from time to time party thereto (the "First Lien Lenders"), pursuant to which the Company incurred approximately $295 million of initial principal indebtedness (the "First Lien Term Loan"). The First Lien Term Loan accrues interest at a rate calculated by reference to the higher of (a) for base rate loans, at a flexible rate calculated by reference to the higher of (i) the Federal Funds Rate plus 0.50%, (ii) the Prime Rate as set by Credit Suisse, (iii) the Adjusted Eurocurrency Rate for an interest period of 1M beginning on such day plus 1.00%, and (iv) 2.00% per annum; and (b) for Eurocurrency loans, at a flexible rate calculated by reference to the Eurocurrency Rate (to be no less than 1.00% per annum) multiplied by the Statutory Reserve Rate. The First Lien Term Loan matures on May 14, 2021. The First Lien Term Loan is secured by first liens on substantially all of the Debtors' personal property, equity holdings, and intellectual property rights, subject to the Prepetition Intercreditor Agreement.

(c) **Second Lien Term Loan**

On May 14, 2014, the Debtors entered into that certain Second Lien Credit Agreement by and among the Debtors, as borrowers and guarantors, Credit Suisse A.G. ("Credit Suisse"), as administrative agent, and the lenders from time to time party thereto (the "Second Lien Lenders"), pursuant to which the Company incurred approximately $85 million of initial principal indebtedness (the "Second Lien Term Loan"). The Second Lien Term Loan accrues interest at the same rate as the First Lien Term Loan. The Second Lien Term Loan matures on May 14, 2022. The Second Lien Term Loan is secured by second liens on substantially all of the Debtors' personal property, equity holdings, and intellectual property rights, subject to the Prepetition Intercreditor Agreement.

3.6 Directors and Officers

The Debtors' executive management team includes eight individuals who have substantial industry experience. As of the date of this Disclosure Statement, the Debtors' officers include: (a) Andrew E. Graves, Chief Executive Officer of Motorsport Aftermarket

Group; (b) Antonio Vacchiano, Chief Financial Officer of Motorsport Aftermarket Group; (c) Eric N. Cagle, President of Tucker Rocky (Distribution Group); (d) Zach Parham, President of Retail; (e) Holger Mohr, President of Accessories; (f) Robert Ketchum, General Manager of Apparel; (g) Christopher Robert Lindstrom, President of Off Road; and (h) Brent R. Daldo, President of Performance Products.

As of the Petition Date, the Debtors' executive management led a team of more than 1,800 employees. Many of those employees are hourly employees, providing the Debtors with significant operational flexibility that enables the Debtors to scale their workforce up and down to meet demand. The Debtors' employees are not represented by a union.

It is anticipated that the Debtors' senior officers as of the Petition Date shall continue to occupy such roles until and upon the Effective Date. In accordance with section 1129(a)(5) of the Bankruptcy Code, the members of the New Board and the officers, directors, and/or managers of each of New Velocity Holdings and the Reorganized Debtors will be identified in the Plan Supplement or before the Confirmation Hearing. The members of the New Board shall consist of seven (7) directors to be determined in accordance with the terms of the Plan and Restructuring Support Agreement. On the Effective Date, the existing officers of the Debtors shall serve in their current capacities for the Reorganized Debtors, except as otherwise provided in the Plan Supplement.

ARTICLE IV

EVENTS LEADING TO THE CHAPTER 11 CASES

4.1 The Company's Liquidity Constraints

The Company's merger of Tucker Rocky and MAG in the middle of 2014 was financed through the Prepetition Debt Obligations, with the idea that growth in the post-recession powersports aftermarket would provide sufficient liquidity to fund both continued expansion of the Company and its debt service obligations. As such, by mid-2014 the Company had approximately $380 million of first and second lien debt in the aggregate. The Company's capital structure assumed continued growth in the U.S. powersports aftermarket and synergy-driven improvements to both the Debtors' sales and cost structures, which would result in an increase in sales and earnings for the Debtors and allow the Debtors to support their capital structure.

Unfortunately, the U.S. powersports aftermarket instead contracted in the post-business combination years, with the market declining approximately 2% in 2015, 6% in 2016 and 8% in 2017. The impact on the Company's sales as a result of the market decline was significant, with projected 2017 sales being approximately 20% lower than 2014 sales. While there were operational ~~efforts~~steps taken in an effort to streamline and accommodate the hostile market, the Debtors suffered a significant loss in earnings, as well as the liquidity to fund both their operations and their debt service obligations.

Beginning in 2016, the Debtors began proactive measures to reduce their overall cost structure and adapt to the potential permanent decline in the U.S. powersports aftermarket industry. These actions included, among other things:

- Consolidating multiple stocking locations for the Debtors' retail business to a single location;
- Optimizing the Debtors' distribution footprint~~,~~ by eliminating two distribution centers;
- ~~Sale of~~Selling MAG Europe;
- ~~Consolidation of~~Consolidating V&H manufacturing sites~~,~~ by eliminating one facility;
- Re-organizing the Debtors' human resources to eliminate redundant positions and reduce the overall size of the workforce; and
- Engaging AlixPartners to work with the Company to reduce the cost of direct and indirect materials and services, as well as improve working capital and business processes.

The impact of these actions has been significant, with the projected annual profit improvement aggregating approximately $25 million to date, and with an additional $10 million expected in 2018. Despite these improvements, the Company's business has continued to suffer as a result of a decline of almost $175 million in sales in 2017 from 2014 levels. Consequently, the adjusted EBITDA of the Debtors has declined from approximately $46 million in 2014 to approximately $20 million projected for 2017. This decline in earnings, coupled with the fixed capital structure and interest and principal payments on the Prepetition Debt Obligations, has resulted in an unsustainable deterioration of the Company's liquidity.

4.2 The Debtors' Efforts to Address Liquidity Issues

(a) Retention of Restructuring Advisors

As noted above, in August 2016, facing the challenging business environment and ~~cash~~capital structure constraints referenced in the previous section, the Debtors sought external strategic advice and assistance, engaging Proskauer Rose LLP ("Proskauer") as legal advisor. Concurrently, the Debtors retained AlixPartners to assist the Debtors with certain performance improvement initiatives. AlixPartners' engagement was expanded by the Debtors in October 2017 to provide a Chief Restructuring Officer and certain other personnel. Since Proskauer and AlixPartners' engagement, the Debtors and their advisors have engaged the major constituents in their capital structure regarding a value maximizing in-court restructuring.

(b) The Restructuring Support Agreement[~~3~~4]

[~~3~~4] To the extent any summaries and/or descriptions of the relationships of the parties and the terms of the Restructuring Support Agreement herein differ in any way from those contained in the Restructuring Support Agreement, the Restructuring Support Agreement controls.

As a result of these efforts, the Debtors were able to reach agreement on and finalize the terms of the Restructuring Support Agreement. The Debtors and the persons party to the Restructuring Support Agreement (the "Restructuring Support Agreement Parties") recognized that a comprehensive restructuring was necessary to deleverage the Debtors' balance sheet to ensure the Debtors' ability to operate as a going concern.

The Restructuring Support Agreement was the product of extensive, arm's-length negotiation among the Restructuring Support Agreement Parties. It provides the framework for a swift restructuring under the Bankruptcy Code and works in tandem with the DIP Facilities to facilitate the Debtors' reorganization as a going concern. The DIP Facilities provide the Debtors with debtor-in-possession financing facilities of up to $135 million that will provide the Debtors with sufficient capital to administer these Chapter 11 Cases.

The Restructuring Support Agreement provides for the reorganization of the Debtors as a going concern with a deleveraged capital structure and sufficient liquidity to fund the Debtors' postpetition business plan. The key element of the reorganization contemplated by the Restructuring Support Agreement is the elimination of a substantial amount of the Debtors' prepetition funded debt obligations, whereby the First Lien Lenders will become the ultimate common equity owners of the Reorganized Debtors. The Restructuring Support Agreement also provides for the cancellation of all existing equity interests~~. This~~ of Holdings. The reorganization contemplated by the RSA will minimize disruption to the Debtors' business on account of these Chapter 11 Cases, send a strong positive message to the Debtors' business partners and the powersports industry generally, and prime the Debtors for success upon emergence.

(c) **Conclusion**

The Debtors believe that the restructuring embodied in the Restructuring Support Agreement and Plan gives them the best opportunity to withstand current adverse market conditions, maintain adequate liquidity for their operations going forward, avoid an enterprise-wide, piecemeal liquidation, and maximize value for the benefit of their stakeholders. Under the terms of the Restructuring Support Agreement and the Plan, the Debtors anticipate emerging from bankruptcy in or around the beginning of the second quarter of 2018. The restructuring contemplated by the Restructuring Support Agreement and the Plan preserves the Debtors' value as a going concern. Consummation of the restructuring contemplated by the Restructuring Support Agreement and Plan will significantly deleverage the Debtors' balance sheet and otherwise has support from a significant majority of the Debtors' stakeholders. The Debtors' negotiation of this result represents a significant achievement against such a challenging market backdrop.

ARTICLE V

ADMINISTRATION OF THE BANKRUPTCY PROCEEDINGS

5.1 First Day Pleadings and Certain Related Relief

(a) Operational First Day Motions and Orders

Concurrently with the commencement of the Chapter 11 Cases, the Debtors filed various motions requesting typical chapter 11 relief to assist the Company's transition into bankruptcy. On November 17, 2017, the Bankruptcy Court authorized the Debtors to, among other things, (i) continue to utilize their centralized cash management system on an interim basis pending a final hearing [ECF No. 43], (ii) pay certain employee wages, payroll taxes and other employee benefits on an interim basis [ECF No. 44], (iii) pay pre-petition sales, use and other taxes on an interim basis [ECF No. 41], (iv) pay the pre-petition claims of certain foreign, section 503(b)(9), and critical trade vendors on an interim basis [ECF No. 46], (v) continue certain insurance coverage on an interim basis [ECF No. 42], (vi) honor certain pre-petition customer obligations and customary trade practices [ECF No. 45], (vii) establish interim procedures to resolve adequate assurance requests for their utility accounts [ECF No. 40], (viii) establish interim procedures governing trading of the Debtors' equity securities [ECF No. 47], and (ix) appoint Donlin, Recano & Company, Inc. as the claims and noticing agent for the Bankruptcy Court [ECF No. 38]. The Debtors received final approval for the foregoing on or around December 12, 2017.

For additional information with respect to the first day pleadings and related relief sought by the Debtors at the beginning of the Chapter 11 Cases, please consult the *Declaration of Anthony Flanagan, Chief Restructuring Officer Of Velocity Holding Company, Inc., In Support Of Chapter 11 Petitions And First Day Motions* [ECF No. 13], which is incorporated herein by reference.

(b) Post-Petition Financing

The Debtors also obtained interim and final approval of the DIP Facilities [ECF Nos. 60, 203]. More specifically, the Debtors secured the $110 million DIP ABL Facility, under which collections were used to pay down the prepetition ABL ~~facility~~Facility, which in turn created availability for the Debtors to borrow under the ABL DIP Facility. The Debtors also obtained a $25 million DIP Term Facility. Together, the DIP Facilities provided approximately $25 million of additional working capital for the Debtors. Obtaining approval of the DIP Facilities was critical to the Debtors' ability to operate successfully in the Chapter 11 Cases while working to maximize the value of their Estates through the reorganization process.

(c) Retention, Employment, and Compensation of Professionals

To assist the Debtors in carrying out their duties as debtors and debtors in possession and to obtain legal representation in their Chapter 11 Cases, on or around December 12, 2017, the Debtors obtained orders approving their retention and employment of certain legal, financial and

other professional advisors [ECF Nos. 177] (Donlin, Recano & Company, Inc. as administrative advisor, in addition to its role as claims agent of the Bankruptcy Court), [180] (AP Services LLC to provide a Chief Restructuring Officer ("CRO"), related personnel, and restructuring consulting services), [179] (Cole Schotz P.C. as U.S. bankruptcy co-counsel), and [178] (Proskauer Rose LLP, lead bankruptcy counsel). The Bankruptcy Court also authorized the Debtors to (i) retain and compensate professionals utilized in the ordinary course of business [ECF No. 175] and (ii) establish procedures for interim compensation and reimbursement of expenses for ~~Professionals~~professionals retained in the Chapter 11 Cases [ECF No. 174].

(d) **Non-Insider Bonus Program and Severance Payments**

On December 19, 2017, the Bankruptcy Court entered the *Order Approving Debtors' Key Employee Incentive Plan* [ECF No. 225] (the "KEIP Order"). Pursuant to the KEIP Order, the Bankruptcy Court approved bonus payments of up to approximately $896,000 in the aggregate for 18 key non-insider employees of the Company (the "Non-Insider Bonus Program"). Of that amount, 50% is designated for payment on the Effective Date, and the remaining 50% is designated for payment six (6) months after the Effective Date, so long as each key employee either (a) remains employed in good standing by the Reorganized Debtors on such date, or (b) was terminated without cause prior to such date. Further details about the Non-Insider Bonus Program may be found in the *Debtors' Motion for Entry of an Order Approving Debtors' Key Employee Incentive Plan* [ECF No. 88].

Pursuant to the KEIP Order, the Bankruptcy Court also conditionally approved potential post-emergence severance arrangements (the "Severance Arrangements") for certain senior management executives, as set forth in the chart below. The senior management executives will be entitled to such severance if, as, and when within six (6) months after the Effective Date, such executive's employment by the Reorganized Debtors is terminated without cause.

Position / Title	Severance Payment Amount
Chief Executive Officer	Twelve (12) months' current salary, plus annual target bonus (in amounts as set forth in the applicable current employment agreement)
Chief Financial Officer	Six (6) months' current salary (as set forth in the applicable current employment agreement)
President (Ed Tucker Distributor)	Twelve (12) months' current salary (as set forth in the applicable current employment agreement)
President (J&P Cycles)	Six (6) months' current salary (as set forth in the applicable current employment agreement)
President (Kuryakyn)	Six (6) months' current salary
General Manager, MAG Apparel (MAGnet Force)	Six (6) months' current salary
President (Off Road)	Nine (9) months' current salary (as set forth in the applicable current employment agreement)
President (Vance & Hines)	Twelve (12) months' current salary

	(as set forth in the applicable current employment agreement)

The Debtors will seek unconditional approval of the Severance Arrangements in connection with Confirmation.

(e) **Procedural and Administrative Motions**

To facilitate the efficient administration of the Chapter 11 Cases and to reduce the administrative burden associated therewith, the Debtors also filed and received authorization to implement several procedural and administrative motions. In November and December, 2017, the Bankruptcy Court entered Orders that, among other things, (i) authorized the joint administration of the Chapter 11 Cases [ECF No. 37]; (ii) extended the time during which the Debtors may file certain schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs, the filing of which are required under section 521 of the Bankruptcy Code [ECF No. 173]; and (iii) allowed the Debtors to prepare a list of creditors in lieu of submitting a formatted mailing matrix [ECF No. 39].

~~Additionally, on~~On January ~~2, 2018, the Debtors filed two motions [ECF Nos. 259, 260] (i) seeking entry of an order to set~~22, 2018, the Bankruptcy Court entered Orders (i) establishing bar dates for filing proofs of claim against the Debtors in the Chapter 11 Cases and ~~approval of~~approving the form and manner of notice thereof [ECF No. 347]; and (ii) authorizing the Debtors to (a) reject certain unexpired leases of non-residential real property (the "Leases"), including any amendments or modifications thereto; (b) reject certain related unexpired subleases of non-residential real property (the "Subleases"), including any amendments or modifications thereto; and (c) abandon any personal property that remains on the premises subject to the Leases or Subleases [ECF No. 348].

Additionally, on January 24, 2018, the Debtors filed a motion seeking entry of an order enlarging the time period within which the Debtors may remove certain pending proceedings pursuant to 28 U.S.C. § 1452 and Bankruptcy Rule 9027 [ECF No. 353].

5.2 Committee of Unsecured Creditors

On November 27, 2017, the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed a statutory committee of unsecured creditors pursuant to section 1102 of the Bankruptcy Code (the "Committee"). Like the Debtors, the Committee is a fiduciary tasked with maximizing the value of the Debtors' Estates, and has retained attorneys and other advisors to assist it.

Following the appointment of the Committee, the Committee's professionals engaged in an investigation of the Debtors and their businesses. In an effort to facilitate these investigations, with a view towards streamlining the administration of the Chapter 11 Cases and obtaining as much relief on a consensual basis as possible, the Debtors devoted significant resources to assisting the Committee in this process. Specifically, the Debtors engaged in informal discovery

with the Committee including informational conference calls, document production, and the continued updating and maintenance of a data room. This informal discovery process required investments of time and resources by the Debtors, including by members of the Debtors' senior management and the Debtors' advisors.

On January 5, 2018, the Bankruptcy Court entered Orders [ECF Nos. 271, 272, and 273] authorizing the Committee ~~of Unsecured Creditors~~'s retention of (i) Foley & Lardner LLP as counsel, (ii) Province, Inc. as Financial Advisor, and (iii) Whiteford, Taylor & Preston LLC as Delaware co-counsel.

5.3 Filing of Schedules of Assets and Liabilities and Statements of Financial Affairs

On January 16, 2018, the Debtors filed the Schedules of Assets and Liabilities and Statements of Financial Affairs for each of the 19 individual Debtors in the Chapter 11 Cases.

ARTICLE VI

OTHER KEY ASPECTS OF THE PLAN

6.1 Distributions

One of the key concepts under the Bankruptcy Code is that only claims and interests that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an Allowed Claim or Interest means that the Debtors agree, or if there is a dispute, the Bankruptcy Court determines, that the Claim or Interest, and the amount thereof, is in fact a valid obligation of or Interest in the Debtors.

(a) Distributions on Account of Claims and Interests Allowed as of the Effective Date

Except as otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as otherwise determined in accordance with the Plan, including, without limitation, the treatment provisions of Article IV of the Plan, or as soon as practicable thereafter; provided, that, the Reorganized Debtors may implement periodic distribution dates to the extent they determine them to be appropriate.

(b) Rights and Powers of Disbursing Agent

(1) Exculpation of the Disbursing Agent

From and after the Effective Date, the Disbursing Agent, solely in its capacity as Disbursing Agent, shall be exculpated by all ~~Entities~~Persons, including, without limitation, holders of Claims against and Interests in the Debtors and other parties in interest, from any and all Claims, Causes of Action, and other assertions of liability arising out of the discharge of the powers and duties conferred upon such Disbursing Agent by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law, except for

actions or omissions to act arising out of the gross negligence or willful misconduct, fraud, malpractice, criminal conduct, or *ultra vires* acts of such Disbursing Agent. No holder of a Claim or Interest or other party in interest shall have or pursue any claim or Cause of Action against any Disbursing Agent, solely in its capacity as Disbursing Agent, for making payments or distributions in accordance with the Plan or for implementing provisions of the Plan, except for actions or omissions to act arising out of the gross negligence or willful misconduct, fraud, malpractice, criminal conduct, or *ultra vires* acts of such Disbursing Agent.

(2) **Powers of the Disbursing Agent**

The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, and (iii) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

(c) **Distribution Record Date**

As of the close of business on the Effective Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Interests. The Debtors or the Reorganized Debtors shall have no obligation to recognize any transfer of the Claims or Interests occurring on or after the Effective Date. In addition, with respect to payment of any Cure Amounts or Cure Disputes over any Cure Amounts, neither the Debtors, the Reorganized Debtors, nor the Disbursing Agent shall have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable Executory Contract as of the Effective Date, even if such non-Debtor party has sold, assigned, or otherwise transferred its Claim for a Cure Amount.

(d) **Disputed Claims**

(1) **Special Rules for Disputed Claims**

Notwithstanding any provision to the contrary in the Plan and except as otherwise agreed by the relevant parties: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim or Disputed Interest until all such disputes in connection with such Disputed Claim or Disputed Interest have been resolved by settlement or Final Order; and (b) any ~~Entity~~Person that holds both (i) an Allowed Claim or Allowed Interest and (ii) a Disputed Claim or Disputed Interest, shall not receive any distribution on the Allowed Claim or Allowed Interest unless and until all objections to the Disputed Claim or Disputed Interest have been resolved by settlement or Final Order or the Disputed Claims and/or Disputed Interests have been Allowed or expunged. Any dividends or other distributions arising from property distributed to holders of Allowed Claims or Allowed Interests in a Class and paid to such holders under the Plan shall also be paid, in the applicable amounts, to any holder of a Disputed Claim or Disputed Interest in such Class that becomes an Allowed Claim or Allowed Interest, after the date such Disputed Claim or Disputed Interest becomes an Allowed Claim or Allowed Interest

and after the date or dates that such dividends or other distributions were earlier paid to holders of Allowed Claims or Allowed Interests in such Class.

(2) **Establishment of Disputed Claims Reserve**

On the Effective Date or as soon thereafter as is reasonably practicable, the Reorganized Debtors shall set aside and reserve, for the benefit of each holder of a Disputed Administrative Expense Claim, Disputed Priority Tax Claim, Disputed Other Priority Claim, and Disputed Other Secured Claim, Cash in an amount equal to (i) the amount of such Claim as estimated by the Bankruptcy Court pursuant to an Estimation Order, (ii) if no Estimation Order has been entered with respect to such Claim, ~~the amount in which such Disputed Claim is proposed to be allowed in any pending objection filed by the Debtors, or (iii) if no Estimation Order has been entered with respect to such Claim, and no objection to such Claim is pending on the Effective Date,~~ (A) the amount listed in the Schedules or (B) if a timely filed proof of claim or application for payment has been filed with the Bankruptcy Court or Claims Agent, as applicable, the amount set forth in such timely filed proof of claim or application for payment, as applicable. The Reorganized Debtors, in their reasonable discretion, may increase the amount reserved as to any particular Disputed Claim. Such reserved amounts, collectively, shall constitute the "Disputed Claims Reserve."

(3) **Plan Distributions to Holders of Subsequently Allowed Claims**

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, the Disbursing Agent will make distributions or payments from the Disputed Claims Reserve. The Disbursing Agent shall distribute in respect of such newly Allowed Claims the distributions under the Plan to which holders of such Claims would have been entitled under the Plan if such newly Allowed Claims were fully or partially Allowed, as the case may be, on the Effective Date~~, less direct and actual expenses, fees, or other direct costs of maintaining Plan Consideration on account of such Disputed Claims~~.

(4) **Distribution of Reserved Plan Consideration Upon Disallowance**

To the extent any Disputed Administrative Expense Claim, Disputed Priority Tax Claim, Disputed Other Priority Claim, or Disputed Other Secured Claim ~~has become~~becomes Disallowed in full or in part (in accordance with the procedures set forth in the Plan), any Plan Consideration held by the Reorganized Debtors on account of, or to pay, such Disputed Claim shall become the sole and exclusive property of Reorganized Pooling or its successors or assigns.

(e) **No Interest**

Except for DIP Claims and, as applicable, Other Secured Claims, interest shall not accrue or be paid on any Claims on or after the Petition Date. DIP Claims and, as applicable, Other Secured Claims shall accrue and be paid interest in accordance with the terms set forth in the agreements governing the DIP Claims and, as applicable, the Other Secured Claims.

6.2 Restructuring Transactions

Subject to entry of the Confirmation Order, prior to the Effective Date, without the need for any further corporate or limited liability company action or approval of any board of directors, board of managers, members, shareholders or officers of any Debtor or Reorganized Debtor, as applicable, the Debtors or Reorganized Debtors shall take, or cause to be taken, all actions necessary or, in the judgment of the Requisite Consenting Term Lenders, appropriate to consummate and implement the provisions of the Plan (including as described in the Description of Structure), including such actions as may be necessary or appropriate to effectuate a corporate restructuring of their respective businesses (whether for tax purposes or otherwise), to simplify the overall corporate structure of the Debtors, to convert certain of the Debtors into limited liability companies and/or corporations (as applicable), to reincorporate certain of the Debtors under the laws of jurisdictions other than the laws of which the applicable Debtors are presently incorporated, to issue intercompany equity, to transfer, assign, assume and/or delegate (as applicable) any cash, assets, properties, securities, contracts, rights, liabilities or obligations of any of the Debtors to or from (as applicable) any of the other Debtors, or to change the classification of any of the Debtors for United States federal income tax purposes. Such restructuring may include one or more mergers, consolidations, restructures, dispositions, liquidations or dissolutions, creations of one or more new ~~Entities~~Persons, or the making of any tax classification elections, in each case, as may be determined by the Debtors or Reorganized Debtors, with the consent of the Requisite Consenting Term Lenders, to be necessary or appropriate (collectively, the "Restructuring Transactions"). The timing, form, and substance of the Restructuring Transactions shall be satisfactory to the Requisite Consenting Term Lenders. ~~Any such~~The material anticipated Restructuring Transactions will be summarized in the Description of Structure, and, in all cases, such Restructuring Transactions shall be subject to the terms and conditions of the Plan and the Restructuring Documents and any consents or approvals required ~~hereunder or~~ thereunder.

During the period from the Confirmation Date through and until the Effective Date, the Debtors may continue to operate their businesses as Debtors In Possession, subject to all applicable orders of the Bankruptcy Court, the Bankruptcy Code, and any limitations set forth in the Plan or in the Confirmation Order, the DIP Credit Documents, the DIP Orders, and the Restructuring Support Agreement.

6.3 New Operating Agreement

On the Effective Date, Reorganized Pooling and all of the holders of Claims and other Persons to receive New Common Units under the Plan shall be deemed to be parties to, and bound by, the New Operating Agreement, which shall be on terms consistent with the Corporate Governance Term Sheet, without the need for execution thereof by any such holder or other Person. It shall be an express condition to the right of a holder of an Allowed Claim or any other Person to receive New Common Units under the Plan that such holder or other Person execute and deliver to Reorganized Pooling a counterpart signature page to the New Operating Agreement. Notwithstanding anything herein to the contrary, each holder of New Common Units (whether such holder received New Common Units on the Effective Date or after the

Effective Date (including receipt of New Common Units upon exercise of New Warrants or otherwise)) shall be deemed to have accepted the terms of the New Operating Agreement and to be parties thereto and bound by the provisions thereof, all without further action or signature. The New Operating Agreement shall be effective as of the Effective Date and, as of such date, shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Common Units shall be bound thereby even if such holder has not actually executed and delivered a counterpart thereof.

6.4 Insurance Policies

Notwithstanding anything in the Plan to the contrary, all of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto. Unless otherwise determined by the Bankruptcy Court prior to the Effective Date, or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults (if any) of the Debtors existing as of the Effective Date with respect to each such insurance policy or agreement, and to the extent that the Bankruptcy Court determines otherwise as to any such insurance policy or agreement, the Debtors' rights to seek the rejection of such insurance policy or agreement or other available relief within thirty (30) days after such determination are fully reserved; provided, however, that the rights of any party that issues an insurance policy or agreement to object to such proposed rejection on any and all grounds are fully reserved. Nothing in the Plan, the Restructuring Documents, the Plan Supplement or the Confirmation Order (a) alters, modifies or otherwise amends the terms and conditions of (or the coverage provided by) any of the insurance policies or agreements, (b) limits the Reorganized Debtors from asserting a right or claim to the proceeds of any insurance policy or agreement that insures any Debtor, was issued to any Debtor or was assumed by the Reorganized Debtors by operation of the Plan or (c) impairs, alters, waives, releases, modifies or amends any of the Debtors' or Reorganized Debtors' legal, equitable or contractual rights, remedies, claims, counterclaims, defenses or Causes of Action in connection with any of such insurance policies or agreements.

The Debtors have (i) confirmed that, as of the Restructuring Support Effective Date (as defined in the Restructuring Support Agreement), all Persons who are beneficiaries of indemnification or expense reimbursement or advancement obligations from the Debtors ("Company Indemnitees") are covered under the existing officers' and directors' liability insurance and fiduciary liability insurance policies (the "Existing Insurance Policies") provided by LDI or its Affiliates, and (ii) received reasonable assurances from LDI that all Company Indemnitees will remain covered under the Existing Insurance Policies following the Effective Date, with no costs to the Debtors, with an available limit on liability that is no less than, a retention or deductible that is no greater than, and containing such other terms and conditions that are no less favorable than, the limit, retention or deductible or such other terms and conditions set forth in the Existing Insurance Policies as of the Restructuring Support Effective Date.

6.5 Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting Executory Contracts pursuant to section 365(d)(4) of the Bankruptcy Code.

6.6 Release, Injunction, and Related Provisions

Article X of the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the negotiations between the Debtors and the Consenting Term Lenders in obtaining their support for the Plan pursuant to the terms of the Restructuring Support Agreement.

All of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

The Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Third Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.

The Committee believes that the releases are improper for numerous reasons, including because they (a) allow broad releases to third parties other than the Debtors, and (b) purport to release claims of the Debtors' estates without fully disclosing the extent of the Debtors' efforts to identify whether any valuable claims exist, the consideration received by the estates in exchange for releasing such claims, and how the Debtors determined that such consideration was reasonably equivalent in value to the release of such claims. The Committee believes that the Debtors' estates may hold valuable Causes of Action against the Debtors' current and former directors and officers, including Claims for breach of fiduciary duty and other Causes of Action, or against the Debtors' current and former non-Debtor affiliates and equity holders. The Committee currently is investigating such potential Claims and Causes of Action and that investigation remains underway.

The Debtors disagree with the Committee. The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate because, among other things: (a) the releases, exculpations, and injunctions are specific; (b) the releases provide closure with respect to prepetition Claims and Causes of Action, which the Debtors determined is a valuable component of the overall restructuring under the circumstances and is integral to the Plan; (c) the releases are a condition to the global settlement and a necessary part of the Plan; and (d) each of the Released Parties and Exculpated Parties has afforded value to the Debtors and aided in the reorganization process, which facilitated the Debtors' ability to propose and pursue confirmation

of a value-maximizing restructuring. Further, the releases, exculpations, and injunctions have the support of the vast majority of the only voting creditors, the First Lien Term Loan Claims. The Debtors believe that each of the Released Parties and Exculpated Parties has played an integral role in formulating or enabling the Plan and has expended significant time and resources analyzing and negotiating the issues presented by the Debtors' prepetition capital structure. The Debtors believe the value of any potential Claims or Causes of Action released pursuant to the Plan, particularly in light of potential limitations on such Causes of Action under the applicable corporate organizational documents and applicable law, does not outweigh the substantial benefits of the Restructuring contemplated by the Plan, such as a significantly deleveraged balance sheet and a clean slate free of the costs and distractions of potentially frivolous litigation during the Debtors' sensitive post-emergence period. The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each Released Party and Exculpated Party as part of Confirmation of the Plan.

(a) **Releases by the Debtors**

As of the Effective Date, except (i) for the right to enforce the Plan or any right or obligation arising under the Restructuring Documents that remains in effect or becomes effective after the Effective Date or (ii) as otherwise expressly provided in the Plan or in the Confirmation Order, in exchange for good and valuable consideration, including the obligations of the Debtors under the Plan and the contributions of the Released Parties to facilitate and implement the Plan, on and after the Effective Date, the Released Parties (other than the Debtors and the Reorganized Debtors) shall be deemed conclusively, absolutely, unconditionally, irrevocably and forever released and discharged by the Debtors, the Reorganized Debtors, the Estates and their Affiliates from any and all ~~Claims~~claims and Causes of Action, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors, the Estates or their Affiliates, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtors, the Estates, or their ~~affiliates~~Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other ~~Entity~~Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any such Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, preparation or consummation of the Plan (including the Plan Supplement, including the transactions described in the Description of Structure), the Restructuring Support Agreement, the Restructuring Documents or related agreements, instruments or other documents, ~~or~~ the solicitation of votes with respect to the Plan, any settlement or agreement in the Chapter 11 Cases, the offer, issuance, and distribution of any securities issued or to be issued pursuant to the Plan, whether or not such distribution occurs following the Effective Date, negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed under

the Plan, in all cases based upon any act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date; provided, that, nothing in Section 10.6(a) of the Plan shall be construed to release any party or ~~Entity~~Person from gross negligence, willful misconduct, or intentional fraud as determined by a Final Order.

(b) **Releases by Holders of Claims and Interests**

As of the Effective Date, except (i) for the right to enforce the Plan or any right or obligation arising under the Restructuring Documents that remains in effect or becomes effective after the Effective Date or (ii) as otherwise expressly provided in the Plan or in the Confirmation Order, in exchange for good and valuable consideration, including the obligations of the Debtors under the Plan and the contributions of the Released Parties to facilitate and implement the Plan, to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, the Released Parties shall be deemed conclusively, absolutely, unconditionally, irrevocably and forever, released, and discharged:

(1) (A) the holders of Unimpaired Claims or Unimpaired Interests; and (B) the holders of Impaired Claims or Impaired Interests except those (i) deemed to reject the Plan or (ii) (x) who voted to reject, or abstained from voting on, the Plan and (y) have also checked the box on the applicable ballot or notice indicating that they opt out of granting the releases provided in the Plan; provided, that, the Consenting Term Lenders may not opt out of granting the releases provided in the Plan in accordance with and subject to the terms and conditions of the Restructuring Support Agreement; and

(2) with respect to any ~~Entity~~Person in the foregoing clause (1), such ~~Entity~~Person's predecessors, successors and assigns, Subsidiaries, Affiliates, managed accounts or funds, current or former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other professionals, and such ~~Entity~~Person's respective heirs, executors, estates, servants and nominees solely in their capacities as such;

in each case, from any and all ~~Claims~~claims, interests or Causes of Action whatsoever, including any derivative ~~Claims~~claims asserted or assertable on behalf of a Debtor, a Reorganized Debtor, an Estate or their Affiliates, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such ~~Entity~~Person would have been legally entitled to assert in ~~their~~its own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other ~~Entity~~Person, based on, relating to, or in any manner arising from, in whole or in part, the Debtors, the ~~Debtors'~~ Restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any other Released Party, the restructuring of Claims and Interests before or during the

Chapter 11 Cases, the negotiation, formulation, preparation, or consummation of the Plan (including the Plan Supplement, including the transactions described in the Description of Structure), the Restructuring Support Agreement, the Restructuring Documents, or any related agreements, instruments, or other documents, the solicitation of votes with respect to the Plan, any settlement or agreement in the Chapter 11 Cases, the offer, issuance, and distribution of any securities issued or to be issued pursuant to the Plan, whether or not such distribution occurs following the Effective Date, negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed under the Plan, in all cases based upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date; provided, that, nothing in Section 10.6(b) of the Plan shall be construed to release the Released Parties from gross negligence, willful misconduct, or intentional fraud as determined by a Final Order.

(c) **Exculpation**

Notwithstanding anything in the Plan to the contrary, on the Confirmation Date and effective as of the Effective Date, and to the maximum extent permitted by applicable law, the Exculpated Parties shall neither have nor incur any liability to any holder of a Claim or Interest or any other party in interest, or any of their respective predecessors, successors and assigns, Subsidiaries, Affiliates, managed accounts or funds, current or former officers, directors, managers, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other professionals, and such ~~Entity~~Person's respective heirs, executors, estates, servants or nominees for any act or omission (both prior to and subsequent to the Petition Date) in connection with, related to, or arising out of, in whole or in part, the Debtors, the Restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any other Exculpated Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, preparation, or consummation of the Plan (including the Plan Supplement, including the transactions described in the Description of Structure), the Restructuring Support Agreement, the Restructuring Documents, or any related agreements, instruments, or other documents, the solicitation of votes with respect to the Plan, any settlement or agreement in the Chapter 11 Cases, the offer, issuance, and distribution of any securities issued or to be issued pursuant to the Plan, whether or not such distribution occurs following the Effective Date, negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed under the Plan, except for actions determined by a Final Order to constitute gross negligence, willful misconduct, or intentional fraud.

(d) **Injunction**

Upon entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors, managers, principals, and affiliates, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court or as agreed to by the Debtors (with the consent of the Requisite Consenting Term Lenders) and a holder of a Claim against or Interest in the Debtors, all ~~Entities~~Persons who have held, hold, or may hold Claims against or Interests in any or all of the Debtors (whether proof of such Claims or Interests has been filed or not and whether or not such ~~Entities~~Persons vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan), including in connection with, related to, or arising out of, in whole or in part, any settlement or agreement in the Chapter 11 Cases, the offer, issuance, and distribution of any securities issued or to be issued pursuant to the Plan, whether or not such distribution occurs following the Effective Date, negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed under the Plan, and other parties in interest, along with their respective present or former employees, agents, officers, directors, managers, principals, and affiliates, are permanently enjoined, on and after the Effective Date, solely with respect to any Claims, Interests, and Causes of Action that will be or are extinguished, discharged, or released pursuant to the Plan, from (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Released Parties or the property of any of the Released Parties, (ii) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Released Parties or the property of any of the Released Parties, (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Released Parties or the property of any of the Released Parties, (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Released Parties or the property of any of the Released Parties, except as contemplated or allowed by the Plan, and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

~~**By accepting distributions pursuant to the Plan, each holder of an Allowed Claim or an Allowed Interest will be deemed to have affirmatively and specifically consented to be bound by the Plan, including, without limitation, the injunctions set forth in Section 10.5 of the Plan.**~~

The injunctions set forth in Section 10.5 of the Plan shall extend to any successors of the Debtors and the Reorganized Debtors and their respective property and interests in property.

Notwithstanding anything to the contrary in the foregoing, the injunction does not enjoin any party under the Plan or under any document, instrument or agreement (including those included in the Plan Supplement) executed to implement the Plan from bringing an action to enforce the terms of the Plan or such document, instrument or agreement (including included in the Plan Supplement) executed to implement the Plan.

ARTICLE VII[45]

CERTAIN FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

ALTHOUGH THESE RISK FACTORS ARE MANY, THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE DEBTORS' BUSINESSES OR THE PLAN AND ITS IMPLEMENTATION.

7.1 General

The following provides a summary of various important considerations and risk factors associated with the Plan; however, as noted, it is not exhaustive. In considering whether to vote to accept or reject the Plan, holders of Claims entitled to vote should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced or incorporated by reference in this Disclosure Statement.

7.2 Risks Relating to the Plan and Other Bankruptcy Law Considerations

(a) ***A Claim or Interest holder may object to, and the Bankruptcy Court may disagree with, the Debtors' classification of Claims and Interests***

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each Class only contains Claims or Interests that are substantially similar to the other Claims and Interests in such Class. A holder of a Claim or Interest could challenge the Debtors' classification, however. In such an event, the cost of the Chapter 11 Cases and the time needed to confirm the Plan may increase, and there can be no assurance that the Bankruptcy Court will agree with the Debtors' classification. If the Bankruptcy Court concludes that the

[45] In this Article, the use of the term "Debtors" includes "Reorganized Debtors," and the use of the term "Reorganized Debtors" includes "Debtors," where appropriate.

~~classifications~~classification of Claims and Interests under the Plan ~~do~~does not comply with the requirements of the Bankruptcy Code, the Debtors may need to modify the Plan. Such modification could require re-solicitation of votes on the Plan. The Plan may not be confirmed if the Bankruptcy Court determines that the Debtors' classification of Claims and Interests is not appropriate.

(b) ***The Debtors may not be able to satisfy the voting requirements for Confirmation of the Plan***

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors may seek, as promptly as practicable thereafter, Confirmation. If the Plan does not receive the required support from Class 3, the Debtors may elect, subject to the terms of the Restructuring Support Agreement, to amend the Plan, ~~seek~~ to sell their assets pursuant to section 363 of the Bankruptcy Code, or to proceed with liquidation.

(c) ***The Bankruptcy Court may not confirm the Plan***

The Debtors cannot assure you that the Plan will be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a plan of reorganization, requires, among other things, a finding by the Bankruptcy Court that the plan of reorganization is "feasible," that all claims and interests have been classified in compliance with the provisions of section 1122 of the Bankruptcy Code, and that, under the plan of reorganization, each holder of a claim or interest within each impaired class either accepts the plan of reorganization or receives or retains cash or property of a value, as of the date the plan of reorganization becomes effective, that is not less than the value such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code. With respect to impaired classes of claims or interests that do not accept the plan, section 1129(b) requires that the plan be fair and equitable (including, without limitation, satisfaction of the "absolute priority rule") and not discriminate unfairly with respect to such classes. There can be no assurance that the Bankruptcy Court will conclude that the feasibility test and other requirements of section 1129 of the Bankruptcy Code have been met with respect to the Plan.

If the Plan is not confirmed, the Chapter 11 Cases may be converted into cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries ~~of~~to holders of claims and interests is set forth in the unaudited Liquidation Analysis, attached hereto as **Exhibit C**. The Debtors believe that liquidation under chapter 7 of the Bankruptcy Code would result in, among other things, smaller distributions being made to creditors and interest holders than those provided for in the Plan because of:

- the absence of a market for the Debtors' assets on a going concern basis;
- additional administrative expenses involved in the appointment of a trustee; and

- additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other Executory Contracts in connection with a cessation of the Debtors' operations.

(d) ***The Debtors may object to the amount or classification of a Claim or Interest***

Except as otherwise provided in the Plan, the Debtors and other parties in interest reserve the right to object to the amount or classification of any Claim or Interest under the Plan. ~~The estimates set forth in this Disclosure Statement cannot be relied on by any holder of a Claim or Interest where such Claim or Interest is subject to an objection.~~ Any holder of a Claim or Interest that is subject to an objection ~~thus~~ may not receive its expected share of the estimated distributions described in this Disclosure Statement~~.~~ and, therefore, the recovery estimates set forth in this Disclosure Statement cannot be relied on by any holder of a Claim or Interest where such Claim or Interest is subject to an objection.

(e) ***Even if the Debtors receive all necessary acceptances for the Plan to become effective, the Debtors may fail to meet all conditions precedent to effectiveness of the Plan***

Although the Debtors believe that the Effective Date would occur very shortly after the Confirmation Date, there can be no assurance as to such timing.

The Confirmation and effectiveness of the Plan are subject to certain conditions that may or may not be satisfied. The Debtors cannot assure you that all requirements for Confirmation and effectiveness required under the Plan will be satisfied.

(f) ***Contingencies may affect distributions to holders of Allowed Claims ~~and Interests~~***

The distributions available to holders of Allowed Claims ~~and Interests~~ under the Plan can be affected by a variety of contingencies, including whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies could affect distributions under the Plan.

(g) ***The Bankruptcy Court may dismiss some or all of the Chapter 11 Cases***

Certain parties in interest may contest the Debtors' authority to ~~commence and/or prosecute~~have commenced or to continue prosecuting the Chapter 11 Cases. If, pursuant to any such proceeding, the Bankruptcy Court finds that some or all of the Debtors could not ~~commence~~have commenced the Chapter 11 Cases for any reason (including for cause or any grounds supporting abstention), the Debtors may be unable to consummate the transactions contemplated by the Restructuring Support Agreement and the Plan, and any parties providing restructuring support in the form of an exit facility may be unwilling to proceed with such

funding. If some or all of the Chapter 11 Cases are dismissed, the Debtors may be forced to cease operations due to insufficient funding and/or liquidate their businesses in another forum to the detriment of all parties in interest.

(h) ***The United States Trustee or other parties may object to the Plan on account of the third-party release provisions***

Any party in interest, including the U.S. Trustee, could object to the Plan on the grounds that the third-party release contained in Section 10.6 of the Plan is not being given consensually or in a permissible non-consensual manner. In response to such an objection, the Bankruptcy Court could determine that the third-party release is not valid under the Bankruptcy Code. If the Bankruptcy Court makes such a determination, the Plan could not be confirmed without modifying the Plan to alter or remove the third-party release. This could result in substantial delay in Confirmation of the Plan or the Plan not being confirmed at all.

(i) ***The Debtors may seek to amend, waive, modify, or withdraw the Plan at any time prior to Confirmation***

The Debtors, with the consent of the Requisite Consenting Term Lenders, reserve the right, in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Restructuring Support Agreement, and consistent with the terms of the Plan, to amend the terms of the Plan or waive any conditions thereto if and to the extent such amendments or waivers are consistent with the terms of the Restructuring Support Agreement and necessary or desirable to consummate the Plan. The potential impact of any such amendment or waiver on the holders of Claims and Interests cannot presently be foreseen but may include a change in the economic impact of the Plan on some or all of the proposed Classes or a change in the relative rights of such Classes. All holders of Claims and Interests will receive notice of such amendments or waivers as required by applicable law and the Bankruptcy Court. If, after receiving sufficient acceptances, but prior to Confirmation of the Plan, the Debtors seek to modify the Plan, the previously solicited acceptances will be valid only if (1) all classes of adversely affected creditors and interest holders accept the modification in writing, or (2) the Bankruptcy Court determines, after notice to designated parties, that such modification was *de minimis* or purely technical or otherwise did not adversely change the treatment of holders of accepting Claims and Interests or is otherwise permitted by the Bankruptcy Code.

(j) ***Other parties in interest might be permitted to propose alternative plans of reorganization that may be less favorable to certain of the Debtors' constituencies than the Plan***

Other parties in interest could seek authority from the Bankruptcy Court to propose an alternative plan of reorganization. Under the Bankruptcy Code, a debtor in possession initially has the exclusive right to propose and solicit acceptances of a plan of reorganization for a period of 120 days from the Petition Date. Such exclusivity period, however, can be reduced or terminated upon order of the Bankruptcy Court. Other parties in interest would then have the opportunity to propose alternative plans of reorganization.

If another party in interest were to propose an alternative plan of reorganization following expiration or termination of the Debtors' exclusivity period, such a plan may be less favorable to existing holders of Claims and Interests. If there were competing plans of reorganization, the Chapter 11 Cases likely would become longer, more complicated, more litigious, and much more expensive. If this were to occur, or if the Debtors' stakeholders or other constituencies important to the Debtors' business were to react adversely to an alternative plan of reorganization, the adverse consequences discussed in the foregoing sections also could occur.

(k) ***The Debtors' business may be negatively affected if the Debtors are unable to assume their Executory Contracts***

An executory contract is a contract on which performance remains due to some extent by both parties to the contract. The Plan provides for the assumption of all Executory Contracts that are not otherwise identified for rejection. The Debtors intend to preserve as much of the benefit of their existing Executory Contracts as possible. With respect to some limited classes of Executory Contracts (including licenses with respect to patents or trademarks), however, the Debtors may need to obtain the consent of the counterparty to maintain the benefit of the ~~contract~~Executory Contract. There is no guarantee that such consent either would be forthcoming or that conditions would not be attached to any such consent that makes assuming the ~~contracts~~Executory Contracts unattractive. The Debtors then would be required to either forego the benefits offered by such ~~contracts~~Executory Contracts or to find alternative arrangements to replace them.

(l) ***Certain Claims may not be discharged and could have a material adverse effect on the Reorganized Debtors' financial condition and results of operations***

The Bankruptcy Code provides that ~~the~~ confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all Claims that ~~arise~~arose prior to the ~~Debtors' filing of their Petitions~~Petition Date or before ~~confirmation~~Confirmation of the ~~plan of reorganization~~Plan (a) ~~would be~~are subject to compromise and/or treatment under the ~~plan of reorganization~~Plan and/or (b) ~~would~~will be discharged in accordance with the terms of the ~~plan of reorganization~~Plan. Any Claims not ultimately discharged through ~~a plan of reorganization~~the Plan could be asserted against the ~~reorganized entity~~Reorganized Debtors and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

7.3 Risks Relating to the Restructuring Transactions

(a) ***The Debtors will be subject to business uncertainties and contractual restrictions prior to the Effective Date***

Uncertainty about the effects of the Plan on employees may have an adverse effect on the Debtors. These uncertainties may impair the Debtors' ability to retain and motivate key personnel and could cause customers and others that deal with the Debtors to defer entering into

contracts with the Debtors or making other decisions concerning the Debtors or seek to change existing business relationships with the Debtors. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of the Restructuring Transactions, the Debtors' businesses could be harmed. The Debtors' employees could seek employment with one of the Debtors' competitors, which, in light of the Chapter 11 Cases, may seek to lure the employees at a time when such employees may be fearful about the Debtors' future. To be sure, a failure by the Debtors to attract, retain, and motivate executives and other employees during the period prior to or after the Effective Date could have a negative impact on the Debtors' businesses.

(b) ***The support of the Consenting Term Lenders is subject to the terms of the Restructuring Support Agreement, which is subject to termination in certain circumstances***

Pursuant to the Restructuring Support Agreement, the Consenting Term Lenders are obligated to support the Restructuring Transactions discussed above and the Plan. Nevertheless, the Restructuring Support Agreement is subject to termination upon the occurrence of certain termination events. Accordingly, if such a termination event occurs, the Restructuring Support Agreement may be terminated after the date of this Disclosure Statement, and such a termination would present a material risk to Confirmation and/or Consummation of the Plan because the Plan may no longer have the support of the Consenting Term Lenders.

(c) ***There is inherent uncertainty in the Debtors' financial projections***

The financial projections attached hereto as **Exhibit B** include projections covering the Debtors' operations through 2020. These projections are based on assumptions that are an integral part of the projections, including Confirmation and Consummation of the Plan in accordance with its terms, the anticipated future performance of the Debtors, industry performance, general business and economic conditions, and other matters, many of which are beyond the control of the Debtors and some or all of which may not materialize.

In addition, unanticipated events and circumstances occurring after the date hereof may affect the actual financial results of the Debtors' operations. These variations may be material and may adversely affect the value of the New Common Units and the ability of the Debtors to make payments with respect to their indebtedness. Because the actual results achieved may vary from projected results, perhaps significantly, the projections should not be relied upon as a guarantee or other assurance of the actual results that will occur.

Further, during the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile. In addition, if the Debtors emerge from the Chapter 11 Cases, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors'

consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

Lastly, the business plan was developed by the Debtors with the assistance of their advisors. There can be no assurances that the Debtors' or the Reorganized Debtors' business plan will not change, perhaps materially, as a result of decisions that the board of directors may make after fully evaluating the strategic direction of the Debtors or Reorganized Debtors and their business plans. Any deviations from the existing business plan would necessarily cause a deviation from the attached projections, and could result in materially different outcomes from those projected.

(d) ***Failure to confirm and consummate the Plan could negatively impact the Debtors***

If the Plan is not confirmed and consummated, the ongoing businesses of the Debtors may be adversely affected and there may be various consequences, including:

- the adverse impact to the Debtors' businesses caused by the failure to pursue other beneficial opportunities due to the focus on the Debtors' restructuring, without realizing any of the anticipated benefits of the Debtors' restructuring;
- the incurrence of substantial costs by the Debtors in connection with the Debtors' restructuring, without realizing any of the anticipated benefits of the Debtors' restructuring;
- the possibility, for the Debtors, of being unable to repay indebtedness when due and payable; and
- the Debtors pursuing chapter 7 proceedings, resulting in recoveries for creditors and interest holders that are less than contemplated under the Plan.

7.4 <u>Risks Relating to the Exit Facilities</u>

(a) ***The Reorganized Debtors' indebtedness could adversely affect their financial condition***

The Reorganized Debtors' indebtedness could have significant effects on the Reorganized Debtors' business, including the following:

- it may be more difficult for the Reorganized Debtors to satisfy their financial obligations;
- the Reorganized Debtors' ability to obtain additional financing for working capital, capital expenditures, strategic acquisitions or general corporate purposes may be impaired;

- the Reorganized Debtors must use a portion of their cash flow from operations to pay interest on the Exit Facilities and their other indebtedness, which will reduce the funds available to use for operations and other purposes;
- the Reorganized Debtors' level of indebtedness could place them at a competitive disadvantage compared to their competitors that may have proportionately less debt;
- the Reorganized Debtors' flexibility in planning for, or reacting to, changes in their business and the industry in which they operate may be limited; and
- the Reorganized Debtors' level of indebtedness may make them more vulnerable to economic downturns and adverse developments in their business.

It is anticipated that the Reorganized Debtors will obtain the funds to pay their expenses, interest expense and other scheduled payments in respect of their indebtedness (including the Exit Facilities) from their operations and, in the case of the principal amount of their indebtedness, from the refinancing thereof. The Reorganized Debtors' ability to meet their expenses and make these payments therefore depends on their future performance, which will be affected by financial, business, economic and other factors, many of which they cannot control. The Reorganized Debtors' business may not generate sufficient cash flow from operations in the future, and their currently anticipated growth in revenue and cash flow may not be realized, either or both of which could result in their being unable to repay indebtedness, including the Exit Facilities, or to fund other liquidity needs. If they do not have enough funds, the Reorganized Debtors may be required to refinance all or part of their then existing debt, sell assets or borrow more funds, which they may not be able to accomplish on terms acceptable to the Reorganized Debtors, or at all. In addition, the terms of existing or future debt agreements may restrict the Reorganized Debtors from pursuing any of these alternatives.

(b) ***The Reorganized Debtors and any of their existing or future subsidiaries may still be able to incur substantially more debt, which could exacerbate the risks associated with their pro forma leverage***

The Reorganized Debtors and any of their existing and future subsidiaries may be able to incur substantial additional indebtedness in the future. Although the terms of the Exit Facility Documents may contain limitations on the Reorganized Debtors' ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions.

(c) ***The Exit Facilities may impose significant operating and financial restrictions, which may prevent the Reorganized Debtors from pursuing certain business opportunities and taking certain actions***

The Exit Facilities, and future debt agreements, may impose operating and financial restrictions on the Reorganized Debtors. These restrictions may limit or prohibit, among other things, the Reorganized Debtors' ability to:

- incur additional indebtedness or issue certain preferred stock;
- pay dividends, redeem subordinated debt or make other restricted payments;
- make certain investments or acquisitions;
- grant or permit certain liens on their assets;
- enter into certain transactions with affiliates;
- merge, consolidate or transfer substantially all of their assets;
- incur dividend or other payment restrictions affecting certain of their subsidiaries;
- transfer, sell or acquire assets, including capital stock of their subsidiaries; and
- change the business they conduct.

These covenants could adversely affect the Reorganized Debtors' ability to finance their future operations or capital needs, withstand a future downturn in their business or the economy in general, engage in business activities, including future opportunities that may be in their interest, and plan for or react to market conditions or otherwise execute their business strategies. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders or holders of such indebtedness could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. Acceleration of the Reorganized Debtors' other indebtedness could result in a default under the terms of the Exit Facilities and acceleration of the Exit Facilities could result in a default under the terms of other indebtedness of the Reorganized Debtors. There is no guarantee that the Reorganized Debtors would be able to satisfy their obligations if any of their indebtedness is accelerated.

(d) ***The Reorganized Debtors may not be able to generate sufficient cash to service all of their indebtedness, including the Exit Facilities, and may be forced to take other actions to satisfy their obligations under their debt agreements, which may not be successful***

The Reorganized Debtors' ability to make scheduled payments on or to refinance their debt obligations depends on their financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond their control. The Reorganized Debtors' ~~business~~businesses may not generate sufficient cash flow from operations in the future and their currently anticipated levels of revenue and cash flow may not be realized, either or both of which could result in their being unable to repay indebtedness, including the Exit Facilities, or to fund other liquidity needs. Therefore, the Reorganized Debtors may not be able to maintain or realize a level of cash flows from operating activities sufficient to permit the Reorganized Debtors to pay the principal and interest on their indebtedness, including the Exit Facilities.

If the Reorganized Debtors' cash flows and capital resources are insufficient to fund their debt service obligations, they may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance their indebtedness, including the Exit Facilities. The Reorganized Debtors' ability to restructure or refinance their debt will depend on the condition of the capital markets and their financial condition at such time. Any refinancing of the Reorganized Debtors' debt could be at higher interest rates and may require them to comply with more onerous borrowing covenants, which could further restrict their business operations. The terms of existing or future debt instruments, including the Exit Facilities, may restrict the Reorganized Debtors from adopting some of these alternatives. In addition, any failure to make payments of principal and interest on their outstanding indebtedness on a timely basis would likely result in a reduction of the Reorganized Debtors' credit rating (if any), which could harm their ability to incur additional indebtedness. These alternative measures may not be successful and may not permit the Reorganized Debtors to meet their scheduled debt service obligations.

(e) ***The value of the collateral securing the Exit Facilities may not be sufficient to pay the amounts owed under the Exit Facilities. As a result, holders of the Exit Facilities may not receive full payment on the amounts owed to them under the Exit Facilities following an event of default***

The proceeds of any sale of collateral securing the Exit Facilities following an event of default with respect thereto may not be sufficient to satisfy, and may be substantially less than, amounts due on the Exit Facilities.

The value of the collateral in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. The collateral may not include contracts, agreements, licenses and other rights that by their express terms prohibit the assignment thereof or the grant of a security interest therein. Some of these excluded assets may be material to the Reorganized Debtors, and such exclusion could have a material adverse effect on the value of the collateral. The value of the collateral could be impaired in the future as a result of changing economic and market conditions, the Reorganized Debtors' failure to successfully implement their business strategy, competition and other factors. By its nature, some or all of the collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its liquidation.

To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Reorganized Debtors, those parties may have the ability to exercise rights and remedies with respect to the property subject to their liens that could adversely affect the value of that collateral and the ability of the collateral agent under the Exit Facilities or the holders of the Exit Facilities to realize or foreclose on that collateral.

Bankruptcy laws and other laws relating to foreclosure and sale also could substantially delay or prevent the ability of the collateral agent under, or any holder of, the Exit Facilities to obtain the benefit of any collateral securing the Exit Facilities. Such delays could have a material adverse effect on the value of the collateral.

If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Exit Facilities, the holders of the Exit Facilities (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against the Reorganized Debtors' remaining assets.

(f) ***The Reorganized Debtors will in most cases have control over the collateral, and the sale of particular assets by the Reorganized Debtors could reduce the pool of assets securing the Exit Facilities and the guarantees***

The collateral documents may allow the Reorganized Debtors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral securing the Exit Facilities and the guarantees, in each case subject to certain limitations. There are circumstances other than repayment or discharge of the Exit Facilities under which the collateral securing the Exit Facilities and guarantees may be released automatically, without the consent of the holders of the Exit Facilities or the consent of the collateral agent for the Exit Facilities including:

- a sale, transfer or other disposal of such collateral in a transaction not prohibited under the Exit Facility Documents;
- with respect to collateral held by a guarantor, upon the release of such guarantor from its guarantee to the extent not prohibited under the Exit Facility Documents; and
- with respect to collateral that is capital stock, upon the dissolution of the issuer of such capital stock to the extent not prohibited by the Exit Facility Documents.

Subject to the terms of the Exit Facilities or another credit facility, holders of the Exit Facilities may not be able to control actions with respect to the collateral of the Exit Facilities, including the commencement and conduct of enforcement proceedings against the collateral of the Exit Facilities, whether or not the holders of the Exit Facilities agree or disagree with those actions and even if the rights of the holders of the Exit Facilities are adversely affected.

The Exit Facilities may also permit the Reorganized Debtors to, subject to the satisfaction of certain conditions, designate any existing or future restricted subsidiary that is a guarantor or any future subsidiary, whether or not it is a guarantor, as an unrestricted subsidiary. If the Reorganized Debtors designate such a subsidiary guarantor as an unrestricted subsidiary for purposes of the Exit Facilities, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries and any guarantee by such subsidiary or any of its subsidiaries may be released under the Exit Facilities. Designation of an unrestricted subsidiary may reduce the aggregate value of the collateral securing the Exit Facilities to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released.

(g) ***The rights of holders of Exit Facilities in the collateral securing the Exit Facilities may be adversely affected by the failure to perfect security interests in the collateral and other issues***

generally associated with the realization of security interests in collateral

The rights of the holders of the Exit Facilities in the collateral may be adversely affected by the failure to perfect security interests in certain collateral in the future. Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party, and that certain property and rights acquired after the grant of a general security interest, such as equipment subject to a certificate and certain proceeds, can be perfected only at the time at which such property and rights are acquired and identified. The collateral agent for the Exit Facilities may not monitor, or the Reorganized Debtors may not inform the collateral agent of, the future acquisition of property and rights that constitute collateral, and necessary action may not be taken to properly perfect the security interest in such after-acquired collateral. The collateral agent for the Exit Facilities has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest in favor of the Exit Facilities against third parties. A failure to do so may result in the loss of the security interest therein or may affect the priority of the security interest in favor of the holders of the Exit Facilities against third parties.

In addition, the collateral agent will not have any obligation to ensure that (i) the collateral exists or is owned by the Reorganized Debtors, (ii) any guarantor is protected or insured, (iii) the collateral agent's liens have been properly or sufficiently or lawfully created, perfected, protected, maintained or enforced or are entitled to any particular priority or (iv) any property or assets constituting collateral have been properly and completely listed or delivered (or to ensure the genuineness, validity, marketability or sufficiency thereof or title thereto).

The security interest of the collateral agent for the Exit Facilities will also be subject to practical challenges generally associated with the realization of security interests in collateral. For example, the collateral agent may need to obtain the consent of third parties and make additional filings. If they are unable to obtain these consents or make these filings, the security interests may be invalid and the holders of the Exit Facilities will not be entitled to the collateral or any recovery with respect to the collateral. The collateral agent may not be able to obtain any such consent. Further, the consents of any third parties may not be given when required to facilitate a foreclosure on such collateral. Accordingly, the collateral agent may not have the ability to foreclose upon those assets, and the value of the collateral may significantly decrease.

(h) ***The collateral is subject to casualty risks***

The Reorganized Debtors intend to maintain insurance or otherwise insure against hazards in a manner appropriate and customary for the Reorganized Debtors' business. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. ~~Insurance~~Further, insurance proceeds may not compensate the Reorganized Debtors fully for their losses. ~~If~~As such, if there is a complete or partial loss of any of the collateral, the insurance proceeds may not be sufficient to satisfy all of the secured obligations, including the Exit Facilities and the guarantees.

(i) ***Certain assets may be excluded from the collateral***

Certain assets may be excluded from the collateral securing the Exit Facilities including, among other things, the following:

- items as to which a security interest cannot be granted without violating contract rights or applicable law; and
- assets securing purchase money debt or capitalized lease obligations permitted to be incurred under the Exit Facilities to the extent the documentation relating to such purchase money debt or capitalized lease obligations prohibits such assets from being collateral.

If an event of default occurs and the Exit Facilities are accelerated, the Exit Facilities may rank equally with the holders of the Reorganized Debtors' other unsubordinated and unsecured indebtedness and other liabilities with respect to such excluded assets. As a result, if the value of the collateral that secures the Exit Facilities and the guarantees is less than the amount of the claims of the holders of the Exit Facilities, no assurance can be provided that the holders of the Exit Facilities would receive any substantial recovery from such excluded assets.

7.5 Risks Relating to New Common Units

(a) ***The Reorganized Debtors may not be able to achieve their projected financial results***

The Reorganized Debtors may not be able to meet their projected financial results or achieve the revenue or cash flow that the ~~Reorganized~~ Debtors have assumed in projecting their future business prospects. If the Reorganized Debtors do not achieve these projected revenue or cash flow levels, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after emergence. The financial projections represent management's view based on currently known facts and hypothetical assumptions about ~~their~~the Debtors' future operations. They do not, however, guarantee the Reorganized Debtors' future financial performance.

(b) ***The Plan exchanges senior securities for junior securities***

If the Plan is confirmed and consummated, certain holders of Claims will receive New Common Units. Thus, in agreeing to the Plan, ~~certain of~~ such holders will be consenting to the exchange of their interests in senior debt, which has, among other things, a security interest in certain assets of the Debtors, a stated interest rate, a maturity date, and a ~~liquidation preference~~priority over equity securities, for New Common Units, which will be subordinate to all future creditor claims.

(c) ***A liquid trading market for the New Common Units may not develop***

The Debtors make no assurance that liquid trading markets for the New Common Units will develop. The liquidity of any market for the New Common Units will depend, among other

things, upon the number of holders of New Common Units, the Reorganized Debtors' financial performance, and the market for similar securities, none of which can be determined or predicted. Therefore, the Debtors cannot assure that an active trading market for the New Common Units will develop or, if a market develops, what the liquidity or pricing characteristics of that market will be.

(d) ***The Reorganized Debtors may be controlled by a significant holder or significant holders***

Under the Plan, certain holders of Allowed Claims ~~may~~will receive New Common Units. If a significant holder controls a substantial portion of the New Common Units, or holders of a significant portion of the New Common Units were to act as a group, such holder(s) might be in a position to control the outcome of actions requiring shareholder approval, including the election of directors. As a result, a significant holder may control important decisions affecting the Reorganized Debtors' governance and their operations. Such holder's interests may differ from the interests of other holders of the post-Effective Date securities. Further, if a significant holder controls a substantial portion of the New Common Units, certain regulatory review may be triggered, which might have the effect of delaying the Effective Date or result in the failure to satisfy the conditions precedent to consummation of the Plan and the occurrence of the Effective Date.

(e) ***The Debtors' financial projections are subject to inherent uncertainty due to the numerous assumptions upon which they are based***

The Debtors' financial projections are based on numerous assumptions including: timely Confirmation and Consummation pursuant to the terms of the Plan; the anticipated future performance of the Debtors and the Reorganized Debtors; industry performance; general business and economic conditions; and other matters, many of which are beyond the control of the Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Disclosure Statement is approved by the Bankruptcy Court may affect the actual financial results of the Debtors' operations. These variations may be material and may adversely affect the ability of the Reorganized Debtors to make payments with respect to indebtedness following Consummation. Because the actual results achieved throughout the periods covered by the projections may vary from the projected results, the projections should not be relied upon as an assurance of the actual results that will occur. Except with respect to the projections and except as otherwise specifically and expressly stated, this Disclosure Statement does not reflect any events that may occur subsequent to the date of this Disclosure Statement. Such events may have a material impact on the information contained in this Disclosure Statement. The Debtors do not intend to update the projections and therefore the projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the projections.

7.6 Risks Relating to the Debtors' and Reorganized Debtors' Business

(a) ***The Reorganized Debtors May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness.***

The Reorganized Debtors' ability to make scheduled payments on~~,~~ or refinance their debt obligations~~,~~ depends on their financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Reorganized Debtors to pay the principal, premium, if any, and interest on their indebtedness, including, without limitation, ~~borrowings in connection with emergence from these Chapter 11 Cases~~on the Exit Facilities.

(b) ***The Debtors may experience significant fluctuations in material prices, and further changes in the prices of raw materials or in energy costs could have a material adverse effect on the Debtors' business, financial condition, cash flows, or results of operations.***

The Debtors depend upon a limited number of outside suppliers for the manufacture of aftermarket parts, apparel, and accessories for the powersports industry. The Debtors' heavy reliance upon outside vendors and suppliers for their components involves risk factors such as limited control over prices, timely delivery and quality control. The Debtors have very few written agreements ensuring the continued supply of parts and components, and those agreements are subject to expiration, potential amendment and renegotiation, and the possibility of crucial suppliers going out of business. ~~Further, the Debtors do not maintain long-term supply contracts with any of the Debtors' suppliers and~~ The Debtors instead generally purchase ~~these~~ components on a purchase order basis. As a result, the Debtors cannot force such suppliers to sell the necessary components the Debtors use in creating their products and therefore the Debtors could face significant supply disruptions should they refuse to do so. Although alternate suppliers are available for some of the Debtors' key components, any material changes in the Debtors' suppliers could cause material delays in production and increase production costs. The Debtors are unable to determine whether their suppliers will be able to timely supply the Debtors with commercial production needs, nor is there any assurance that any of the Debtors' vendors or suppliers will be able to meet their future commercial production demands as to volume, quality or timeliness.

In addition, the Debtors purchase various raw materials in order to manufacture their products. Historically, price fluctuations for these components and raw materials have not had a material impact on the Debtors' business. In the future, however, if the Debtors or Reorganized Debtors experience material increases in the price of components or raw materials and are unable to pass on those increases to the Debtors' customers, or there are shortages in the availability of such component parts or raw materials, it could negatively affect the Debtors' or Reorganized Debtors' business, financial condition or results of operations.

(c) ***The Debtors are Dependent on Independent Dealers***

The Debtors are dependent upon a distribution network of independent powersports dealers to sell their products. If the Debtors' dealers are unable to sell and promote their products effectively, the Debtors' business will be seriously harmed. The Debtors and Reorganized Debtors must continue to recruit and expand their dealer base to satisfy their projected revenues. If the Debtors or Reorganized Debtors fail to timely obtain new dealers or maintain their relationship with existing dealers effectively, the Debtors or Reorganized Debtors could be unable to achieve sufficient sales to support their operations. The Debtors sell their aftermarket products to dealers and distributors, and the Debtors depend on ~~their~~the dealers' and distributors' willingness and ability to market and sell the products to consumers and provide customer and product service as needed. The Debtors also rely on dealers and distributors to be knowledgeable about the Debtors' products and their features. If the Debtors and Reorganized Debtors are not able to educate the dealers and distributors so that they may effectively sell the Debtors' and the ~~Reorganizewd~~Reorganized Debtors' products as part of a positive buying experience, or if ~~they~~the dealers and distributors fail to implement effective retail sales initiatives, focus selling efforts on competitors' products, reduce the quantity of the Debtors' or Reorganized Debtors' products that they sell or reduce their operations due to financial difficulties or otherwise, the Debtors' and Reorganized Debtors' brand and business could suffer.

The Debtors do not control the dealers or distributors and many of the Debtors' contracts allow these entities to offer the Debtors' competitors' products. The Debtors' competitors may incentivize those dealers and distributors to favor their own products. In addition, the Debtors do not have long-term contracts with a majority of the dealers and distributors, and the dealers and distributors are not obligated to purchase specified amounts of the Debtors' products. In fact, the majority of the Debtors' dealers and distributors buy from the Debtors on a purchase order basis. Consequently, with little or no notice, many of these dealers and distributors may terminate their relationships with the Debtors or materially reduce their purchases of the Debtors' products. If the Debtors or Reorganized Debtors were to lose one or more of the dealers or distributors, the Debtors or Reorganized Debtors would need to obtain a new dealer or distributor to cover the particular location or product line, which may not be possible on favorable terms, or at all.

Alternatively, the Debtors or Reorganized Debtors could use their sales force to replace such a distributor, but expanding the Debtors' or Reorganized Debtors' sales force into new locations takes a significant amount of time and resources and may not be successful. Further, some of the Debtors' international distribution contracts contain exclusivity arrangements, which may prevent the Reorganized Debtors from replacing or supplementing their current distributors under certain circumstances.

(d) ***The Debtors face significant competitive pressures that may cause them to lose market share and harm their financial performance***

The Debtors' industry is highly competitive. The Debtors compete with a number of other manufacturers that produce and sell competitor products to Original Equipment Manufacturers ("OEMs") and aftermarket dealers and distributors, including OEMs that produce their own lines of products for their own use. The Debtors' and Reorganized Debtors' continued

success depends on their ability to continue to compete effectively against their competitors, some of which have significantly greater financial, marketing and other resources than the Debtors possess. In the future, the Debtors' and Reorganized Debtors' competitors may be able to maintain and grow brand strength and market share more effectively or quickly than the Debtors and Reorganized Debtors do by anticipating the course of market developments more accurately than the Debtors and Reorganized Debtors do, developing products that are superior to the Debtors' and the Reorganized Debtors' products, creating manufacturing or distribution capabilities that are superior to the Debtors' and the Reorganized Debtors', producing similar products at a lower cost or adapting more quickly to new technologies or evolving regulatory, industry or customer requirements, among other possibilities. In addition, the Debtors and Reorganized Debtors may encounter increased competition if their current competitors broaden their product offerings by beginning to produce additional types of products or through competitor consolidations. The Debtors and the Reorganized Debtors could also face competition from well-capitalized entrants into the market, as well as aggressive pricing tactics by other manufacturers trying to gain market share. As a result, the Debtors' and the Reorganized Debtors' products may not be able to compete successfully with competitors' products, which could negatively affect the Debtors' and the Reorganized Debtors' business, financial condition or results of operations.

(e) ***The Reorganized Debtors may pursue growth opportunities through acquisitions, which could result in operating difficulties and other harmful consequences***

The Reorganized Debtors may pursue growth opportunities through acquisitions. There is substantial competition for attractive acquisitions and the Reorganized Debtors may not be successful in completing any such acquisitions in the future. If the Reorganized Debtors are successful in making any acquisition, it could nonetheless have a material adverse effect on their financial condition or results of operations. Acquisitions can involve a wide variety of risks depending upon, among other things, the specific business or assets being acquired or the specific terms of any transaction. These risks may include the following:

- difficulties in integrating the operations, products, employees, management information systems, human resources and other administrative systems of acquired or newly formed entities with the Reorganized Debtors' existing business and systems;
- unanticipated capital expenditures or investments in order to maintain, improve or sustain the operations of any business the Reorganized Debtors acquire;
- difficulties in managing larger or more complex operations and facilities, and if applicable, operations and employees in new geographic areas;
- diversion of management time and focus from operating the Reorganized Debtors' business due to challenges of integrating acquired businesses;
- cultural challenges associated with integrating employees from acquired businesses into the Reorganized Debtors' organization;

- the need to implement or improve internal controls, procedures and policies at acquired businesses;
- possible write-offs, impairment charges or amortization charges resulting from acquisitions; and
- unanticipated or unknown liabilities relating to acquired businesses.

Acquisitions are inherently risky, and any acquisitions or investments the Reorganized Debtors make may not perform in accordance with their expectations. Accordingly, any of these transactions, if completed, may not be successful and may adversely affect the Reorganized Debtors' business, results of operations or financial condition.

(f) ***Exchange Rate Challenges***

The Debtors and their non-Debtor affiliate are subject to fluctuations in exchange rates and other risks associated with their non-U.S. operations which could adversely affect the Debtors' business, financial condition, cash flows or results of operations. The Debtors import from, and export to, several countries outside the U.S. Because a portion of the Debtors' operations are based overseas, the Debtors are exposed to foreign currency risk, resulting in uncertainty as to future asset and liability values, and results of operations that are denominated in foreign currencies. The Debtors invoice foreign sales and service transactions in local currencies and translate these revenues and expenses into U.S. Dollars at average monthly exchange rates. Because a portion of the Debtors' net sales and expenses are denominated in foreign currencies, the depreciation of these foreign currencies in relation to the U.S. Dollar could adversely affect the Debtors' reported net sales and operating margins. The Debtors translate their non-U.S. assets and liabilities into U.S. Dollars using current rates as of the balance sheet date. Therefore, foreign currency depreciation against the U.S. Dollar would result in a decrease in the Debtors' net investment in foreign subsidiaries. In addition, foreign currency depreciation, particularly depreciation of the British Pound, would make it more expensive for the Debtors' non-U.S. subsidiary to purchase certain raw material commodities that are priced globally in U.S. Dollars. The Debtors do not engage in significant hedging of their foreign currency exposure and cannot assure that they will be able to hedge their foreign currency exposure at a reasonable cost.

There are other risks inherent in the Company's non-U.S. operations, including:

- changes in local economic conditions, and disruption of markets, including current sovereign debt challenges in certain European countries;
- changes in laws and regulations, including changes in import, export, labor and environmental laws;
- exposure to possible expropriation or other government actions; and
- unsettled political conditions and possible terrorist attacks against American interests.

These and other risks may have a material adverse effect on the Debtors' non-U.S. operations or on their business, financial condition, cash flows or results of operations.

(g) ***The Reorganized Debtors may not be able to fund capital expenditures that may be needed for the future growth of their business***

The amount and timing of any capital expenditures the Reorganized Debtors may need to grow their business may vary depending on a variety of factors, including the strength of the powersports aftermarket and production industry and any alternative uses for the Debtors' capital.

Historically, the Debtors have funded their capital expenditures through internally generated funds and borrowings under bank credit facilities. Although the Debtors believe that cash flows from their operations, following the Restructuring Transactions, will generally be sufficient to fund the Reorganized Debtors' planned capital expenditures in the near future, the Debtors cannot give any assurance that such cash flow will be sufficient either in the near future or thereafter.

The Reorganized Debtors may require additional capital to fund any unanticipated capital expenditures, including any acquisitions, and to fund their growth, and necessary capital may not be available to them when they need it or on acceptable terms. The Reorganized Debtors' ability to raise additional capital will depend on the results of their operations, financial condition and the condition of the credit and capital markets and their industry at the time they seek such capital. Failure to generate sufficient cash flow and the absence of alternative sources of capital could have a material adverse effect on the Reorganized Debtors' business, financial condition and results of operations.

(h) ***The Debtors are highly dependent on members of their executive management and the loss of any member of their executive management may have a material adverse effect on their financial condition, results of operations and future prospects***

The success of the Debtors' business depends, to a large extent, on the expertise and experience of their executive management. The loss of any member of their executive management could have a material adverse effect on the Debtors' financial condition, results of operations and future prospects, and the Debtors may not be able to secure the services of qualified individuals to replace them.

(i) ***Failure to hire and retain skilled personnel could adversely affect the Debtors' business***

The Debtors may not be able to find enough skilled labor to meet their needs. The Debtors rely on skilled and well-trained engineers for the design and production of the Debtors' products, as well as in the Debtors' research and development functions. Competition for such individuals is intense. The Debtors' inability to attract or retain qualified employees in their

design, production or research and development functions or elsewhere could result in a diminished quality of their products and delinquent production schedules, impede the Debtors' ability to develop new products and harm the Debtors' business, financial condition or results of operations.

(j) ***The Debtors' operations are subject to environmental and operational health and safety laws and regulations that may expose the Debtors to significant costs and liabilities***

The Debtors must comply with numerous federal and state regulations governing environmental and safety factors with respect to motorcycles and their use. These various governmental regulations generally relate to air, water and noise pollution, as well as motorcycle safety matters. If the Debtors were unable to obtain the necessary certifications or authorizations required by government standards, or fail to maintain them, the Debtors' business and future operations would be harmed seriously. Use of motorcycles and some motorcycle parts and accessories in the United States is subject to rigorous regulation by the Environmental Protection Agency ("EPA"), and by state pollution control agencies. Any failure by the Debtors to comply with applicable environmental requirements of the EPA or state agencies could subject the Debtors to administratively or judicially imposed sanctions such as civil penalties, criminal prosecution, injunctions, product recalls or suspension of production.

Motorcycles and other powersport parts and accessories are subject to considerable safety standards and requirements under the provisions of the National Traffic and Motor Vehicle Safety Act and the rules promulgated under this Act by the National Highway Traffic Safety Administration ("NHTSA"). The Debtors could suffer recalls of their motorcycle products if they fail to satisfy applicable safety standards administered by the NHTSA. The Debtors' business and facilities also are subject to regulation under various federal, state and local regulations relating to manufacturing operations, occupational safety, environmental protection, hazardous substance control and product advertising and promotion. The Debtors' failure to comply with any of these regulations in the operation of their business could subject the Debtors to administrative or legal action resulting in fines or other monetary penalties or require the Debtors to change or cease ~~the Debtors'~~their business.

(k) ***The Debtors manufacture products that create exposure to product liability claims and litigation, and the Debtors are subject to certain further risks from testing and manufacture of ~~the~~their products.***

To the extent plaintiffs are successful in showing that personal injury or property damage result from defects in the design or manufacture of the Debtors' products, the Debtors may be subject to claims for damages. The costs associated with defending product liability claims, including frivolous lawsuits, and payment of damages could be substantial. The Debtors' reputation may also be adversely affected by such claims, whether or not successful.

Further, the Debtors' business involves complex manufacturing processes that can be inherently dangerous. Although the Debtors employ safety procedures in the design and

operation of their facilities, there is a risk that an accident or death could occur in one of the Debtors' facilities. Also, prior to the introduction of new products, the Debtors' employees test the products under rigorous conditions, which involve the risk of injury or death. Any accident could result in manufacturing or product delays, which could negatively affect the Debtors' business, financial condition or results of operations. The outcome of litigation is difficult to assess or quantify and the cost to defend litigation can be significant. As a result, the costs to defend any action or the potential liability resulting from any such accident or death or arising out of any other litigation, and any negative publicity associated therewith, could have a negative effect on the Debtors' business, financial condition or results of operations.

The Debtors maintain liability insurance, including comprehensive general liability, automobile liability, workers' compensation, environmental liability, product liability and employers' liability with respect to their facilities and products. Although the Debtors maintain insurance coverage at levels and against risks that they consider appropriate (based on their historical experience) and consistent with industry practice, the Debtors are not insured against all liabilities that could result from their operations due to coverage limits and exclusions, among other factors. In addition, as insurance rates have in the past been subject to wide fluctuation and could in the future increase substantially due to market conditions, the Debtors cannot give any assurance that all or a portion of their coverage will not be cancelled or that insurance coverage will continue to be available at rates considered reasonable or at all. Changes in coverage could result in less or no coverage for any particular liability, increases in cost or higher deductibles and retentions. As a result, it is possible that the Debtors' insurance may not cover a given risk or liability in full, or at all. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on the Debtors' financial condition and results of operations.

(l) ***The Debtors may be adversely affected by other potential litigation, including litigation arising out of the Chapter 11 Cases***

In the future, the Debtors may become a party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

(m) ***The purchase of recreational aftermarket motorcycle accessories is discretionary for consumers, and market demand is influenced by many factors beyond the Debtors' control.***

The Debtors' business depends substantially on global economic and market conditions. ~~In particular, the Debtors believe that currently a significant majority of the end users of the Debtors' products live in the United States and countries in Europe. In addition, the~~ The Debtors' products are recreational in nature and are generally discretionary purchases by consumers. Consumers are usually more willing to make discretionary purchases during periods

of favorable general economic conditions and high consumer confidence. Discretionary spending may also be affected by many other factors, including GDP growth, the availability of consumer credit, unemployment levels, taxes and consumer confidence in future economic conditions. Adverse changes relating to one or more of these factors may restrict consumer spending and harm the Debtors' growth and profitability. In addition, the Debtors' motorcycle accessories will compete with many other power sports and other recreational products for the discretionary spending of consumers. The Debtors~~'~~ cannot provide assurances that they will be able to compete successfully against other recreational products to capture consumer discretionary expenditures.

(n) ***The Debtors' business is subject to seasonality that may cause the Reorganized Debtors' quarterly operating results to fluctuate materially.***

Powersport part and accessories sales in general are seasonal in nature: consumer demand is substantially lower during the fall and winter seasons. The Debtors' may endure periods of reduced revenues and earnings during off-season months and be required to lay off or terminate some of the Debtors' employees from time to time. Building inventory during the pre-season period could harm the Debtors' financial results if anticipated sales are not realized. Further, if a significant number of the Debtors' dealers are concentrated in locations with longer or more intense cold seasons, lack of consumer demand due to seasonal factors may impact the Debtors more adversely, further reducing revenues or resulting in reduced revenues over a longer period of time.

(o) ***The Debtors' ~~Ability to Remain Competitive is Dependent Upon~~ability to remain competitive is dependent upon the Debtors' ~~Capability~~capability to develop and successfully introduce new, innovative, and compliant products.***

The motorcycle and powersports markets continue to change in terms of styling preferences and advances in new technology and, at the same time, be subject to increasing regulations related to safety and emissions. The Debtors must continue to distinguish their products from the Debtors' competitors' products with unique styling and new technologies. As the Debtors incorporate new and different features and technology into their products, the Debtors must protect their intellectual property from imitators and ensure their products do not infringe the intellectual property of other companies. In addition, these new products must comply with applicable regulations worldwide and satisfy the potential demand for products that produce lower emissions and achieve better fuel economy. The Debtors must make product advancements while maintaining the look, sound, and feel associated with the Debtors' products. The Debtors must also be able to design and manufacture these products and deliver them to the marketplace in an efficient and timely manner. There can be no assurances that the Debtors will be successful in these endeavors or that existing and prospective customers will like or want the Debtors' new products.

Further, the Debtors' growth strategy involves the continuous development of innovative performance products. The Debtors may not be able to compete as effectively with the Debtors'

competitors, and ultimately satisfy the needs and preferences of the Debtors' customers and the end users of their products, unless the Debtors can continue to enhance existing products and develop new, innovative products in the global markets in which the Debtors compete. In addition, the Debtors must continuously compete not only for end users who purchase the Debtors' products through the dealers and distributors who are the Debtors' customers, but also for the OEMs, which incorporate the Debtors' products into their bikes and powered vehicles. These OEMs regularly evaluate the Debtors products against competitors' products to determine if they are allowing the OEMs to achieve higher sales and market share on a cost-effective basis. Should one or more of the Debtors' OEM customers determine that they could achieve overall better financial results by incorporating a competitor's new or existing product, they would likely do so, which could harm the Debtors' business, financial condition or results of operations.

Finally, the industry in which the Debtors compete can be subject to rapid technological changes. No assurances can be given that any technological advantages which may be enjoyed by the Debtors in respect of its technologies cannot or will not be overcome by technological advances by competitors rendering some of the Debtors' technologies and products obsolete or non-competitive.

(p) ***The Debtors may become subject to intellectual property disputes that could cause them to incur significant costs or pay significant damages or that could prohibit the Debtors from selling their products.***

As the Debtors develop new products or attempt to utilize the Debtors' brands in connection with new products, the Debtors seek to avoid infringing the valid patents and other intellectual property rights of competitors. However, from time to time, third parties have alleged, or may allege in the future, that the Debtors' products and/or trademarks infringe upon their proprietary rights. The Debtors will evaluate any such claims and, where appropriate, may obtain or seek to obtain licenses or other business arrangements. To date, there have been no significant interruptions in the Debtors' business as a result of any claims of infringement, and the Debtors do not hold patent infringement insurance. Any claim, regardless of its merit, could be expensive, time consuming to defend and distract management. Moreover, if the Debtors' products or brands are found to infringe third-party intellectual property rights, the Debtors may be unable to obtain a license to use such technology or associated intellectual property rights on acceptable terms. A court determination that the Debtors' brands, products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require the Debtors to make material changes to their products and/or manufacturing processes or preclude the Debtors' ability to use certain brands. In most circumstances, the Debtors are not indemnified for the Debtors' use of a licensor's intellectual property, if such intellectual property is found to be infringing. Any of the foregoing results could require the Debtors to, and the Debtors could incur substantial costs to, redesign products or defend legal actions, and such costs could negatively affect the Debtors' business, financial condition or results of operations.

(q) ***If the Debtors are unable to enforce their intellectual property rights, the Debtors' reputation and sales could be adversely affected.***

Intellectual property is an important component of the Debtors' business. The Debtors patent their proprietary technologies ~~related~~ in the U.S. and various foreign patent offices. Additionally, the Debtors have registered or have applied for trademarks and service marks with the United States Patent and Trademark Office and a number of foreign countries, to be utilized with certain goods and services. When appropriate, the Debtors may from time to time assert their rights against those who infringe on the Debtors' patents, trademarks, trade dress, or other intellectual property. The Debtors may not, however, be successful in enforcing the Debtors' patents or asserting trademark, trade name or trade dress protection with respect to their brand names and product designs, and third parties may seek to oppose or challenge the Debtors' patents or trademark registrations. Further, these legal efforts may not be successful in reducing sales of products by those infringing parties. In addition, the Debtors' pending patent applications may not result in the issuance of patents, and even issued patents may be contested, circumvented or invalidated and may not provide the Debtors with proprietary protection or competitive advantages. If the Debtors' efforts to develop and enforce their intellectual property are unsuccessful, or if a third party misappropriates the Debtors' rights, this may adversely affect the Debtors' business, financial condition or results of operations. Additionally, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect the Debtors' proprietary rights as fully as in the United States, and it may be more difficult for the Debtors to successfully challenge the use of the Debtors proprietary rights by other parties in these countries. Furthermore, other competitors may be able to successfully produce products which imitate certain of the Debtors products without infringing upon any of the Debtors' patents, trademarks or trade dress. The failure to prevent or limit infringements and imitations could have a permanent negative impact on the pricing of the Debtors' products or reduce the Debtors' product sales and product margins, even if the Debtors are ultimately successful in limiting the distribution of a product that infringes their rights, which in turn may affect the Debtors' business, financial condition or results of operations.

Although the Debtors enter into non-disclosure agreements with employees, OEMs, suppliers and others to protect the Debtors' confidential information and trade secrets, the Debtors may be unable to prevent such parties from breaching these agreements and using the Debtors' intellectual property in an unauthorized manner. If the Debtors' efforts to protect their intellectual property are unsuccessful, or if a third party misappropriates the Debtors' rights, this may adversely affect the Debtors' business. Defending the Debtors' intellectual property rights can be very expensive and time consuming, and there is no assurance that the Debtors will be successful.

(r) ***If the Debtors inaccurately forecast demand for their products, the Debtors may manufacture insufficient or excess quantities or manufacturing costs could increase, which could adversely affect the Debtors' business.***

The Debtors plan manufacturing capacity based upon the forecasted demand for the Debtors' products. In the aftermarket channel, the Debtors' forecasts are based partially on discussions with the Debtors' dealers and distributors as well as the Debtors' own assessment of markets. If the Debtors incorrectly forecast demand the Debtors may incur capacity issues in the manufacturing plant and supply chain arenas, increased material costs, increased freight costs, additional overtime, and costs associated with excess inventory, all of which in turn adversely impact the Debtors' cost of sales and the Debtors' gross margin. Economic uncertainty in the United States, Europe and other countries may make accurate forecasting particularly challenging.

In the future, if actual demand for the Debtors' products exceeds forecasted demand, the margins on incremental sales in excess of anticipated sales may be lower due to temporary higher costs, which could result in a decrease in the Debtors' overall margins. If actual demand is less than the forecasted demand for the Debtors' products and the Debtors' have already manufactured the products or committed to purchase materials in support of forecasted demand, the Debtors could be forced to hold excess inventories. In short, either excess or insufficient production due to inaccurate forecasting could have a negative effect on the Debtors' business, financial condition or results of operations.

7.7 Certain Tax Implications of the Chapter 11 Cases

Holders of Allowed Claims and Interests should carefully review Article X herein, "Certain U.S. Federal Income Tax Consequences," to determine how the tax implications of the Plan and the Chapter 11 Cases may adversely affect the Reorganized Debtors and holders of Claims and Interests.

7.8 Disclosure Statement Disclaimer

(a) Information Contained Herein Is for Soliciting Votes

The information contained in this Disclosure Statement is for the purpose of soliciting acceptances to the Plan and may not be relied upon for any other purpose.

(b) Disclosure Statement May Contain Forward-Looking Statements

This Disclosure Statement may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate," or "continue," the negative thereof, or other variations thereon or comparable terminology.

The Debtors consider all statements regarding anticipated or future matters, including the following, to be forward-looking statements:

- any future effects as a result of the pendency of the Chapter 11 Cases;

- financing plans;
- competitive position;
- business strategy;
- budgets;
- projected cost reductions;
- projected dividends;
- projected price increases;
- effect of changes in accounting due to recently issued accounting standards;
- projected and estimated liability costs, including tort, and environmental costs and costs of environmental remediation;
- growth opportunities for existing products and services;
- results of litigation;
- disruption of operations;
- contractual obligations;
- projected general market conditions;
- plans and objectives of management for future operations;
- off-balance sheet arrangements; and
- the Debtors' expected future financial position, liquidity, results of operations, profitability, and cash flows.

Statements concerning these and other matters are not guarantees of the Debtors' future performance. The reader is cautioned that all forward-looking statements are necessarily speculative. The Valuation Analysis, the Liquidation Analysis, the recovery projections, and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to holders of Allowed Claims ~~and Interests~~ may be affected by many factors that cannot be predicted. Forward-looking statements represent the Debtors' estimates and assumptions only as of the date such statements were made. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be materially different from those they may project, and the Debtors undertake no obligation to update any such statement.

(c) **No Legal, Business, or Tax Advice Is Provided by This Disclosure Statement**

THIS DISCLOSURE STATEMENT DOES NOT PROVIDE LEGAL, BUSINESS, OR TAX ADVICE. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each holder of a Claim or Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her

Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation.

(d) **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (1) constitute an admission of any fact or liability by any entity (including the Debtors) nor (2) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, holders of ~~Allowed~~ Claims or Interests, or any other parties-in-interest.

(e) **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation Claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. All Parties, including the Debtors, reserve the right to continue to investigate Claims and Interests and file and prosecute objections to Claims and Interests.

(f) **No Waiver of Right to Object or Right to Recover Transfers and Assets**

The vote by a holder of a Claim for or against the Plan does not constitute a waiver or release of any Claims or of any rights of the Debtors to object to that holder's Claim, or to bring Causes of Action or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any ~~Claims~~claims or Causes of Action of the Debtors or their respective Estates are specifically or generally identified herein.

(g) **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors**

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained herein.

(h) **The Potential Exists for Inaccuracies and the Debtors Have No Duty to Update**

The Debtors make the statements contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since such date. Although the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the

information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered by the Bankruptcy Court.

(i) **No Representations Outside of this Disclosure Statement Are Authorized**

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. In deciding whether to vote to accept or reject the Plan, you should not rely upon any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, unless otherwise indicated herein. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and the U.S. Trustee.

ARTICLE VIII

CONFIRMATION PROCEDURES

The following is a brief summary of the Confirmation process. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and to consult with their own advisors.

8.1 The Confirmation Hearing

Under section 1128(a) of the Bankruptcy Code, the Bankruptcy Court, after notice, may hold a hearing to confirm a plan of reorganization. The Confirmation Hearing will be held on **[March 28], 2018 at 11:00 a.m. (ET)**. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on those parties who have requested notice under Bankruptcy Rule 2002 and the Entities who have filed an objection to the Plan, if any, without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. Subject to section 1127 of the Bankruptcy Code and the Restructuring Support Agreement, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Additionally, section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation. The deadline for objecting to confirmation of the Plan is **[March 21], 2018 at 4:00 p.m. (ET)**. All objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the applicable order of the Bankruptcy Court so that they are received on or before the deadline to file such objections as set forth therein.

8.2 Confirmation Standards

Among the requirements for Confirmation are that the Plan is accepted by all Impaired Classes of Claims and Interests or, if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, is feasible, and is in the "best interests" of holders of Claims and Interests that are Impaired under the Plan. The following requirements must be satisfied pursuant to section 1129(a) of the Bankruptcy Code before the Bankruptcy Court may confirm a plan of reorganization. The Plan fully complies with the statutory requirements for Confirmation listed below:

- The ~~proponents~~proponent of the Plan ~~have~~has complied with the applicable provisions of the Bankruptcy Code;
- The Plan has been proposed in good faith and not by any means forbidden by law;
- Any payment made or to be made by the Debtors (or any other proponent of the Plan) 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 Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases is subject to the approval of the Bankruptcy Court as reasonable;
- The Debtors (or any other proponent of the Plan) have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation, as a director or officer of the Debtors, any Affiliate of the Debtors, or any 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 holders of Interests and with public policy;
- The proponent of the Plan has disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such Insider;
- With respect to each holder within an Impaired Class of Claims or Interests, each such holder (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date;
- With respect to each Class of Claims or Interests, such Class (a) has accepted the Plan or (b) is Unimpaired under the Plan (subject to the "cram-down" provisions discussed below);
- The Plan provides for treatment of Claims, as applicable, in accordance with the provisions of section 507(a) of the Bankruptcy Code;

- 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;

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

- All fees payable under 28 U.S.C. § 1930 have been paid or the Plan provides for the payment of all such fees on the Effective Date.

8.3 Best Interests Test / Liquidation Analysis

As described above, section 1129(a)(7) of the Bankruptcy Code requires that each holder of an Impaired Claim or Impaired Interest either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Based on the Liquidation Analysis, the Debtors believe that the value of any distributions if the Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code would be no greater than the value of distributions under the Plan. As a result, the Debtors believe holders of Claims and Interests in all Impaired Classes will recover at least as much as a result of Confirmation of the Plan as they would recover through a hypothetical chapter 7 liquidation.

8.4 Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan of reorganization is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared projections, which, together with the assumptions on which they are based, are attached hereto as **Exhibit B**. Based on such projections, the Debtors believe that they will be able to make all payments required under the Plan. Therefore, Confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

8.5 Confirmation Without Acceptance by All Impaired Classes

The Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or interests if the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

(a) No Unfair Discrimination

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the

same or equivalent, but that such treatment be "fair." The Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation.

(b) **Fair and Equitable Test**

This test applies to Classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no Class of Claims or Interests receive more than 100% of the amount of the allowed Claims or Interests in such Class. As to ~~the~~a dissenting Class, the test sets different standards depending on the type of Claims or Interests of the Debtor in such Class. In order to demonstrate that a plan is fair and equitable, the plan proponent must demonstrate:

- Secured Creditors: Each holder of ~~a~~an impaired secured claim: (1) retains its liens on the property, to the extent of the allowed amount of its secured claim, and receives deferred cash payments having a value, as of the effective date of the chapter 11 plan, of at least the allowed amount of such claim; (2) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof); or (3) receives the "indubitable equivalent" of its allowed secured claim.

- Unsecured Creditors: Either (1) each holder of an impaired unsecured claim receives or retains under the chapter 11 plan property of a value equal to the amount of its allowed claim or (2) the holders of claims and interests that are junior to the claims of the non-accepting class will not receive any property under the chapter 11 plan.

- Equity Interests: Either (1) each holder of an impaired interest will receive or retain under the chapter 11 plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled, or the value of the interest or (2) the holders of interests that are junior to the non-accepting class will not receive or retain any property under the chapter 11 plan.

The Debtors believe the Plan satisfies the "fair and equitable" requirement notwithstanding that Classes 4, 5, 6, 7 are deemed to reject the Plan because, as to such Classes, there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such Classes will receive or retain any property on account of the Claims or Interests in such Class.

8.6 Alternatives to Confirmation and Consummation of the Plan

If the Plan cannot be confirmed, the Debtors may seek to (1) prepare and present to the Bankruptcy Court an alternative chapter 11 plan for confirmation, (2) effect a merger or sale transaction, including, potentially, a sale of all or substantially all of the Debtors' assets pursuant

to section 363 of the Bankruptcy Code, or (3) liquidate the Debtors under chapter 7 of the Bankruptcy Code. If the Debtors were to pursue a liquidation, the Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code and a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on Creditors' recoveries and the Debtors is described in the unaudited Liquidation Analysis, attached hereto as **Exhibit C**.

ARTICLE IX

IMPORTANT SECURITIES LAW DISCLOSURE

9.1 Plan Securities

The Plan provides for the Reorganized Debtors to distribute New Common Units to certain holders of Allowed Claims in Class 3 ~~(~~and New Warrants to the Exit Term Loan Lenders in connection with the exchange of DIP Term Facility Claims for Exit Term Loans (collectively, the "Plan Securities").

The Debtors believe that the Plan Securities may constitute "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and all applicable state Blue Sky Laws.

9.2 Issuance and Resale of Plan Securities Under the Plan

(a) Exemptions from Registration Requirements of the Securities Act and State Blue Sky Laws

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any applicable state Blue Sky Laws) shall not apply to the offer or sale of stock, options, warrants, or other securities by a debtor if: (x) the offer or sale occurs under a plan of reorganization; (y) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense ~~against~~in the case concerning, the debtor; and (z) the securities are issued in exchange for a claim against ~~or~~, an interest in, or claim for administrative expense in the case concerning, a debtor or are issued principally in such exchange and partly for cash and property. Section 4(a)(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act will not apply to the offer or sale of stock, options, warrants, or other securities by an issuer not involving any public offering. In reliance upon these exemptions ~~and the exemptions set forth in the preceding paragraph, including the exemption provided by section 4(a)(2) of the Securities Act~~, the offer, issuance and distribution of the ~~New Common Units and New Warrants~~Plan Securities will not be registered under the Securities Act or any applicable state Blue Sky Laws.

The Debtors believe that the issuance and distribution of the New Common Units ~~and New Warrants with respect to Allowed Claims is~~are covered by section 1145 of the Bankruptcy Code. Accordingly, the Debtors believe that the New Common Units ~~and New Warrants~~ may be

resold without registration under the Securities Act or other federal securities laws, unless the holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 1145 of the Bankruptcy Code. ~~The Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming such exemption. In addition, New Warrants~~However, such securities will not be freely tradeable if, at the time of transfer, the holder thereof is an "affiliate" of the issuer as defined in Rule 144(a)(1) under the Securities Act or had been such an "affiliate" within 90 days of such transfer. In addition, New Common Units governed by section 1145 of the Bankruptcy Code generally may be able to be resold without registration under applicable state Blue Sky Laws pursuant to various exemptions provided by the respective Blue Sky Laws of those states~~; however, the~~. The availability of such exemptions, however, cannot be known unless individual state Blue Sky Laws are examined. The Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming the foregoing exemptions.

It is not anticipated that any New Common Units will be issued ~~prusuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, but if any shares of~~ pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, but if any New Common Units are issued pursuant to such exemption, those ~~shares~~units will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom. ~~Persons who are issued New Common Units pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will hold "restricted securities." Resales of such~~

The Plan contemplates the application of either section 1145 of the Bankruptcy Code or section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder to the offering, issuance and distribution of the New Warrants, but at this time, the Debtors express no view as to whether the offering, issuance and distribution of the New Warrants is exempt from registration pursuant to section 1145 of the Bankruptcy Code and, in turn, whether any Person may freely resell the New Warrants or the New Common Units that are issued upon exercise of the New Warrants without registration under the Securities Act, other federal securities laws, or applicable state Blue Sky Laws. To the extent the offering, issuance and distribution of the New Warrants is not covered by section 1145 of the Bankruptcy Code, the New Warrants will be issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. The Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming the foregoing exemptions.

New Warrants issued pursuant to section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom. Resales of restricted securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other ~~applicabe~~applicable law. Holders of restricted securities would, however, be permitted to resell ~~New Common Units~~such securities without registration if they are able to comply with the applicable provisions of Rule

144 or Rule 144A under the Securities Act, or another applicable exemption from the securities laws, or if such securities are registered with the SEC.

Recipients of the ~~New Common Units~~Plan Securities are advised to consult with their own legal advisors as to the availability and applicability of section 1145 of the Bankruptcy Code to the Plan Securities and any other potential exemption from registration under the Securities Act or applicable state Blue Sky Laws in any given instance and as to any applicable requirements or conditions to such availability.

(b) **Resales of New Common Units and New Warrants; Definition of Underwriter**

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions of an entity that is not an issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (1) with a view to distribution of such securities and (2) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer ~~or~~, director or significant shareholder of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly, with respect to officers and directors, if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code may suggest that a creditor who owns ten percent (10%) or more of a class of voting securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Resales of the New Common Units and New Warrants by holders that are deemed to be "underwriters" (which definition includes "controlling persons" of an issuer) are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act, state Blue

Sky Laws, or other applicable law. Under certain circumstances, holders of New Common Units or New Warrants who are deemed to be "underwriters" may be entitled to resell their ~~Reorganized Holdco Interests~~New Common Units or New Warrants pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. ~~Generally,~~ Rule 144 ~~of the Securities Act would permit the public sale of securities received by such person after a specified holding period if current~~provides a limited safe harbor for the public resale of restricted securities if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an "affiliate" of the issuer. Rule 144 defines an affiliate as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer."

A non-affiliate of an issuer that is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and who has not been an affiliate of the issuer during the 90 days preceding such sale may resell restricted securities after a one-year holding period whether or not there is current public information regarding the issuer. An affiliate of an issuer that is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act may resell restricted securities after the one-year holding period if at the time of the sale certain current public information regarding the issuer is ~~publicly~~ available ~~and certain other conditions are met, and, if such seller is an~~. An affiliate ~~of~~must also comply with the ~~issuer, if~~ volume ~~limitations and manner of sale requirements are met.~~ , manner of sale and notice requirements of Rule 144. The issuer of the Plan Securities, however, does not intend to file periodic or current reports under the Exchange Act or seek to list any such securities for trading on a national securities exchange. Consequently, "current public information" (as such term is defined in Rule 144) regarding the issuer of the Plan Securities is not expected to be available for purposes of sales of any such securities under Rule 144 by holders who are deemed to be "underwriters" or to holders of "restricted securities."

Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person") with respect to the ~~New Common Units or New Warrants~~Plan Securities would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to ~~the New Common Units or New Warrants~~any of the Plan Securities and, in turn, whether any Person may freely resell the ~~New Common Units or New Warrants~~Plan Securities. ***The Debtors recommend that potential recipients of ~~New Warrants~~Plan Securities consult their own counsel concerning their ability to freely trade such securities without registration under the federal and applicable state Blue Sky Laws.***

ARTICLE X

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

10.1 Introduction

The following discussion summarizes certain U.S. federal income tax consequences of the consummation of the Plan to certain holders of Prepetition Debt Obligations ("Holders ~~(as~~

~~defined below~~") and the Debtors relating to the exchange of ~~certain~~such Prepetition Debt Obligations for the New Common Units pursuant to the Plan ~~and~~, the ownership and disposition of New Common Units acquired in the Plan, and the extinguishment of certain Prepetition Debt Obligations pursuant to the Plan. This summary does not address the U.S. federal income tax consequences to Holders who are unimpaired and Holders who are not entitled to vote under the Plan or the U.S. federal income tax consequences with respect to the DIP Facilities, the Exit Facilities and the New Warrants. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not included in this discussion. The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties and the following summary is not exhaustive. For these reasons, the discussion is not a substitute for individualized advice, and thus Holders should consult their own tax advisors based upon the individual circumstances of each Holder. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed United States Treasury regulations promulgated under the Code (the "Regulations"), and administrative rulings and judicial decisions of the Internal Revenue Service (the "IRS"), in each case as of the date hereof. These authorities are subject to differing interpretations and may be changed, perhaps retroactively, resulting in U.S. federal income tax consequences materially different from those summarized below. The Debtors have not requested an opinion of counsel. Moreover, no ruling from the IRS has been obtained, or is intended to be obtained, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions, or that if the IRS were to challenge such conclusions such challenge would not be sustained by a court.

This discussion is limited to Holders that hold the Prepetition Debt Obligations and New Common Units as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment) and that acquire the New Common Units pursuant to the Plan. This discussion also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form. This discussion does not address all U.S. federal income tax consequences relevant to a Holder's particular circumstances, including the impact of the "net investment income" tax. In addition, it does not address consequences relevant to Holders subject to special rules, including, without limitation:

- ~~non-U.S. taxpayers;~~
- brokers, dealers or traders in securities;
- banks, insurance companies and other financial institutions;
- tax-exempt organizations or governmental organizations;
- real estate investment trusts or regulated investment companies;
- grantor trusts;
- corporations treated as personal holding companies;

- S corporations, partnerships or other entities or arrangements treated as partnerships or any other pass-through entity for U.S. federal income tax purposes;;
- "controlled foreign corporations," "passive foreign investment companies" and corporations that accumulate earnings to avoid U.S. federal income tax;
- persons who hold or receive the New Common Units as compensation;
- tax-qualified retirement plans;
- persons that hold the New Common Units as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons that purchase or sell the New Common Units as part of a wash sale for tax purposes;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- ~~Persons~~persons that are related to the Debtors within the meaning of the Code;
- U.S. Holders whose functional currency for tax purposes is not the U.S. dollar; and
- persons subject to the alternative minimum tax.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Prepetition Debt Obligations or New Common Units as the case may be, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Prepetition Debt Obligations or New Common Units and the partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of participating in the Plan and of the ownership of the New Common Units.

This discussion does not address the ~~Foreign Account Tax Compliance Act or the~~tax consequences to any person that acquires New Common Units in the secondary market. Moreover, this discussion is based on the 'Restructuring Transactions" described herein and assumes that such Restructuring Transactions will be completed in accordance with the Plan. Pursuant to the Plan, the Restructuring Transactions may be modified or revised by the Requisite Consenting Term Lenders and the Debtors (in their reasonable discretion). In the event of any revision, the U.S. federal income tax consequences described herein to the respective parties could materially differ.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF PARTICIPATING IN THE PLAN AND OF THE OWNERSHIP OF THE NEW COMMON UNITS ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

10.2 Certain U.S. Federal Income Tax Consequences to the Debtors

For U.S. federal income tax purposes, the Debtors are members of an affiliated group of corporations (or disregarded entities wholly owned by members of such group) of which Velocity Holdings is the common parent that files a single consolidated U.S. federal income tax return (such group, the "Velocity Holdings Consolidated Group"). Debtors that are disregarded entities are not themselves subject to U.S. federal income tax. Instead, each Debtor that wholly owns ~~interest~~interests in another Debtor that is treated as a disregarded entity is required to report on its U.S. federal income tax return, and is subject to tax in respect of, income, gain, loss, deduction and credit of such Debtors. The following discussion, therefore, addresses only the Debtors that are not disregarded entities for U.S. federal income tax purposes.

(a) **Taxable Transfer of Assets**

The Debtors expect that the exchange of the Prepetition Debt Obligations for the New Common Units will be treated as (i) a taxable purchase of all of the assets of Velocity Pooling Vehicle, LLC ("Velocity Pooling"), which consist solely of all of outstanding stock of Ralco Holdings, Inc., in consideration for the satisfaction and extinguishment of Prepetition Debt Obligations, followed by (ii) a contribution of such assets to Reorganized Pooling in exchange for the New Common Units. It is intended that a timely election will be made under Section 336(e) of the Code (a "Section 336(e) Election") with respect to the stock of one or more Debtors that are treated as a corporation for U.S. federal income tax purposes (except for Velocity Holdings), such that the transfer of such interests will be treated as a taxable sale of the assets of each such Debtor for U.S. federal income tax purposes.

Pursuant to a Section 336(e) Election, each such Debtor will ~~either~~ recognize either gain to the extent "aggregate deemed asset disposition price" (as determined under Regulation Section 1.336-3; such price, "ADADP") allocated to each of the Debtors' individual assets exceeds the basis in such asset or loss to the extent the basis in such asset exceeds its allocated ADADP. ADADP generally equals the amount realized (or that is deemed to have been realized) on a taxable sale (or deemed taxable sale) of stock in the applicable Debtor increased by the amount of liabilities in such Debtor, in each case, as determined under Regulation Section 1.336-3. ADADP may or may not be equal to the fair market value of the assets at the time of the exchange.

Several provisions of the Code can defer or disallow a loss recognized as a result of a transfer of assets under certain circumstances, such as a transaction between related parties. The Debtors expect, based on their understanding as of the date hereof of the ownership of Velocity Holdings, that the related party loss disallowance rules generally would not apply to the Restructuring Transactions.

In general, the initial tax basis in the assets of Reorganized Debtors immediately after the exchange of the Prepetition Debt Obligations for the New Common Units will generally equal the ADADP allocated to such assets under Regulation Section 1.336-3.

(b) **Cancellation of Debt Income and Reduction of Tax Attributes**

The Debtors may realize cancellation of debt income ("COD income") as a result of the satisfaction and extinguishment of the Prepetition Debt Obligations in exchange for the New Common Units under the Plan. COD income generally is the amount by which the adjusted issue price of indebtedness discharged exceeds the fair market value of the consideration given in exchange therefor, which, for U.S. federal income tax purposes, is expected to be the assets of the Debtors, as described above under "*—Taxable Transfer of Assets.*" Under Section 108 of the Code, COD income is excluded from a debtor's gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD income that is excluded from gross income. In general, tax attributes will be reduced in the following order: (a) net operating losses; (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of depreciable and nondepreciable assets (but not below the amount of their liabilities immediately after the discharge); (f) passive activity loss and credit carryforwards; and (g) foreign tax credit carryforwards. A debtor may elect pursuant to Section 108(b)(5) of the Code to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets and then to reduce net operating losses.

Velocity Holdings expects to realize COD income as a result of the Plan. The amount of COD income will depend on, among other things, whether the Plan is consummated and the fair market value of the assets of the Debtors that are deemed to have been sold in the exchange. Pursuant to Section 108 of the Code, however, Velocity Holdings will not be required to include COD income in gross income under the bankruptcy exception. Instead, Velocity Holdings will be required to reduce its tax attributes, such as its net operating losses, in accordance with Section 108(b) of the Code after determining the taxable income (or loss) of the Velocity Holdings Consolidated Group for the taxable year of discharge. The Debtors do not expect to make an election under Section 108(b)(5) of the Code described above. As the holders of Prepetition Debt Obligations are acquiring the assets of Velocity Pooling, the tax attributes of the Debtors will remain with the Debtors.

10.3 Certain U.S. Federal Income Tax Consequences to Holders of Prepetition Debt Obligations

The following discussion only applies to U.S. Holders of Prepetition Debt Obligations. As used herein, the term "U.S. Holder" means a beneficial owner of the Prepetition Debt Obligations or New Common Units that is:

- an individual who is a citizen or resident of the United States;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust that (i) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons (within the meaning of Section 7701(a)(30) of the Code), or (ii) has made a valid election under applicable Regulations to continue to be treated as a domestic trust.

(a) **Exchange of Prepetition Debt Obligations for New Common Units**

As described above, the Debtors expect that the full satisfaction and extinguishment of ~~certain~~the Prepetition Debt Obligations and the receipt of the New Common Units will be treated as (i) a taxable purchase of all of the assets of Velocity Pooling in consideration for the satisfaction and extinguishment of ~~such~~ Prepetition Debt Obligations, followed by (ii) a contribution of such assets to Reorganized Pooling in exchange for the New Common Units.

So treated, each U.S. Holder generally should recognize gain or loss in an amount equal to the difference, if any, between (a) the aggregate fair market value of the New Common Units received in exchange for its Prepetition Debt Obligations (other than possibly any consideration received in respect of a claim for accrued but unpaid interest and possibly OID), and (b) the U.S. Holder's adjusted tax basis in its Prepetition Debt Obligations (other than possibly any tax basis attributable to accrued but unpaid interest and possibly OID). See "*—Character of Gain or Loss*" below. However, the recognition of any loss is subject to complex related party rules. Accordingly, any U.S. Holder of any Prepetition Debt Obligation that owns or that may be related to a person that owns interests in Velocity Holdings is urged to consult its own tax advisor regarding the potential application of any related party loss disallowance rules. A U.S. Holder will have interest income to the extent of the value of New Common Units allocable to accrued but unpaid interest not previously included in income. See "*—Accrued Interest or OID*" below.

The deemed contribution to Reorganized Pooling of the assets of Velocity Pooling deemed purchased in exchange for the New Common Units is expected to be a tax-free contribution, with Reorganized Pooling being treated as a newly formed partnership for U.S. federal income tax purposes.

Thus, a U.S. Holder should have a tax basis in the New Common Units received equal to the fair market value of such New Common Units taken into account in determining gain or loss, and the U.S. Holder's holding period for the New Common Units should begin the day following the Effective Date.

Accrued Interest or OID. In general, to the extent that any consideration received

pursuant to the Plan by a U.S. Holder of Prepetition Debt Obligations is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the U.S. Holder as interest income (if not previously included in the U.S. Holder's gross income). Conversely, a U.S. Holder may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent any accrued interest claimed or accrued original issue discount ("OID") was previously included in its gross income and is not paid in full. Such loss may be ordinary, but the tax law is unclear on this point.

The Plan provides that, except as otherwise required by law, consideration received in respect of an Allowed Claim is allocable first to the principal amount of the Claim and then, to the extent of any excess, to the remainder of the Claim, including any Claim for accrued but unpaid interest (in contrast, for example, to a pro rata allocation of a portion of the exchange consideration received between principal and interest, or an allocation first to accrued but unpaid interest). See Section 6.21 of the Plan. There is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. U.S. Holders are urged to consult their own tax advisors regarding the allocation of consideration and the inclusion and deductibility of accrued but unpaid interest for U.S. federal income tax purposes.

Character of Gain or Loss. Where gain or loss is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, whether Prepetition Debt Obligations constitute a capital asset in the hands of the U.S. Holder and how long it has been held, whether Prepetition Debt Obligation was acquired at a market discount and whether and to what extent the U.S. Holder previously claimed a bad debt deduction.

Market Discount. If a U.S. Holder acquired the Prepetition Debt Obligations for less than the adjusted issue price of the Prepetition Debt Obligations and the difference between the U.S. Holder's cost and the adjusted issue price exceeded a *de minimis* threshold (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity), such difference will generally be treated as market discount. The "adjusted issue price" of the Prepetition Debt Obligations at the beginning of an accrual period will equal its issue price (which generally equals the principal amount as adjusted by any discount), increased by the aggregate amount of OID that has accrued on the Prepetition Debt Obligations in all prior accrual periods, and decreased by all amounts that have been previously paid with respect to the Prepetition Debt Obligations other than qualified stated interest. A U.S. Holder that recognizes gain on the tender of the Prepetition Debt Obligations pursuant to the Plan must include in income as ordinary income any capital gain that would have otherwise been recognized to the extent of the accrued market discount on the Prepetition Debt Obligations that are exchanged in a taxable transaction, unless the U.S. Holder previously elected to include the market discount in income as it accrued.

U.S. Holders should consult their own tax advisors regarding the tax treatment of the exchange of the Prepetition Debt Obligations for the New Common Units in light of the overall

transaction under the Plan.

(b) **Taxation of the New Common Units**

General. It is expected that Reorganized Pooling will be treated as a partnership for U.S. federal income tax purposes. As a partnership, Reorganized Pooling itself generally will not be subject to U.S. federal income tax. Instead, Reorganized Pooling will file an annual partnership return with the IRS, which form will report the results of Reorganized Pooling's operations. Each Holder that receives Reorganized Pooling's New Common Units will be required to report on its U.S. federal income tax return, and will be subject to tax in respect of, its distributive share of each item of Reorganized Pooling's income, gain loss, deduction and credit for each taxable year of Reorganized Pooling ending with or within such Holder's taxable year. Although there can be no assurance as to the scope of the future activities of Reorganized Pooling, so long as Reorganized Pooling owns only the stock of Ralco Holdings, Inc., it is expected that each Holder's distributive share of income will consist primarily of dividends and capital gain from the disposition of corporate stock. Each item generally will have the same character as if the Holder, as a member of Reorganized Pooling, had realized the item directly. Holders will be required to report these items regardless of the extent to which, or whether, they receive cash distributions from Reorganized Pooling for such taxable year, and thus may incur income tax liabilities in excess of any distributions from Reorganized Pooling. Reorganized Pooling will provide each Holder with the necessary information to report its allocable share of the Reorganized Pooling's tax items for U.S. federal income tax purposes; however, no assurance can be given that Reorganized Pooling will be able to provide such information prior to the initial due date of the Holders' U.S. federal income tax returns and the Holders may therefore be required to apply to the IRS for an extension of time to file their tax returns.

The New Board will generally decide how certain items will be reported on Reorganized Pooling's U.S. federal income tax returns, and all Holders will be required under the Code to treat the items consistently on their own returns, unless they file a statement with the IRS disclosing the inconsistency. In the event that the income tax returns of Reorganized Pooling are audited by the IRS, the tax treatment of Reorganized Pooling's income and deductions generally will be determined at the Reorganized Pooling level in a single proceeding, rather than in individual audits of the Holders. The tax matters partner and partnership representative, as applicable, will have considerable authority under both the Code (or similar provisions of state or local law) and the limited liability company agreement for Reorganized Pooling to make decisions affecting the tax treatment and procedural rights of all Holders.

Distributions; Liquidation. A U.S. Holder generally will not recognize gain or loss on the receipt of a distribution of cash or property from Reorganized Pooling (provided that the U.S. Holder is not treated as exchanging such U.S. Holder's share of Reorganized Pooling's "unrealized receivables" and/or certain "inventory items" (as those terms are defined in the Code, and together "Ordinary Income Items") for other partnership property). A U.S. Holder, however, will recognize gain on the receipt of a distribution of money and, in some cases, "marketable securities," from Reorganized Pooling (including any constructive distribution of money resulting from a reduction of the U.S. Holder's share of the indebtedness of Reorganized

Pooling) to the extent such cash distribution or the fair market value of such marketable securities distributed exceeds such U.S. Holder's adjusted tax basis in its New Common Units. Such distribution would be treated as gain from the sale or exchange of New Common Units, which is described below.

A U.S. Holder will recognize gain on the complete liquidation of its New Common Units only to the extent the amount of money received exceeds its adjusted tax basis in its New Common Units. Distributions of certain marketable securities are treated as distributions of money for purposes of determining gain. Any gain recognized by a U.S. Holder on the receipt of a distribution from Reorganized Pooling generally will be capital gain, but may be taxable as ordinary income under certain circumstances. No loss can be recognized on a distribution in liquidation of a New Common Unit, unless the U.S. Holder receives no property other than money and Ordinary Income Items.

A U.S. Holder's adjusted tax basis in its interest in Reorganized Pooling generally will be equal to such U.S. Holder's initial tax basis (discussed above), increased by the sum of (a) any additional capital contribution such U.S. Holder makes to Reorganized Pooling, (b) such U.S. Holder's allocable share of the income of Reorganized Pooling, and (c) increases in such U.S. Holder's allocable share of the indebtedness of Reorganized Pooling and reduced, but not below zero, by the sum of (d) such U.S. Holder's allocable share of the losses of Reorganized Pooling, and (e) the amount of money or the adjusted tax basis of property distributed to such U.S. Holder, including constructive distributions of money resulting from reductions in such U.S. Holder's allocable share of the indebtedness of Reorganized Pooling.

Sale, Exchange or Other Disposition of the New Common Units. A sale of all or part of a U.S. Holder's New Common Units will generally result in the recognition of gain or loss in an amount equal to the difference between the amount of the sale proceeds or distribution (including any constructive distribution) and such U.S. Holder's adjusted tax basis for the portion of the New Common Units disposed of. Any gain or loss recognized with respect to such sale generally will be treated as capital gain or loss, and will be long-term capital gain or loss if the New Common Units have been held for more than one year, except to the extent (i) that the proceeds of the sale are attributable to the U.S. Holder's allocable share of certain Ordinary Income Items of Reorganized Pooling and such proceeds exceed the U.S. Holder's adjusted tax basis attributable to such Ordinary Income Items and (ii) of previously allowed bad debt or ordinary loss deductions. A U.S. Holder's ability to deduct any loss recognized on the sale of its New Common Units will depend on the U.S. Holder's own circumstances and may be restricted under the Code.

The foregoing summary has been provided for information purposes only. Each U.S. Holder of Prepetition Debt Obligations and New Common Units should consult its own tax advisor concerning the U.S. federal, state, local, and other tax consequences applicable under the Plan.

(c) **Information Reporting and Backup Withholding**

Payments of interest (including accruals of OID) or dividends and any other reportable

payments, possibly including payments of proceeds from the sale, retirement or other disposition of New Common Units, may be subject to backup withholding, currently at a rate of 24%, if U.S. Holder fails to certify its taxpayer identification number or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders (including, among others, certain tax-exempt organizations) are not subject to information reporting and backup withholding. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

U.S. Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. U.S. Holders should consult their own tax advisors regarding application of such U.S. Treasury regulations and backup withholding rules.

10.4 Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders of Prepetition Debt Obligations

The rules governing U.S. federal income taxation of a Non-U.S. Holder are complex. The following discussion includes only certain U.S. federal income tax consequences of the Restructuring Transaction to Non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. Non-U.S. Holders should consult with their own tax advisors to determine the effect of U.S. federal, state, and local tax laws, as well as any other applicable non-U.S. tax laws and/or treaties, with regard to their participation in the transactions contemplated by the Plan, their ownership of Prepetition Debt Obligations, and the ownership and disposition of the New Common Units and other considerations, as applicable.

(a) Exchange of Prepetition Debt Obligations for New Common Units

Whether a Non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is determined in the same manner as set forth above in connection with U.S. Holders.

Subject to the discussion below regarding "FATCA," any gain realized by a Non-U.S. Holder on the full satisfaction and extinguishment of the Prepetition Debt Obligations and the receipt of the New Common Units generally will not be subject to U.S. federal income taxation unless (a) the Non-U.S. Holder is an individual who was present in the U.S. for 183 days or more during the taxable year in which the transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the U.S. (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains

allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such Non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Accrued Interest or OID. Subject to the discussion below regarding "FATCA," any amounts received by a Non-U.S. Holder that are attributable to accrued but untaxed interest (including OID), generally will not be subject to U.S. federal income or withholding tax, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the Non-U.S. Holder is not a U.S. person, and provided that:

(i) the Non-U.S. Holder does not actually or constructively owns 10% or more of the total combined voting power of all classes of Velocity Holdings' stock entitled to vote;

(ii) the Non-U.S. Holder is not a "controlled foreign corporation" that is a "related person" with respect to Velocity Holdings (each, within the meaning of the Code);

(iii) the Non-U.S. Holder is not a bank receiving interest described in Code section 881(c)(3)(A); or

(iv) such interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the U.S. (in which case, provided the Non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the Non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

Subject to the discussion below regarding "FATCA," a Non-U.S. Holder that does not qualify for exemption from withholding tax with respect to interest that is not effectively connected income generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on amounts that are attributable to interest, including any OID.

For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-E, special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in

the ordinary course of their trade or business.

(b) **Taxation of New Common Units**

Each Non-U.S. Holder that receives Reorganized Pooling's New Common Units will be required to include its distributive share of each item of Reorganized Pooling's income, gain loss, deduction and credit for each taxable year of Reorganized Pooling ending with or within such Non-U.S. Holder's taxable year. Although there can be no assurance as to the scope of the future activities of Reorganized Pooling, so long as Reorganized Pooling owns only the stock of Ralco Holdings, Inc. and owns no other assets and conducts no activities or business at the level of Reorganized Pooling, it is expected that (i) each Non-U.S. Holder's distributive share of income will consist primarily of dividends paid by and capital gain from the disposition of corporate stock of Ralco Holdings Inc., (ii) Reorganized Pooling will not be treated as engaged in a U.S. trade or business and (iii) a Non-U.S. Holder therefore will not be treated as engaged in a U.S. trade or business and will not recognize income effectively connected with the conduct of a U.S. trade or business (or if an income tax treaty applies, income attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States) solely as a result of owning the New Common Units. Each item generally will have the same character as if the Non-U.S. Holder, as a member of Reorganized Pooling, had realized the item directly.

Any distributions made with respect to the stock of Ralco Holdings Inc. will constitute dividends for U.S. federal income tax purposes to the extent of its current or accumulated earnings and profits as determined under U.S. federal income tax principles. Except as described below, a Non-U.S. Holder's distributive share of Reorganized Pooling's dividends paid with respect to the stock of Ralco Holdings Inc. that is not effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business (or if an income tax treaty applies, is not attributable to a permanent establishment maintained by such Non-U.S. Holder in the U.S.) will be subject to U.S. federal withholding tax at a rate of 30% (or lower treaty rate or exemption from tax, if applicable). A Non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty generally by filing IRS Form W-8BEN or W-8BEN-E (or a successor form) upon which the Non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments.

A Non-U.S. Holder's share of Reorganized Pooling's dividend income received with respect to the stock of Ralco Holdings Inc. that is effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the U.S.) generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

Sale, Exchange or Other Disposition of the New Common Units. Subject to the discussion below regarding "FATCA,"a Non-U.S. Holder generally will not be subject to U.S.

federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of the New Common Units, unless:

(i) such Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition;

(ii) such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States); or

(iii) Ralco Holdings Inc. is or has been during a specified testing period a "U.S. real property holding corporation" ("USRPHC") for U.S. federal income tax purposes.

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of the New Common Units. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty). With respect to the third exception above, the Debtors have not conducted any analysis to determine whether Ralco Holdings Inc. is currently, or likely to become, a USRPHC for U.S. federal income tax purposes. If Ralco Holdings Inc. is or becomes a USRPHC, during the specified testing period, gain recognized by such Non-U.S. Holder on the sale, exchange or other disposition of the New Common Units will be subject to tax at generally applicable U.S. federal income tax rates and a purchaser of the New Common Units from such Non-U.S. Holder would be required to withhold U.S. federal income tax at a rate of 15% of the amount realized upon such disposition.

10.5 FATCA

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding at a rate of 30 percent on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S.-source payments of fixed or determinable, annual or periodical income, including U.S.-source interest (including OID) paid in respect of instruments such as the Prepetition Debt Obligations and dividends, if any, paid by Ralco Holdings Inc., and also include gross proceeds from the sale of any property of a type which can produce U.S.-source interest or dividends (which includes the Prepetition Debt Obligations and the New Common Units). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal withholding tax. FATCA withholding rules currently apply to withholdable payments other than payments of gross proceeds from the sale or other disposition of property of a type

which can produce U.S.-source interest or dividends and, under current law, will apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S.-source interest or dividends that occurs after December 31, 2018. Holders should consult their own tax advisors regarding the potential application of withholding under FATCA.

The foregoing summary has been provided for informational purposes only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Holder of a Prepetition Debt Obligation or in light of such Holder's circumstances and income tax situation. All Holders of Prepetition Debt Obligations should consult with their tax advisors as to the particular tax consequences to them under the Plan, including the applicability and effect of any state, local, non-U.S. or other applicable tax laws.

ARTICLE XI

CONCLUSION AND RECOMMENDATION

Overall, the Plan provides for a substantial deleveraging of the Debtors' balance sheet, augments the Debtors' liquidity, continues the Debtors' business operations with minimal disruption, preserves the going-concern value of the Debtors' businesses, maximizes recoveries for stakeholders, and protects the jobs of the Debtors' employees. The Debtors urge all holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their ballots so they will be received by the Solicitation Agent no later than 4:00 p.m. prevailing Eastern Time on [March 21], 2018.

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Respectfully submitted,

VELOCITY HOLDING COMPANY, INC., *et al.*
on behalf of itself and all other Debtors

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Counsel to the Debtors and Debtors in Possession

Exhibit A

Debtors' Chapter 11 Plan

Exhibit B

Financial Projections

Exhibit C

Unaudited Liquidation Analysis

Exhibit D

Unaudited Valuation Analysis

Exhibit E

Restructuring Support Agreement

Exhibit F

Corporate Organizational Chart