IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FALLBROOK TECHNOLOGIES INC., et al.[1]	Case No. 18-10384 (MFW)
Debtors.	Jointly Administered
	Re: Docket Nos. 100, 101, 167, 168, 189, & 190

NOTICE OF FILING OF BLACKLINES FOR
FURTHER REVISED PLAN AND DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that, on April 23, 2018, the above-captioned debtors (collectively, the "**Debtors**") filed a revised version of the *Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* [D.I. 167] (the "**Plan**") and related disclosure statement [D.I. 168] (the "**Disclosure Statement**").

PLEASE TAKE FURTHER NOTICE that, contemporaneously herewith, the Debtors are filing the solicitation version of the Plan [D.I. 189] (the "**Revised Plan**") and Disclosure Statement [D.I. 190] (the "**Revised Disclosure Statement**"). Attached hereto as Exhibit 1 are the changed pages from a blackline comparison of the Revised Plan against the Plan, and attached hereto as Exhibit 2 are the changed pages from a blackline comparison of the Revised Disclosure Statement against the Disclosure Statement.

Dated: May 1, 2018
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Jaime Luton Chapman

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-and-

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: Fallbrook Technologies Inc. (7116); Fallbrook Technologies International Co. (7837); Hodyon, Inc. (1078); and Hodyon Finance, Inc. (5973). The Debtors' principal offices are located at 505 Cypress Creek Road, Suite L, Cedar Park, Texas 78613.

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EXHIBIT 1

Plan Changed Pages

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FALLBROOK TECHNOLOGIES INC., et al.[1]	Case No. 18-10384 (MFW)
Debtors.	Jointly Administered

DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: ~~April 23,~~May 1, 2018
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP
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INTRODUCTION

Fallbrook Technologies Inc., Fallbrook Technologies International Co., Hodyon, Inc., and Hodyon Finance, Inc., the above-captioned debtors and debtors in possession, propose the following joint plan of reorganization under section 1121(a) of the Bankruptcy Code for the resolution of the outstanding claims against, and equity interests in, the Debtors. Capitalized terms used in this Plan and not otherwise defined shall have the meanings ascribed to such terms in Section I of this Plan.

Although proposed jointly for administrative purposes, this Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims and Equity Interests pursuant to the Bankruptcy Code. The Debtors seek to consummate certain restructuring transactions on the Effective Date of this Plan. Each Debtor is a proponent of this Plan within the meaning of section 1129 of the Bankruptcy Code.

The classifications of Claims and Equity Interests set forth in ~~Section~~Article II of this Plan shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable. This Plan does not contemplate substantive consolidation of any of the Debtors.

Reference is made to the Disclosure Statement, filed contemporaneously with this Plan, for a discussion of the Debtors' history, businesses, results of operations, historical financial information, projections, and future operations, as well as a summary and analysis of this Plan and certain related matters, including distributions to be made under this Plan.

ALL HOLDERS OF CLAIMS ARE ENCOURAGED TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THIS PLAN.

I.

DEFINITIONS AND CONSTRUCTION OF TERMS

A. Definitions

Unless otherwise defined herein, or the context otherwise requires, the following terms shall have the respective meanings set forth below:

1. "***Administrative Claim***" means a Claim for costs and expenses of administration of the Estates pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, other than DIP Facility Claims, including: (i) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving and operating the Estates; (ii) any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of their businesses after the Petition Date, including for wages, salaries, or commissions for services, and payments for goods and other services and leased premises to the extent such indebtedness or obligations provided a benefit to the Estates; (iii) all Claims for the value of goods received by the Debtors within twenty (20) days before the Petition Date and that were sold to the Debtors in the ordinary course of business pursuant to section 503(b)(9) of the Bankruptcy Code; and (iv) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

2. "***Administrative Claims Bar Date***" means the first Business Day that is thirty (30) days after the Effective Date.

3. "***Affiliate***" means, with respect to any Person, any other Person ~~which~~that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean, with respect to any Person, the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise) of such Person.

4. ***"Allison"*** means Allison Transmission, Inc.

5. "***Allowed***" means, with respect to any Claim or Equity Interest, except as otherwise provided herein: (i) a Claim or Equity Interest as to which no objection has been filed prior to the Claims Objection Deadline and that is evidenced by a Proof of Claim or Equity Interest, as applicable, timely filed by the applicable Bar Date or that is not required to be evidenced by a filed Proof of Claim or Equity Interest, as applicable, under this Plan, the Bankruptcy Code, or a Final Order; (ii) a Claim or Equity Interest that is scheduled by the Debtors as neither disputed, contingent, nor unliquidated, and as for which no Proof of Claim or Equity Interest, as applicable, has been timely filed in an unliquidated or a different amount; or (iii) a Claim or Equity Interest that is upheld or otherwise allowed (a) pursuant to this Plan, (b) in any stipulation that is approved by the Bankruptcy Court, (c) pursuant to any contract,

28. "***Closing Cases***" means those certain Chapter 11 Cases, as identified in the Plan Supplement, that, as of the Effective Date, may be closed by an order of the Bankruptcy Court submitted under certification of counsel without further motion.

29. "***Collateral***" means any property or interest in property of the Estates subject to a Lien to secure the payment or performance of a Claim, which Lien has not been avoided or is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

30. "***Confirmation Date***" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

31. "***Confirmation Hearing***" means the confirmation hearing held by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

32. "***Confirmation Order***" means an order of the Bankruptcy Court in form and substance satisfactory to the Kayne Supporting Creditors confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

33. ***"Convenience Claim"*** means any Claim that would otherwise be classified as a General Unsecured Claim that is (i) filed in an amount of five thousand dollars ($5,000) or less, or (ii) in an amount that has been reduced to five thousand dollars ($5,000) by a Convenience Class Election made by the Holder of such Claim.

34. ***"Convenience Class Election"*** means an irrevocable election made by the Holder of a Claim that would otherwise be a General Unsecured Claim in an amount greater than five thousand dollars ($5,000) but less than or equal to twenty thousand dollars ($20,000) to reduce such Claim to $5,000, and such election shall be made either, (i) on the Ballot, (ii) for any non-Debtor contract counterparty whose executory contract or lease is rejected by an order of the Bankruptcy Court, by an executed notice that is received by the Debtors or Reorganized Debtors (as applicable) no later than 30 days from the date on which the underlying contract is deemed rejected by the Debtors, or (iii) in the sole discretion of the Debtors or Reorganized Debtors (as applicable, after consulting with the Kayne Supporting Creditors), by written agreement with such Holder.

~~34. "Convenience Class Election" means an irrevocable election made on the Ballot by the Holder of a Claim that would otherwise be a General Unsecured Claim in an amount greater than five thousand dollars ($5,000) but less than or equal to twenty thousand dollars ($20,000) to reduce such Claim to $5,000.~~

35. "***Convertible Noteholders***" means the Holders of the Convertible Notes.

36. "***Convertible Notes***" means Fallbrook's senior subordinated convertible notes due July 2019 issued pursuant to a Convertible Notes Purchase Agreement with Fallbrook.

50. "***DIP Motion***" means the Debtors' motion seeking (i) approval of the DIP Facility and (ii) authority to use Collateral, including Cash Collateral, and grant adequate protection [Docket No. 12].

51. ***"DIP Participation Condition"*** means the purchase by a Plan Support Party of Existing Notes at face amount in the same pro rata percentage as such Plan Support Party's participation in the DIP Facility.

52. "***Disclosure Statement***" means the disclosure statement for this Plan, approved by the Bankruptcy Court pursuant to the Disclosure Statement Order as containing, among other things, "adequate information" as required by sections 1125 and 1126(b) of the Bankruptcy Code.

53. ***"Disclosure Statement Order"*** means the *Order (I) Approving the Disclosure Statement; (II) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Plan, Including (A) Approving Form and Manner of Solicitation Procedures, (B) Approving Form and Notice of the Confirmation Hearing, (C) Establishing Voting Record Date and Approving Procedures for Distribution of Solicitation Packages, (D) Approving Forms of Ballot, (E) Establishing Deadline for Receipt of Ballots, and (F) Approving Procedures for Vote Tabulations; (III) Establishing Deadline and Procedures for Filing Objections to (a) Confirmation of the Plan and (B) the Debtors' Proposed Cure Amounts for Unexpired Leases and Executory Contracts Assumed Pursuant to the Plan; and (IV) Granting Related Relief]* entered on the docket of the Bankruptcy Court on April ~~,~~24, 2018 [Docket No. 174].

54. "***Disputed***" means, with reference to any Claim, a Claim that has not been Allowed.

55. "***Distribution***" means any distribution in accordance with this Plan of (i) Cash, (ii) New Common Stock, (iii) rights and obligations with respect to the Exit Facilities, or (iv) other forms of consideration, as the case may be.

56. "***Dissolving Debtor***" means any Debtor, as identified in the Plan Supplement, to be dissolved after the Effective Date.

57. "***Effective Date***" means the date on which this Plan is substantially consummated in accordance with its terms and the Confirmation Order.

58. "***Equity Interest***" means any and all equity securities (as defined in section 101(16) of the Bankruptcy Code) of a Debtor, including all shares, common stock, preferred stock, or other instrument evidencing any fixed or contingent ownership interest in any Debtor, including any option, warrant, or other right, contractual or otherwise, to acquire any such interest in a Debtor, whether or not transferable and whether fully vested or vesting in the future, that existed immediately before the Effective Date.

59. "***Estates***" means the Debtors' chapter 11 estates, individually or collectively, as is appropriate in the context, created by the commencement of and in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

119. "***Released Parties***" means, collectively, (i) each Debtor, (ii) the DIP Agent and DIP Lenders, (iii) the New First Lien Agent and New First Lien Lenders, (iv) the New Second Lien Agent and New Second Lien Lenders, (v) the Existing Noteholders and Existing Notes Collateral Agent, (vi) the Bridge Agent and the Bridge Noteholders and (vii) with respect to each of the foregoing entities, such entity's ~~current~~ professionals, advisors, directors, officers, and employees, but solely in the foregoing capacities and only if serving in such capacity on or after the Petition Date, together with their respective predecessors, successors, and assigns.

120. "***Releasing Parties***" means, collectively, (i) each Debtor, (ii) the DIP Agent and DIP Lenders, (iii) the New First Lien Agent and New First Lien Lenders, (iv) the New Second Lien Agent and New Second Lien Lenders, (v) the Existing Noteholders and Existing Notes Collateral Agent, (vi) the Bridge Agent and the Bridge Noteholders, (vii) the Plan Support Parties, (viii) Holders of Claims that vote to accept this Plan, and (ix) Holders of Claims that vote to reject this Plan but do not affirmatively elect to "opt out" of being a Releasing Party, and with respect to each of the entities listed above, such entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, and representatives, each solely in their capacities as such.

121. "***Remaining Case***" means any Chapter 11 Case other than the Closing Cases.

122. "***Reorganized Debtor***" means, as applicable, any of the Debtors, as reorganized.

123. "***Reorganized Debtors Constituent Documents"*** means, on or after the Effective Date, collectively, the Reorganized Fallbrook Constituent Documents and (i) the amended and restated by-laws or similar governing document of each Reorganized Debtor other than Reorganized Fallbrook, and (ii) the amended and restated certificate of incorporation or other formation document of each Reorganized Debtor other than Reorganized Fallbrook, each in form and substance satisfactory to the Debtors and the Kayne Supporting Creditors.

124. "***Reorganized Fallbrook***" means Fallbrook, or any successor thereto by merger, consolidation, or otherwise, on and after the Effective Date.

125. "***Reorganized Fallbrook Board***" means the board of directors of Reorganized Fallbrook.

126. "***Reorganized Fallbrook By-Laws***" means, on or after the Effective Date, the amended and restated by-laws of Reorganized Fallbrook, a substantially final form of which, in form and substance satisfactory to the Debtors and the Kayne Supporting Creditors, shall be contained in the Plan Supplement.

127. "***Reorganized Fallbrook Certificate of Incorporation***" means, on or after the Effective Date, the amended and restated certificate of incorporation of Reorganized Fallbrook, a substantially final form of which, in form and substance satisfactory to the Debtors and the Kayne Supporting Creditors, shall be contained in the Plan Supplement.

128. "***Reorganized Fallbrook Constituent Documents***" means, collectively, the Reorganized Fallbrook By-Laws and the Reorganized Fallbrook Certificate of Incorporation, each in form and substance satisfactory to the Debtors and the Kayne Supporting Creditors.

N. Subordinated Claims

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

V.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Compromise of Controversies

As discussed further in the Disclosure Statement and as otherwise provided herein, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distributions, releases, and other benefits provided under this Plan, upon the Effective Date, the provisions of this Plan shall constitute a good-faith compromise and settlement of Claims and Equity Interests and controversies resolved pursuant to this Plan. Distributions made to Holders of Allowed Claims in any Class are intended to be final.

B. Sources of Cash for Plan Distribution

Except as otherwise provided in this Plan or Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Debtors' and the Reorganized Debtors' operations and Cash balances and, if necessary, proceeds of the New First Lien Facility.

C. Continued Corporate Existence; Dissolution of Certain Debtors

Except as otherwise provided in this Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal entity with all of the powers available to such legal entity under applicable law and pursuant to the Reorganized Debtors Constituent Documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On or after the Effective Date, without prejudice to the rights of any party to a contract or other agreement with any Reorganized Debtor, each Reorganized Debtor may, in its sole discretion, take such action as permitted by applicable law, and such Reorganized Debtor's Constituent Documents, as such Reorganized Debtor may determine is reasonable and appropriate, including, without limitation, causing: (i) a Reorganized Debtor to be merged into another Reorganized Debtor or an Affiliate of a Reorganized Debtor; (ii) a Reorganized Debtor to be dissolved; (iii) the legal name of a Reorganized Debtor to be changed; (iv) the closure of a Reorganized Debtor's Chapter

I. Issuance of New Common Stock

Shares of New Common Stock shall be authorized under the Reorganized Fallbrook Certificate of Incorporation, and shares of New Common Stock shall be issued on the Effective Date and distributed as soon as practicable thereafter in accordance with this Plan. All of the New Common Stock issuable in accordance with this Plan, when so issued, shall be duly authorized, validly issued, fully paid, and non-assessable. The issuance of the New Common Stock is authorized without the need for any further corporate action and without any further action by any Holder of a Claim or Equity Interest.

The New Common Stock will not be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, and the Reorganized Debtors shall not be required to and will not file reports with the SEC or any other governmental entity after the Effective Date. To prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the Reorganized Debtors Constituent Documents may impose certain trading restrictions, and the New Common Stock will be subject to certain transfer and other restrictions pursuant to the Reorganized Debtors Constituent Documents designed to maintain the Reorganized Debtors as private, non-reporting companies.

J. Section 1145 Exemption from Registration

Pursuant to section 1145 of the Bankruptcy Code, the issuance of the New Common Stock is exempt from the registration requirements of the Securities Act ~~of 1933, as amended~~, and any State or local law requiring registration for offer or sale of a security.

K. Reorganized Debtors Constituent Documents

On, or as soon as practicable after, the Effective Date, the Reorganized Debtors shall (i) make any and all filings that may be required in connection with the Reorganized Debtors Constituent Documents with the appropriate governmental offices and or agencies and (ii) take any and all other actions that may be required to render the Reorganized Debtors Constituent Documents effective.

L. Directors and Officers of the Reorganized Debtors

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of the Reorganized Fallbrook Board shall be disclosed in the Plan Supplement. On the Effective Date, the Reorganized Fallbrook Board shall consist of five (5) members: the chief executive officer and four (4) individuals designated by the Kayne Supporting Creditors. Each member of the Reorganized Fallbrook Board shall assume such position upon the Effective Date. Any subsequent Reorganized Fallbrook Board shall be elected, classified, and composed in a manner consistent with the Reorganized Debtors Constituent Documents and applicable non-bankruptcy law.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each of the officers of Reorganized Fallbrook identifiable as of the Effective Date, as well as the

nature of any compensation for such individuals, shall be disclosed in the Plan Supplement. Such officers shall serve in accordance with applicable non-bankruptcy law and, as applicable, existing officer employment agreements, which subject to the diligence of the Kayne Supporting Creditors, shall be assumed under this Plan to be effective as of the Effective Date; *provided, however*, that any stock options set forth in such agreements shall be replaced with shares under the Management Incentive Plan.

The existing officers and directors of the Debtors, other than Fallbrook, shall initially serve in their respective capacities as officers and directors of the applicable Reorganized Debtors unless otherwise provided in the Plan Supplement.

M. Exit Facility Credit Agreements

On the Effective Date, the Reorganized Debtors shall be authorized to enter into the Exit Facility Credit Agreements without the need for any further corporate action. The entry of the Confirmation Order shall be deemed approval of the Exit Facility Credit Agreements (including the transactions contemplated thereby, 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 for the Reorganized Debtors to enter into and execute the Exit Facility Credit Agreements, and such other Exit Facility Documents as the lenders under the Exit Facilities may reasonably require, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate the Exit Facility Credit Agreements. The Reorganized Debtors may use the Exit Facility Credit Agreements for any purpose permitted thereunder, including the funding of obligations under this Plan.

Upon the date the Exit Facility Credit Agreements become effective: (i) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Documents and perform their obligations thereunder, including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages, or indemnities~~, and~~; (ii) the Exit Facility Documents shall constitute the legal, valid, and binding obligations of the Reorganized Debtors that are parties thereto, enforceable in accordance with their respective terms; and (iii) no obligation, payment, transfer, or grant of security under the Exit Facility Documents shall be stayed, restrained, voidable, or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff, or counterclaim. The Debtors and the Reorganized Debtors, as applicable, and the other persons granting any Liens and security interests to secure the obligations under the Exit Facility Documents are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such Liens and security interests under the provisions of any applicable federal, state, provincial, or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the occurrence of the Effective Date, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

N. Management Incentive Plan

On and after the Effective Date, the Management Incentive Plan shall be adopted by the Reorganized Fallbrook Board. Nothing in the Plan (including Section V.D) or the Confirmation Order shall constitute the Bankruptcy Court's approval or endorsement of the Management Incentive Plan.

O. ~~Tri-Star~~TSI Settlement

This Plan shall constitute a good-faith compromise and settlement of Claims that TSI has against the Debtors. On the Effective Date, Reorganized Fallbrook and TSI shall enter into an amended Manufacturing and Supply Agreement, which shall be satisfactory to Reorganized Fallbrook, TSI, and the Kayne Supporting Creditors. In full and final satisfaction of TSI's unpaid prepetition Claims, the Debtors agree that TSI shall have an Allowed General Unsecured Claim against Fallbrook in the amount of $5,800,000. In addition, TSI shall have an Allowed Administrative Claim for goods and services TSI provided to, and that are received by, the Debtors or their indicated final shipping destination after the Petition Date. The Claims identified in this paragraph shall be TSI's only Claims against the Debtors in the Chapter 11 Cases.

P. Separability

Notwithstanding the combination of separate plans of reorganization for the Debtors set forth in this Plan for purposes of economy and efficiency, this Plan constitutes a separate chapter 11 plan for each Debtor. Accordingly, if the Bankruptcy Court does not confirm this Plan with respect to one or more Debtors, it may still confirm this Plan with respect to any other Debtor that satisfies the confirmation requirements of section 1129 of the Bankruptcy Code with the consent of the Kayne Supporting Creditors.

Q. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, and record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of this Plan and the securities issued pursuant to this Plan in the name of and on behalf of the Reorganized Debtors, and without the need for any approvals, authorization, or consents except for those expressly required pursuant to this Plan.

R. Preservation of Causes of Action

Except as expressly set forth in this Plan, the Reorganized Debtors shall retain all Litigation Rights. Except as expressly provided in this Plan or the Confirmation Order, nothing contained in this Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Litigation Rights. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Litigation Rights that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of

practicable, but in no event later than the Claims Objection Deadline. Objections to Professional Fee Claims shall be filed and served in accordance with Section III.C of this Plan.

Objections to, or other proceedings contesting the allowance of, Claims (other than Professional Fee Claims) may be litigated to judgment, settled or withdrawn, in the Reorganized Debtors' sole discretion. The Reorganized Debtors may settle any such objections or proceedings without Bankruptcy Court approval or may seek Bankruptcy Court approval without notice to any Person other than the affected claimant, the United States Trustee and any other entity whose rights are affected by the settlement.

Unless an order of the Bankruptcy Court specifically provides for a later date, any Proof of Claim filed after the applicable ~~bar date~~Bar Date relating to any Claim shall be automatically disallowed as a late filed Claim, without any action by the Reorganized Debtors, unless and until the party filing such Claim obtains the written consent of the Reorganized Debtors to file such Proof of Claim late or obtains an order of the Bankruptcy Court upon written motion on notice to the Reorganized Debtors that permits the filing of the Proof of Claim. In the event any Proof of Claim is permitted to be filed after the Claims Objection Deadline, the Reorganized Debtors shall have one hundred eighty (180) days from the date of such order or agreement to object to such Claim, which deadline may be extended by the Bankruptcy Court on motion of the Reorganized Debtors without a hearing or notice to any party. Amendments to previously filed Proofs of Claim shall not be permitted after the Confirmation Date unless the holder of such Proof of Claim has obtained authorization pursuant to a prior order of the Bankruptcy Court.

EXCEPT AS PROVIDED HEREIN OR OTHERWISE AGREED TO BY THE DEBTORS OR THE REORGANIZED DEBTORS, AS APPLICABLE, ANY AND ALL HOLDERS OF PROOFS OF CLAIM FILED AFTER THE APPLICABLE BAR DATE SHALL NOT BE TREATED AS CREDITORS FOR PURPOSES OF VOTING AND DISTRIBUTION PURSUANT TO BANKRUPTCY RULE 3003(c)(2) UNLESS ON OR BEFORE THE VOTING DEADLINE OR THE CONFIRMATION DATE, AS THE CASE MAY BE, SUCH LATE PROOFS OF CLAIM ARE DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

L. Claims Estimation

The Debtors, prior to the Effective Date, or the Reorganized Debtors, following the Effective Date, may request that the Bankruptcy Court estimate any disputed, contingent, or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Debtors (prior to the Effective Date) or the Reorganized Debtors (following the Effective Date) have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. Except as set forth below with respect to reconsideration under section 502(j) of the Bankruptcy Code, in the event the Bankruptcy Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under this Plan, including for purposes of Distributions. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate Distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim

that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

M. Updates to Claims Register Without Objection

Any Claim that has been paid or satisfied, in whole or in part, or any Claim that has been amended or superseded, may be marked as satisfied, in whole or in part, or amended (as applicable) on the Claims Register by the Claims Agent at the direction of the Debtors or Reorganized Debtors, as applicable, without a Claims ~~Objection~~objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court; *provided* that the Debtors or the Reorganized Debtors, as applicable, shall provide 30 days' notice of any of the foregoing modifications to the Claims Register to the Holder of any affected Claims during which period the Holder may object thereto.

N. Administrative Claims Incurred After the Confirmation Date

Administrative Claims incurred by the Debtors after the Effective Date (except for Professional Fee Claims), may be paid by the Reorganized Debtors in the ordinary course of business and without application or Bankruptcy Court approval, subject to any agreements with any Claim Holders.

O. Special Provisions Regarding Insured Claims

Distributions to each Holder of an Insured Claim shall be in accordance with the treatment provided under this Plan for General Unsecured Claims; *provided, however,* that the maximum amount of any Distribution on account of an Allowed Insured Claim shall be limited to an amount equal to the applicable self-insured retention or deductible under the relevant insurance policy; *further, provided, however,* that, to the extent a Holder has an Allowed Insured Claim, the amount of which exceeds the total coverage available from the relevant insurance policies of the Debtors or Reorganized Debtors, such Holder shall have an Allowed General Unsecured Claim in the amount by which such Allowed Insured Claim exceeds the coverage available from the relevant Debtors' or Reorganized Debtors' insurance policies. Nothing in this section shall constitute a waiver of any Litigation Rights the Debtors or Reorganized Debtors may hold against any Person, including the Debtors' or Reorganized Debtors' insurance carriers. Nothing in this section is intended to, shall, or shall be deemed to preclude any Holder of an Allowed Insured Claim from seeking and/or obtaining payment or other recovery from any insurer of the Debtors in addition to (but not in duplication of) any Distribution such Holder may receive under this Plan; *provided, however,* that the Debtors and the Reorganized Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

This Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' or Reorganized Debtors' insurers under their policies, and the

Debtors' and Reorganized Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors and the Reorganized Debtors, the existence, primacy, and/or scope of available coverage under any alleged applicable policy. This Plan shall ~~not~~neither operate as a waiver of any other Claims ~~of~~that the Debtors' or Reorganized Debtors' insurers have asserted or may assert in any Proof of Claim ~~or~~nor the Debtors' or Reorganized Debtors' rights and defenses with respect to any such Proof of Claim.

P. Establishment of Reserve Amounts for Disputed General Unsecured Claims

To effect Distributions to Holders of Allowed General Unsecured Claims in a timely manner, within twenty-one (21) days after the Effective Date, the Reorganized Debtors shall file a motion for order establishing a reserve with respect to unliquidated and/or Disputed General Unsecured Claims for Distribution purposes; *provided*, *however*, that the Reorganized Debtors shall not be required to establish any reserve for any unliquidated or Disputed Claims that the Reorganized Debtors believe, in their reasonable discretion, would receive a Distribution of Cash under this Plan once such Claim is Allowed. No later than ten (10) days after entry of an order approving the motion, Reorganized Fallbrook shall establish the Unsecured Claims Reserve.

New Common Stock held in the Unsecured Claims Reserve shall be held by the Reorganized Debtors in trust for the benefit of Holders of Allowed General Unsecured Claims. New Common Stock held in the Unsecured Claims Reserve shall not constitute property of the Reorganized Debtors or any of them, subject to the provisions of this Article. The Reorganized Debtors shall pay, or cause to be paid, out of any dividends paid on account of New Common Stock held in the Unsecured Claims Reserve, any tax imposed on the Unsecured Claims Reserve by any Governmental Unit with respect to income generated by New Common Stock held in the Unsecured Claims Reserve and any costs associated with maintaining the Unsecured Claims Reserve. Any New Common Stock held in the Unsecured Claims Reserve after all General Unsecured Claims have been Allowed or disallowed shall be transferred by the Reorganized Debtors (as applicable), in a supplemental Distribution, Pro Rata, to the Holders of Allowed General Unsecured Claims, *provided, however*, that to the extent such Pro Rata allocation results in a Distribution of less than one share of New Common Stock to over fifty ~~per cent~~percent (50%) of Holders of Allowed Unsecured Claims otherwise entitled to such Distribution, the Reorganized Debtors shall have no obligation to make such Distribution and all then-undistributed New Common Stock shall be canceled and the entitlement of any Person thereto shall be extinguished and forever barred.

Q. Allowance of Disputed General Unsecured Claims

Each Holder of a Disputed General Unsecured Claim that becomes an Allowed General Unsecured Claim subsequent to the Initial Distribution Date shall receive a Pro Rata share of the Unsecured Claims Reserve on the next Quarterly Distribution Date.

R. Allocation of Consideration

The aggregate consideration to be distributed to the Holders of Allowed Claims in each Class under this Plan shall be treated as first satisfying an amount equal to the stated principal

POST-EFFECTIVE DATE OBLIGATIONS OF ANY PARTY OR ENTITY UNDER THIS PLAN OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THIS PLAN (INCLUDING, FOR THE AVOIDANCE OF DOUBT, POST-EFFECTIVE DATE OBLIGATIONS ARISING UNDER OR IN CONNECTION WITH THE EXIT FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS), (3) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS OR THE REORGANIZED DEBTORS ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT TO THIS PLAN, (4) ANY ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT, OR (5) ANY ACT OR OMISSION THAT OCCURS ON OR AFTER THE EFFECTIVE DATE.

D. Exculpation

UPON AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE DEBTORS AND THEIR REPRESENTATIVES WILL BE DEEMED TO HAVE SOLICITED ACCEPTANCES OF THIS PLAN IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING SECTION 1125(e) OF THE BANKRUPTCY CODE.

EXCEPT WITH RESPECT TO ANY ACTS OR OMISSIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THIS PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS, THE EXCULPATED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO FORMULATING, NEGOTIATING, PREPARING, DISSEMINATING, IMPLEMENTING, ADMINISTERING, CONFIRMING, OR EFFECTING THIS PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THIS PLAN OR ANY OTHER PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTORS; *PROVIDED* THAT THE FOREGOING "EXCULPATION" SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT; PROVIDED, FURTHER, THAT TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THIS PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT.

THE EXCULPATED PARTIES HAVE, AND UPON CONFIRMATION SHALL BE DEEMED TO HAVE, PARTICIPATED IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING WITH REGARD TO THE DISTRIBUTIONS OF NEW COMMON STOCK

Entry of the Confirmation Order shall mean that all modifications or amendments to this Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

C. Entire Agreement

On the Effective Date, this Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of this Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with this Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and corporate governance matters; provided that corporate governance matters relating to Debtors or Reorganized Debtors, as applicable, not incorporated in Delaware shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Filing or Execution of Additional Documents

On or before the Effective Date, the Debtors, with the consent of the Kayne Supporting Creditors, may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims receiving Distributions pursuant to this Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order.

F. Withholding and Reporting Requirements

In connection with this Plan and all instruments issued in connection therewith and Distributions thereon, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all Distributions hereunder shall be subject to any such withholding and reporting requirements. Any Holder of an Allowed Claim shall provide the Reorganized Debtors with information and forms required to satisfy its obligations under this section, as determined within the reasonable discretion of the Reorganized Debtors ("Required Tax Forms"); any ~~holder~~Holder of an Allowed Claim that fails to provide the Reorganized Debtors with Required Tax Forms within forty-five (45) days (or any longer period consented to by the Reorganized Debtors in writing) after a written request from the Reorganized Debtors for Required Tax Forms shall have all Distributions on account of such Allowed Claims deemed an Unclaimed Distribution as of the

expiration of such period and shall have its Allowed Claim treated in accordance with Section VII.D or VII.E of this Plan.

G. Exemption From Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, (i) the issuance, transfer, or exchange under this Plan of New Common Stock, and the security interests in favor of the lenders under the Exit Facilities, (ii) the making or assignment of any lease or sublease under this Plan, or (iii) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with this Plan shall not be subject to any stamp, real estate transfer, recording, or other similar tax.

H. Reservation of Rights

This Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. None of the filing of this Plan, any statement or provision contained in this Plan, or the taking of any action by any Debtor with respect to this Plan, the Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

I. Notices

After the Effective Date, any pleading, notice, or other document required by this Plan to be served on or delivered to the Reorganized Debtors shall also be served on:

Debtors	**Counsel to the Debtors**
Fallbrook Technologies Inc. 505 Cypress Creek Road Suite L Cedar Park, Texas 78613. Attn: ~~Sheryl Kinlaw~~Jeffrey A. Birchak, Esq.	Shearman & Sterling LLP 599 Lexington Avenue New York, New York 10022 Attn: Ned S. Schodek, Esq. Jordan A. Wishnew, Esq. and Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn: Pauline K. Morgan, Esq. Kenneth J. Enos, Esq. Jaime Luton Chapman, Esq.
United States Trustee	**Counsel to the Kayne Supporting Creditors**
Office of the United States Trustee	Willkie Farr & Gallagher LLP 787 Seventh Avenue

for the District of Delaware 844 King Street, Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn: Benjamin A. Hackman, Esq.	New York, NY 10019-6099 Attn: Rachel C. Strickland, Esq. Paul V. Shalhoub, Esq. Richard Choi, Esq. and Richards, Layton & Finger, P.A. One Rodney Square 920 North King Street Wilmington, DE 19801 Attn: Mark D. Collins, Esq. Michael J. Merchant, Esq. Joseph C. Barsalona II, Esq.

Entities that would like to continue to receive documents pursuant to Bankruptcy Rule ~~2002~~2002, after the Effective Date, must file a renewed request with the Bankruptcy Court. After the Effective Date, the Reorganized Debtors are authorized to limit the list of entities receiving documents pursuant to Bankruptcy Rule 2002 to (a) those entities who have filed such renewed requests and (b) those entities whose rights are affected by such documents.

J. Exhibits/Schedules

All exhibits and schedules to this Plan and the Plan Supplement are incorporated into and constitute a part of this Plan as if set forth herein.

K. Nonseverability of Plan Provisions upon Confirmation

If, prior to Confirmation, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted; *provided* that any such alteration or interpretation shall be reasonably satisfactory to the Debtors and the Kayne Supporting Creditors. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (i) valid and enforceable pursuant to its terms; (ii) integral to this Plan and may not be deleted or modified without the consent of the Debtors; and (iii) nonseverable and mutually dependent.

L. Closing of Chapter 11 Cases; Caption Change

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any

applicable order of the Bankruptcy Court to close the Chapter 11 Cases, *provided*, as of the Effective Date, the Reorganized Debtors may submit separate orders to the Bankruptcy Court under certification of counsel closing each of the Closing Cases and changing the caption of the Chapter 11 Cases accordingly, *provided further* that matters concerning Claims may be heard and adjudicated in a Remaining Case regardless of whether the applicable Claim is against a Debtor in a Closing Case. Nothing in this Plan shall authorize the closing of any case *nunc pro tunc* to a date that precedes the date any such order is entered. Any request for *nunc pro tunc* relief shall be made on motion served on the United States Trustee, and the Bankruptcy Court shall rule on such request after notice and a hearing. Upon the filing of a motion to close the last Remaining Case, the Reorganized Debtors shall file a final report with respect to all of the Chapter 11 Cases pursuant to Local Rule 3022-1(c).

M. Conflict

To the extent that any provision of the Disclosure Statement, the Plan Supplement, or any other order (other than the DIP Financing Orders and the Confirmation Order) referenced in this Plan (or any exhibits, appendices, supplements, or amendments to any of the foregoing)~~,~~ conflict with or are in any way inconsistent with any provision of this Plan, this Plan shall govern and control. To the extent that any provision in this Plan conflicts with or is in any way inconsistent with any provision of the Confirmation Order, the Confirmation Order shall govern and control.

N. Further Assurances

The Debtors, Reorganized Debtors, all Holders of Claims or Equity Interests receiving Distributions pursuant to this Plan, and all other parties-in-interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order.

XI.

EFFECTIVENESS OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to Confirmation that the following conditions shall have been satisfied in full or waived pursuant to Section XI(C):

1. The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information with respect to this Plan within the meaning of section 1125 of the Bankruptcy Code on a date that is no more than 64 days after the Petition Date.

2. Each of the DIP Financing Orders shall have been entered, shall be in full force and effect, and, with respect to the Final DIP Order, shall be a Final Order.

3. The Confirmation Order shall have been entered by the Bankruptcy Court no more than 106 days after the Confirmation Date.

Dated: ~~April 23,~~May 1, 2018

FALLBROOK TECHNOLOGIES INC.

By: _____
Name: Roy Messing
Title: Chief Restructuring Officer

FALLBROOK TECHNOLOGIES INTERNATIONAL CO.

By: _____
Name: Roy Messing
Title: Chief Restructuring Officer

HODYON, INC.

By: _____
Name: Roy Messing
Title: Chief Restructuring Officer

HODYON FINANCE, INC.

By: _____
Name: Roy Messing
Title: Chief Restructuring Officer

EXHIBIT 2

Disclosure Statement Changed Pages

~~THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN. ANY SUCH SOLICITATION MAY NOT OCCUR UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.~~

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FALLBROOK TECHNOLOGIES INC., et al.[1]	Case No. 18-10384 (MFW)
Debtors.	Jointly Administered

DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: ~~April 23,~~May 1, 2018
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP
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-and-

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New York, New York 10022
Telephone: (212) 848-4000
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Counsel to the Debtors and Debtors in Possession

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: Fallbrook Technologies Inc. (7116); Fallbrook Technologies International Co. (7837); Hodyon, Inc. (1078); and Hodyon Finance, Inc. (5973). The Debtors' principal offices are located at 505 Cypress Creek Road, Suite L, Cedar Park, Texas 78613.

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(continued)

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THIS DISCLOSURE STATEMENT (THIS "**DISCLOSURE STATEMENT**") HAS BEEN PREPARED FOR THE PURPOSE OF PROVIDING CERTAIN APPLICABLE INFORMATION TO CREDITORS OF THE DEBTORS WHO, AS DESCRIBED HEREIN, ARE ENTITLED TO VOTE WHETHER TO ACCEPT OR REJECT THE DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE (THE "**PLAN**"). A COPY OF THE PLAN IS ATTACHED AS **EXHIBIT A** HERETO. THIS DISCLOSURE STATEMENT INCLUDES, AMONG OTHER THINGS, A SUMMARY OF THE PLAN, AS WELL AS SUMMARIES OF CERTAIN OTHER MATERIALS REFERENCED IN THIS DISCLOSURE STATEMENT INCLUDING (AMONG OTHER THINGS) CERTAIN OTHER DOCUMENTS ATTACHED AS EXHIBITS TO THIS DISCLOSURE STATEMENT OR THAT WILL BE ATTACHED AS EXHIBITS TO THE PLAN SUPPLEMENT REFERENCED IN THIS DISCLOSURE STATEMENT. THE SUMMARIES AND OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THOSE OTHER EXHIBITS TO THIS DISCLOSURE STATEMENT, AND THE EXHIBITS TO THE PLAN SUPPLEMENT.

PERSONS ENTITLED TO VOTE WHETHER TO ACCEPT OR REJECT THE PLAN ARE ADVISED AND ENCOURAGED TO READ, IN THEIR ENTIRETY, THIS DISCLOSURE STATEMENT, THE PLAN ATTACHED AS AN EXHIBIT HERETO, AND THE OTHER EXHIBITS HERETO OR THERETO, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ALL PERSONS ENTITLED TO VOTE SHOULD READ CAREFULLY THE SECTION OF THIS DISCLOSURE STATEMENT DESCRIBING CERTAIN APPLICABLE RISK FACTORS SET FORTH IN ARTICLE IX~~,~~ BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF (UNLESS OTHERWISE SPECIFIED), AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH APPLICABLE DATE. THE DEBTORS DO NOT WARRANT THAT THE STATEMENTS OR INFORMATION CONTAINED HEREIN ARE WITHOUT ANY INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

ARTICLE I

INTRODUCTION

A. General Background

On February 26, 2018, (the "**Petition Date**"), Fallbrook Technologies Inc., a Delaware corporation ("**Fallbrook**"),[1] along with three (3) direct and indirect affiliates of Fallbrook (collectively, referred to herein and in the Plan as the "**Debtors**"), filed voluntary petitions (the "**Petitions**") for relief under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").[2] Upon the filing of the Petitions, the Debtors' respective reorganization cases under the Bankruptcy Code (the "**Chapter 11 Cases**") commenced. As described in greater detail below, on February 27, 2018, the Bankruptcy Court ordered that the Chapter 11 Cases be consolidated for administrative purposes only.

In addition to Fallbrook, the Debtors include the following three (3) direct and indirect affiliates of Fallbrook:

- Fallbrook Technologies International Co., a Nevada corporation ("**FTI International**");
- Hodyon, Inc., a Delaware corporation ("**Hodyon**"); and
- Hodyon Finance, Inc., a Delaware corporation ("**Hodyon Finance**").

Contemporaneously herewith, the Debtors filed with the Bankruptcy Court the *Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated ~~April 23,~~May 1, 2018 (which is defined herein as the Plan). All capitalized terms used in this Disclosure Statement but not defined herein have the respective meanings ascribed to such terms in the Plan. A complete copy of the Plan is attached as **Exhibit A** to this Disclosure Statement.

This Disclosure Statement is being submitted pursuant to section 1125 of the Bankruptcy Code for use by those entitled to vote on whether to accept or reject the Plan in connection with (i) the solicitation by the Debtors of votes to accept or reject the Plan and (ii) the hearing by the Bankruptcy Court to consider confirmation of the Plan (the "**Confirmation Hearing**").

The Plan sets forth the manner in which Claims against the Debtors and Equity Interests in the Debtors are proposed to be treated in connection with the reorganization of the Debtors in the Chapter 11 Cases. This Disclosure Statement describes certain aspects of the Plan, and also provides a general description of the Debtors' business (including certain financial information) as well as information regarding various other matters relevant to the purpose for which this

[1] References in this Disclosure Statement to Fallbrook or to any other Debtor include such Person, as in existence prior to the commencement of the Chapter 11 Cases and as a debtor and a debtor-in-possession during the pendency of the Chapter 11 Cases.

[2] References in this Disclosure Statement to the "Docket" are to the Docket maintained in the Chapter 11 Cases. Items entered on the Docket can be accessed at http://dm.epiq11.com/fallbrook, a website maintained by the ~~Debtors' claims and noticing agent~~Claims Agent. Alternatively, the Docket can be inspected in the office of the Clerk of the Bankruptcy Court (or on a website maintained by the Bankruptcy Court, which can be accessed at http://www.deb.uscourts.gov/.

intercompany ownership interests, which are preserved under the Plan), whether under the reorganization proposed in the Plan or in any liquidation alternative.

The following additional materials are attached as Exhibits to this Disclosure Statement:

- as "**Exhibit A**," a copy of the Plan, including the exhibits thereto (excluding the Plan Supplement);
- as "**Exhibit B**," a copy of the Bankruptcy Court's "**Disclosure Statement Order**" [Docket No. __174] (excluding the exhibits thereto), dated ~~__~~April 24, 2018, that, among other things, approves this Disclosure Statement, establishes procedures for the solicitation and tabulation of votes to accept or reject the Plan, and schedules the hearing on confirmation of the Plan;
- as "**Exhibit C**," the "**Financial Projections**" prepared by the Debtors' management for the Reorganized Debtors through 2022;
- as "**Exhibit D**," the "**Liquidation Analysis**" prepared by the Debtors;
- as "**Exhibit E**," a copy of the "**Confirmation Hearing Notice**"; and
- as "**Exhibit F**," a corporate organizational chart of Fallbrook and its affiliates.

To the extent this Disclosure Statement is being submitted to a Holder of a Claim that is entitled to vote to accept or reject the Plan, this Disclosure Statement also is accompanied by a Ballot to be used by such Holder in connection with that vote. As further described below, Holders of certain categories of Claims against, and Equity Interests in, the Debtors automatically are deemed to have accepted the Plan or to have rejected it, depending on the particular category of Claims or Equity Interests. Holders of Claims and Equity Interests that are deemed to have accepted or rejected the Plan are not entitled to vote to accept or reject the Plan.

In addition to the exhibits attached to this Disclosure Statement and the exhibits attached to the Plan, the Debtors anticipate there will be certain additional materials that are necessary or appropriate to the implementation and/or confirmation of the Plan. Those additional materials are summarized in this Disclosure Statement, to the extent now known or reasonably determinable; and copies of those materials (in final or substantially final form), or summaries thereof, will be contained in the Plan Supplement. The Plan Supplement will be filed by the Debtors with the Clerk of the Bankruptcy Court no later than seven (7) calendar days before the Voting Deadline, or such later date as may be approved by the Bankruptcy Court. Once so filed, the Plan Supplement will be available free of charge on the website for the Chapter 11 Cases maintained by the ~~Debtor' claims agent~~Claims Agent (http://dm.epiq11.com/fallbrook)~~,~~ for inspection at the Office of the Clerk of the Bankruptcy Court, 3rd Floor, 824 N. Market Street, Wilmington, Delaware 19801, or on the internet for a fee at the Bankruptcy Court's website (http://www.deb.uscourts.gov/) by following directions for accessing the Bankruptcy Court's electronic filing system on such website.

On ~~__~~April 24, 2018, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order, determining that this Disclosure Statement contains "adequate

information" (as that term is defined in section 1125 of the Bankruptcy Code). Section 1125(a)(1) of the Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material ~~Federal~~federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information . . . ." 11 U.S.C. § 1125(a)(1). NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING OR SUPPLEMENTING THIS DISCLOSURE STATEMENT (INCLUDING THE PLAN AND THE PLAN SUPPLEMENT). ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED AND SHOULD NOT BE RELIED UPON.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S ENDORSEMENT OF THE PLAN. THE BANKRUPTCY COURT MAKES NO DETERMINATION AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record dates for voting purposes, and the applicable standards for tabulating Ballots. In the event of any discrepancy between the provisions of the Disclosure Statement Order and the summary thereof contained in this Disclosure Statement, the provisions of the Disclosure Statement Order will govern. In addition, detailed voting instructions will accompany each Ballot. Each person entitled to vote to accept or reject the Plan should read in its entirety this Disclosure Statement (including the exhibits hereto), the Plan (including the exhibits thereto) and Plan Supplement, the Disclosure Statement Order, and the instructions accompanying the Ballot(s) received by such person before voting on whether to accept or reject the Plan. These documents contain, among other things, important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept or reject the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

B. Holders Entitled to Vote

Not all holders of claims against a debtor and holders of equity interests in that debtor are entitled to vote to accept or reject a proposed reorganization plan. Rather, the Bankruptcy Code limits the right to vote to holders of claims against that debtor, or holders of equity interests in that debtor, that are regarded as being "allowed" (within the meaning of section 502 of the

A BALLOT TO BE USED IN VOTING TO ACCEPT OR REJECT THE PLAN WILL BE PROVIDED ONLY TO HOLDERS OF CLAIMS IN THE CLASSES THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, AS FOLLOWS:

- Class 3 (Senior Secured Claims); and
- Class 4 (General Unsecured Claims).

The Bankruptcy Code defines "acceptance" of a reorganization plan by a class of allowed claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in aggregate dollar amount of claims in such class and represent more than one-half (1/2) in number of the allowed claims in such class that cast ballots for acceptance or rejection of that reorganization plan. For a more detailed description of the requirements for confirmation of the Plan, see Article X below.

Two Classes, Class 7 (Subordinated Claims) and Class 8 (Parent Interests), automatically are deemed to reject the Plan. Accordingly, the Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the Bankruptcy Court to confirm a plan of reorganization notwithstanding the nonacceptance of that plan by one or more impaired classes of claims or equity interests. Under section 1129(b), a plan may be confirmed as long as such plan does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class. The requirements for confirmation of a nonconsensual plan are described more fully in Article X below.

C. Voting Procedures

On ~~—,~~April 24, 2018, the Bankruptcy Court entered the Disclosure Statement Order, among other things, approving this Disclosure Statement, setting voting procedures and scheduling the Confirmation Hearing. A copy of the Disclosure Statement Order (excluding the exhibits) is attached as **Exhibit B** to this Disclosure Statement and a copy of the Confirmation Hearing Notice is attached as **Exhibit E** to this Disclosure Statement. The Disclosure Statement Order and Confirmation Hearing Notice set forth in detail, among other things, the voting deadlines and objection deadlines with respect to the Plan. The Confirmation Hearing Notice and the instructions attached to the Ballot should be read in conjunction with this section of ~~the~~this Disclosure Statement.

If you are a Holder of an Allowed Claim that is entitled to vote to accept or reject the Plan, a Ballot is enclosed with this Disclosure Statement for the purpose of casting your vote and for making an election whether or not to grant the releases contained in Article VIII of the Plan. If you hold an Allowed Claim in more than one Class that is entitled to vote to accept or reject the Plan, you will receive a separate Ballot for each Class in which you hold an Allowed Claim. In order for your Ballot to be counted, you must use the particular Ballot pertaining to the particular Class of Allowed Claims. The Debtors urge you to vote and return your Ballot(s) by no later than 5:00 p.m., prevailing Eastern Time, on ~~—,~~June 1, 2018 (the "**Voting Deadline**"), in accordance with the instructions accompanying your Ballot(s) and described in this section.

With the approval of the Bankruptcy Court [Docket Nos. 29 and 118], the Debtors retained Epiq Bankruptcy Solutions, LLC ("**Epiq**") as their claims, balloting, and noticing agent for purposes of the Chapter 11 Cases. If you received a Ballot(s) from the Debtors (or from Epiq on behalf of the Debtors), please vote and return your Ballot(s) directly to Epiq at the following addresses:

If by regular mail, to:
Fallbrook Technologies Inc., Ballot Processing Center
c/o Epiq Bankruptcy Solutions, LLC
P.O. Box 4422
Beaverton, OR 97076-4422

If by hand delivery or overnight mail, to:
Fallbrook Technologies Inc., Ballot Processing Center
c/o Epiq Bankruptcy Solutions, LLC
10300 SW Allen Blvd.
Beaverton, OR 97005

PLEASE RETURN YOUR *BALLOT*(S) ONLY. DO NOT ALSO RETURN ANY PROMISSORY NOTE OR OTHER INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE RELATING TO YOUR CLAIM.

TO BE COUNTED, YOUR DULY COMPLETED *BALLOT*(S)—INDICATING ACCEPTANCE OR REJECTION OF THE PLAN—MUST BE ACTUALLY RECEIVED BY *EPIQ* NO LATER THAN THE *VOTING DEADLINE*. *BALLOTS* NOT ACTUALLY RECEIVED BY *EPIQ* BY THE *VOTING DEADLINE* WILL NOT BE COUNTED. Any Ballot not received by Epiq by the Voting Deadline shall not be counted unless the Debtors in their discretion (with the consent of the Kayne Supporting Creditors) determine to extend the Voting Deadline, and except insofar as the Bankruptcy Court may order otherwise.

Any Claim in Class 4 (General Unsecured Claims) to which an objection or request for estimation is filed on or prior to ~~,~~May 23, 2018 at 4:00 p.m. (prevailing Eastern Time) shall not be entitled to vote (unless the Holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan). In addition, ~~the Debtors propose that~~ Ballots cast by alleged creditors who have timely filed Proofs of Claim that include contingent or unliquidated amounts (as may be reasonably determined by the Debtors or Epiq) that are not otherwise the subject of an objection filed by the Debtors~~,~~ will ~~have their Ballots~~be counted towards satisfying the numerosity ~~requirement, but not also toward satisfying the~~and aggregate claim amount ~~requirement (and shall only have their~~requirements (but such Claim shall be tabulated (i) in the amount of $1.00 if the ~~claim~~Claim is wholly contingent and/or unliquidated or (ii) in the amount of any non-contingent and liquidated amount included in the Proof of Claim, in each case as may be reasonably determined by the Debtors or Epiq)~~,~~ of section 1126(c) of the Bankruptcy Code. The numerosity and aggregate claim amount requirements of section 1126(c) are further described in Article X below.

In the Disclosure Statement Order, the Bankruptcy Court set ~~,~~April 27, 2018 at 5:00 p.m. (prevailing Eastern Time) as the record date for Holders of Claims entitled to vote on the Plan (the

"**Voting Record Date**"), for purposes of voting on the Plan. Accordingly, only Holders of record, as of the Voting Record Date, of Allowed Claims otherwise entitled to vote to accept or reject the Plan will receive a Ballot and be entitled vote on the Plan. If, as of the applicable Voting Record Date, you were a Holder of an Allowed Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the procedures for voting on the Plan, please contact Epiq, ~~at _____ from 9:00 a.m. to 5:00 p.m., prevailing Eastern Time, excluding weekends and holidays~~by phone at (646) 282-2400 or by email at tabulation@epiqglobal.com with a reference to "Fallbrook" in the subject line, sufficiently in advance of the deadline referenced above for receipt back of duly completed Ballots.

D. Recommendation

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11, AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS RECOMMEND THAT CREDITORS VOTE TO ACCEPT THE PLAN.

ARTICLE II

OVERVIEW OF THE PLAN

The following table briefly summarizes how the Plan classifies and treats Allowed Claims and Equity Interests, and also provides the estimated Distributions to be received by the Holders of Allowed Claims and Equity Interests in accordance with the Plan:

Class	Designation	Impaired	Treatment of Allowed Claims and Equity Interests	Entitled to Vote	Estimated Claim Amounts	Estimated Recoveries
--	Administrative Claims, including Professional Fee Claims	No	Except to the extent a Holder of an Allowed Administrative Claim already has been paid during the Chapter 11 Cases or such Holder agrees to less favorable treatment with respect to such Holder's Claim, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, its Administrative Claim, Cash equal to the unpaid portion of its Allowed	No (conclusively presumed to accept)	$0[3]	100%

[3] The Debtors do not believe there are any ~~claims~~Claims entitled to priority under section 503(b)(9) of the Bankruptcy Code that will be unpaid as of the Effective Date. The Debtors anticipate that all Allowed Administrative Claims arising from the Debtors' post-petition operations will be paid in the ordinary course of business. Due to the Bankruptcy Court-approved process for allowance and payment of Professional Fee Claims, there will be some amount of Administrative Claims based on Professional Fee Claims that will have been accrued but will remain unpaid as of the Effective Date. However, such Claims are not reflected in this table because the Debtors have assumed for purposes of the anticipated amount of ~~cash~~Cash on the Effective Date that 100% of Professional Fee Claims are paid when accrued, notwithstanding the fact that they are not actually paid until authorized pursuant to Bankruptcy Court order.

Class	Designation	Impaired	Treatment of Allowed Claims and Equity Interests	Entitled to Vote	Estimated Claim Amounts	Estimated Recoveries
			Administrative Claim, to be paid on the latest of: (i) the Effective Date, or as soon as reasonably practicable thereafter, if such Administrative Claim is Allowed as of the Effective Date; (ii) the date such Administrative Claim is Allowed, or as soon as reasonably practicable thereafter; (iii) the date such Allowed Administrative Claim becomes due and payable, or as soon as reasonably practicable thereafter; and (iv) such other date as may be agreed upon between the Holder of such Allowed Administrative Claim and the Debtors or the Reorganized Debtors, as the case may be. Professional Fee Claims shall be paid by the Reorganized Debtors, in full in Cash, when Allowed by a Final Order of the Bankruptcy Court.			
--	Priority Tax Claims	No	Except to the extent a Holder of an Allowed Priority Tax Claim agrees to a different treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each such Holder shall be paid, at the option of the Debtors, (i) in the ordinary course of the Debtors' business, consistent with past practice; *provided*, *however*, that in the event the balance of any such Claim became due during the pendency of the Chapter 11 Cases and remains unpaid as of the Effective Date, the Holder of such Claim shall be paid in full in Cash on the Effective Date or (ii) in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code.	No (conclusively presumed to accept)	$0	100%
--	DIP Facility Claims	No	Upon the Effective Date, in satisfaction of the DIP Facility Claims, (i) the Reorganized Fallbrook Parties shall enter into the New First Lien Facility pursuant to which: (a) the principal and accrued interest and other obligations in respect of the loans under the DIP Facility outstanding on the Effective Date shall be converted on a dollar-for-dollar basis under the New First Lien Facility; (b) the $1.25 million fee and $500,000 in other fees due and payable to GLC Advisors & Co., LLC shall be converted on a dollar-for-dollar basis under the New	No (conclusively presumed to accept)	$8 million (plus any accrued interest and fees)	100%

Class	Designation	Impaired	Treatment of Allowed Claims and Equity Interests	Entitled to Vote	Estimated Claim Amounts	Estimated Recoveries
			disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the Holder's secured interest in such Collateral, (iii) the Collateral securing such Allowed Other Secured Claim, or (iv) such other Distribution as necessary to satisfy the requirements of section 1124 of the Bankruptcy Code on account of such Allowed Other Secured Claim.			
3	Senior Secured Claims	Yes	On the Effective Date, all of the Senior Secured Notes shall be cancelled. The Senior Secured Claims shall be Allowed in the Senior Secured Notes Allowed Amount. In full and final satisfaction, settlement, release, and discharge of and in exchange for the Allowed Senior Secured Claims, each Holder of an Allowed Senior Secured Claim shall receive (a) a Pro Rata share of: (1) the New Second Lien Facility; (2) an amount of equity determined by multiplying (x) fifty-seven percent (57%) of the New Common Stock, by (y) a fraction having a numerator equal to the New Second Lien Facility Amount and a denominator equal to the sum of the New First Lien Facility Amount and the New Second Lien Facility Amount; and (3) if Class 4 rejects the Plan, the Re-distributed New Common Stock.	Yes	$58.46 million (plus any accrued but unpaid interest at the default rate)	42.5–54.8%
4	General Unsecured Claims	Yes	Provided Class 4 votes to accept the Plan, on (i) the Initial Distribution Date if the General Unsecured Claim is Allowed as of the Effective Date, or (ii) the first Quarterly Distribution Date after the date such General Unsecured Claim becomes an Allowed Claim, each Holder of an Allowed General Unsecured Claim ~~that votes to accept the Plan~~ shall receive, on account of its Allowed General Unsecured Claims, its Pro Rata share of thirteen percent (13%) of the New Common Stock. If Class 4 does not vote to accept the Plan, no Distributions shall be made on account of Claims in Class 4 and the New Common Stock otherwise allocable to Class 4 shall be re-distributed to the Holders of Senior Secured Claims who shall receive their Pro Rata share of such Re-Distributed New Common	Yes	$21.6 million	9.9–12.6%

transmission ("**CVT**") or as an infinitely variable transmission ("**IVT**") where reverse is desired, with no external components, unlike any other CVT.

The *NuVinci* Technology has been described a potential "game changer" when it comes to today's transmission applications, because it changes the way mechanical power is transmitted to improve the performance and efficiency of transmission systems. In addition, NuVinci Technology enables a uniquely flexible design platform that can be incorporated in everything from bicycles, automotive accessory drives, electric vehicles, lawn care equipment to small wind turbines and beyond. The *NuVinci* Technology can be manufactured at a low cost with standard industrial materials and processes and has already been commercialized in traditional bicycles and electronic bicycles, also known as e-bikes.

In addition to commercializing the *NuVinci* Technology in bicycles, Fallbrook and/or its non-~~debtor~~Debtor subsidiary, Fallbrook Intellectual Property Company LLC ("**FIPC**"), licenses the *NuVinci* Technology to industry leaders such as Allison Transmission Inc. ("**Allison**"), Dana Limited ("**Dana**"), TEAM Industries, Inc. ("**TEAM**") and Conti Temic microelectronics GmbH, an affiliate of Continental AG ("**Continental**"), to derive revenue from upfront license fees and royalties on the sales of its licensees' products. However, the licensees are not yet selling products that utilize the *NuVinci* Technology, which sales would require the licensees to pay royalties to the Debtors.

Despite the Debtors' successful commercialization of the *NuVinci* Technology in bicycles and strong partnerships with licensees to further develop and commercialize the *NuVinci* Technology, the Debtors' revenue streams were not providing sufficient liquidity to satisfy the Debtors' debt and operating expense obligations.

As a result, certain terms of the Existing Notes Purchase Agreement were renegotiated. Specifically, the maturity date of the Existing Notes was reduced and the Debtors were permitted to issue the Bridge Notes to provide short-term working capital while the Debtors engaged in a process to pursue a sale of the company and other strategic alternatives to address their liquidity challenges. Despite the Debtors' and their advisors' best efforts, the process did not result in any definitive bids for the company or parties that would be willing to provide additional capital sufficient to make an out-of-court restructuring achievable.

Consequently, Debtors concluded that the next step in their evolution was to implement a balance sheet restructuring under the supervision of the Bankruptcy Court. In consultation with their professional advisors and after careful examination by the Debtors' board of directors, the Debtors determined that a prearranged chapter 11 process would provide the necessary tools to maximize the value of their business and assets, while restructuring their substantial debt load.

B. History of the Debtors

The Debtors' origins trace back to the late 1990's, when Donald C. Miller, a cycling enthusiast, became interested in building the world's fastest bicycle. Although he had no formal engineering training, Miller analyzed the system components and determined that the transmission was a limiting factor. Miller searched for new ideas, and came across the concept

royalties). There are no distributions from FIPC to Series A Holders other than tax distributions, and, upon liquidation of FIPC, where the return to a Holder of Series A units is capped at two times the Holder's capital contribution. Allison and Dana are the Holders of the outstanding Series A units. Fallbrook, as the sole common member of FIPC, owns approximately 97% of FIPC's total membership units and, thus, all of FIPC's economic rights are retained by Fallbrook, other than the limited distributions and returns to Series A Holders mentioned above.

In addition to its economic rights, Fallbrook retained all of the governance and management rights of FIPC. Only Fallbrook has the right to appoint a member to FIPC's board of directors and otherwise manage FIPC; *provided, however*, the Holders of Series A units have (i) certain unanimous consent rights and (ii) certain call rights. Pursuant to a Support Services Agreement between Fallbrook and FIPC, Fallbrook manages FIPC's IP Portfolio (as defined below), performs technology transfers and performs engineering support services on FIPC's behalf. While licensees enter into license agreements and engineering services agreements with FIPC,[5] Fallbrook performs all of FIPC's obligations under such agreements.

Over the past decade, the Debtors' operations and business relationships have continued to expand globally, solidifying their position as leading innovators of CVP transmission systems. In addition to the licenses with Allison and Dana, the Debtors' growth has included: (i) signing an exclusive licensing agreement with TEAM for the use of the *NuVinci* Technology in North America and Europe for certain electric and gasoline light vehicle applications; (ii) signing an exclusive licensing agreement within a defined field of use for e-bike applications with an affiliate of Continental ~~AG ("**Continental**")~~; (iii) signing an exclusive licensing agreement with Napino Auto & Electronics Ltd. ("**Napino**") for the use of *NuVinci* Technology in scooter and motorcycle applications; (iv) having Dana publicly state that Dana is targeting production of transmissions featuring the *NuVinci* Technology by 2020; and (v) expanding their bicycle business outside of core European regions with North American sales having tripled as a result having the *NuVinci* Technology used in bike share programs around the world, including New York, San Francisco, Zurich, and Oslo.

C. Business Lines

The Debtors have two primary business lines—their bicycle business (formerly known as ~~"~~*NuVinci* Cycling~~"~~ and now known as and referred to herein as "**Enviolo**") and their licensing business (the "**Licensing Business**").

1. Enviolo

In 2006, Fallbrook formed its bicycle division (now branded Enviolo) to provide proof of concept, demonstrate mass market viability, and further develop the *NuVinci* Technology. Enviolo sells, supports, markets, designs, and facilitates manufacturing of *NuVinci* optimized cycling products, including five different product transmission types and multiple shifting systems for those transmissions. Included in those shifting system options are multiple auto-shifting systems for e-bikes. Each of these products is a first for the cycling industry, and

[5] A License with TEAM was entered into with ~~FTI~~Fallbrook rather than FIPC in October 2012 and has not been assigned to FIPC. A license with Viryd III Series of LTS Capital Partners II, LLC was entered into prior to the formation of FIPC and was never assigned to FIPC.

offers the rider a simplified and more functionally efficient, and, therefore, more enjoyable, riding experience as well as best-in-industry durability. Bicycles using Enviolo transmissions provide riders with a smooth, stepless progression from one speed ratio to another, effectuated by a twist of the rider's wrist. Bicycles using Enviolo auto-shifting systems allow riders to select how quickly they would like to pedal, and the auto-shifting technology then maintains a steady pace regardless of inclines or resistance.

The Debtors outsource the manufacturing of the *Nfinity* and *Harmony* products that are sold by Enviolo to third-party manufacturers. Specifically, Fallbrook has entered into manufacturing supply agreements with: ~~Tristar Inc.~~TSI, which manufactures *Nfinity* products; Applied Micro Electronics "AME" B.V., which manufactures *Harmony* products; and Santolubes Manufacturing LLC, which manufactures synthetic fluids and lubricants. In addition, Fallbrook also contracts for the manufacture of shifters from MicroShift, although there is not an ongoing manufacturing supply agreement between the parties. The products manufactured by these third parties are then purchased by ~~FALLBROOK~~Fallbrook, and either used in the manufacturing process (in the case of Santolubes), or sold to customers globally.

Enviolo utilizes four production locations and three inventory locations across three continents. While Enviolo is a division of Fallbrook, its global operations necessitate the support of the following Debtor and non-Debtor affiliates in addition to Fallbrook: FTI International, which employs those employees who are based in Europe and holds the European leases; FIPC, which licenses the *NuVinci* Technology to FTI International; Fallbrook (Hong Kong) Limited ("**Fallbrook HK**"), the holding company for Shanghai Trading Company Ltd. ("**FICE**"); and FICE, which employs China-based employees.

Enviolo has developed sophisticated and significant internal capabilities through these five companies, which allow the business to seamlessly operate on a global scale. Sales, bicycle service and support (including customer account support), and marketing primarily are handled by employees in Europe. Logistics support and supplier management and quality control primarily are handled by employees in Texas and China. Operations and product development, as well as finance, legal, and human resources, are managed through Fallbrook's corporate headquarters in Texas.

Today, Enviolo is the only provider of bicycle CVTs in the world, with the Debtors' products available in over 100 OEM bicycle brands, a 35% market share in the luxury e-bike segment, and 2017 revenue of over $15 million.

2. Licensing Business

While the Debtors have successfully demonstrated the real-world application of the *NuVinci* Technology through Enviolo, the *NuVinci* Technology goes well beyond bicycles and e-bikes. Indeed, the Debtors believe that the *NuVinci* Technology sets a bold new standard of performance and efficiency for all types of vehicles, equipment, and machinery, representing a $600 billion total market opportunity. ~~The Debtors believe~~Fallbrook believes that the total addressable market for the current fields it licenses and is focusing on, which include primary transmission, accessories and auxiliaries, scooters and motorcycles, and bicycles, is $150 billion. The *NuVinci* Technology is affordable, highly versatile and scalable, and is applicable to nearly

all vehicles, transportation equipment, and machinery. As a result, there is a highly valuable complex intellectual property portfolio related to the *NuVinci* Technology (the "**IP Portfolio**"). The IP Portfolio utilizes a mix of patents, trademarks, copyrights, and trade secrets, and includes over 800 worldwide patents.

Through the Licensing Business, the Debtors seek to monetize the IP Portfolio and transition to an intellectual property company fortified by a community of licensees. The Licensing Business primarily generates revenue through upfront license fees and ongoing royalty payments based on a percentage of a licensee's revenue from products using the *NuVinci* Technology. Additional revenue is generated from the Debtors' engineering team, which provides engineering services to the Debtors' licensees to assess feasibility, design prototypes, assist in post-license design and support, and assist with the transfer of the *NuVinci* Technology to the licensees.

The *NuVinci* Technology is further developed and licensees' investments are supported through an innovation community model, which pools innovation to reduce development cost and development risk for licensees. Under this model, the vast majority of the continuing investment in the *NuVinci* Technology is made by the Debtors' licensees. The licenses include a grant-back license, whereby the licensee grants back to the Debtors the right to use any improvements made to the *NuVinci* Technology.[6] Those improvements, improvements from past programs, and the rights to use all such improvements are then shared with the licensee community members. Sharing the rights in the improvements allows each member to use the technology free from concerns of intellectual property infringement claims from other members of the community. The ~~Debtor believes~~Debtors believe the community concept spurs innovation and collaboration and creates efficiencies leading to a rapid product development and commercialization process, which in turn leads to a faster royalty stream.

As previously discussed, license agreements exist with Allison, Dana, TEAM, an affiliate of Continental, and Napino for various micro mobility and passenger, commercial, and off-highway vehicle applications. These license agreements have generated more than $75 million in upfront license fees and a powerful licensee community committed to the development and commercialization of the *NuVinci* Technology, as described above. The Debtors believe that the licensee community has invested more than $225 million in the *NuVinci* Technology and filed over 100 patents related to improvements thereto. In 2014, Dana even opened a 45,000 square foot Global Technology Center dedicated to the development of the *NuVinci* Technology in Cedar Park, Texas, near the Debtors' headquarters. It is estimated that the licensee community continues to invest $30–$50 million annually in the *NuVinci* Technology.

Revenue for the Debtors also is generated through fees for engineering services. The Debtors built a world-class engineering team to advance the commercialization of the *NuVinci* Technology through licensee applications. The engineering team also focuses on standardizing design and helping licensees move quickly from concept to market commercialization. FIPC enters into engineering services agreements with existing and potential licensees to allow them to utilize the Debtors' engineering expertise in engaging in technology transfer, designing,

[6] The license with TEAM requires TEAM to assign most of its improvements back to ~~FTI~~Fallbrook, rather than grant the rights back to use improvements via a license. ~~FTI~~Fallbrook then may allow other licensees in the community to use such improvements.

developing and testing applications utilizing the *NuVinci* Technology. As mentioned above, Fallbrook hires the engineers so that it can perform these engineering services on FIPC's behalf.

With numerous licensees on the verge of commercializing products that feature the *NuVinci* Technology, and a global, highly scalable infrastructure, the Debtors believe that they are on the brink of significant revenue growth and market expansion.

D. Employees

As of the Petition Date, the Debtors employed 91 employees, of whom approximately 71 were employed by Fallbrook and primarily work in the United States, and 20 work outside the United States in either the German office or the Dutch branch office FTI International. There are 86 full-time Employees and 5 part-time Employees, none of whom is covered by a collective bargaining agreement.

E. Pre-Petition Capital Structure of the Debtors

Fallbrook is a privately held Delaware corporation with principal offices located in Cedar Park, Texas. FTI International, which operates a branch office in the Netherlands and has operations in Germany, is a wholly-owned subsidiary of Fallbrook. Fallbrook is the direct or indirect parent of Hodyon and Hodyon Finance (together, the "**Hodyon Debtors**"). The Hodyon Debtors were formed in 2011 in conjunction with Fallbrook's acquisition of the Dynasys auxiliary power unit business of Hodyon L.P. Fallbrook sold the Dynasys business in 2014, and, as a result, the Hodyon Debtors are no longer operating, but have remaining warranty obligations that were not transferred as part of the sale.

With respect to the non-Debtor affiliates, Fallbrook is the direct or indirect parent of ~~non-Debtors~~ Fallbrook ~~(Hong Kong) Limited and~~ ~~Shanghai Trading Company Ltd~~HK and FICE. Fallbrook also is one of three members of FIPC. Fallbrook is the sole Holder of FIPC's one million outstanding common membership units. The other two members, Allison and Dana, hold Series A preferred membership units. Allison contributed $250,000 to FIPC in return for 25,000 Series A preferred membership units, and Dana contributed $10,000 to FIPC in exchange for 1,000 Series A preferred membership units. These preferred members were granted a preferred return equal to 15% per annum (without compounding) on their respective outstanding capital contributions, provided that such return may never exceed two times the aggregate amount of capital contributions made. FIPC is managed solely by its board of directors, which is elected by Fallbrook as the sole Holder of common membership units.

As of the Petition Date, the Debtors had prepetition funded secured and unsecured indebtedness in a principal amount of over $58.0 million.

i. The Existing Notes

On January 29, 2015, Fallbrook, as issuer, entered into a Securities Purchase Agreement (as amended by that certain First Amendment to Securities Purchase Agreement dated as of August 1, 2016 and by that certain Waiver and Second Amendment to Securities Purchase Agreement dated as of May 10, 2017, the "**Waiver**", and the Securities Purchase Agreement, as amended, the "**Existing Notes Purchase Agreement**"), with certain of the purchasers (the

"**Existing Noteholders**") of Fallbrook's 12.00% Senior Secured Notes due 2019 (the "**Existing Notes**") for the initial issuance of the Existing Notes in the aggregate principal amount of $25 million. On May 1, 2015, Fallbrook issued $10 million in additional notes to the Existing Noteholders.

The Existing Notes are secured by a first-priority security interest in substantially all of the assets of Fallbrook and FTI International, including accounts, accounts receivable, inventory and related general intangibles, and proceeds of the foregoing, but subject to certain exclusions (the "**Prepetition Collateral**"). The following property is excluded from the Prepetition Collateral: (i) amounts properly deposited in certain excluded accounts; (ii) equity interests in certain "Excluded Subsidiaries" other than FIPC; (iii) voting equity interests in certain first-tier foreign subsidiaries in excess of 65% of such voting equity interests; and (iv) only to the extent not permitted by the FIPC ~~LLC Agreement~~limited liability company agreement or certain "Global Closing" agreements between Fallbrook and Dana, and Fallbrook and Allison, Fallbrook's limited liability company interests in FIPC. The Existing Notes are guaranteed by FTI International.

Fallbrook initially had a limited option under the Existing Notes Purchase Agreement to make paid-in-kind interest payments on the Existing Notes, to be capitalized and added to the principal amount of the Existing Notes, provided that Fallbrook also issued additional warrants to the Existing Noteholders to purchase certain amounts of the company's stock in the event it made such an election. On May 10, 2017, the Existing Notes Purchase Agreement was amended to, among other things, allow Fallbrook to make paid-in-kind interest payments (without the issuance of additional warrants) from April 1, 2017, until the full and final repayment in ~~cash~~Cash of the principal amount of the Existing Notes.

The outstanding principal amount of the Existing Notes has increased by approximately $14.6 million as a result of the accrual of paid-in-kind interest and amendment fees since May 10, 2017. Accordingly, as of the Petition Date, the outstanding principal amount of the Existing Notes was not less than $49.6 million. In addition, Fallbrook has issued outstanding warrants to the Existing Noteholders to purchase shares of Fallbrook's common stock. The Existing Notes matured on January 31, 2018.

ii. Bridge Notes

On May 10, 2017, Fallbrook, as issuer, entered into a Bridge Note Purchase Agreement with the purchasers (the "**Bridge Noteholders**" and, together with the Existing Noteholders, the "**Senior Noteholders**") of Fallbrook's Senior Secured Bridge Notes due March 2, 2018 (the "**Bridge Notes**") for the issuance of $8 million in Bridge Notes. On May 26, 2017, Fallbrook issued an additional $137,508 in Bridge Notes to certain officers of Fallbrook. The Bridge Notes are secured by a first-priority security interest in the Prepetition Collateral, *pari passu* with the Existing Notes. The Bridge Notes are guaranteed by FTI International.

Interest on the Bridge Notes is paid-in-kind. The outstanding principal amount of the Bridge Notes has increased by approximately $667,901 as a result of the accrual of paid-in-kind interest. Accordingly, as of the Petition Date, the outstanding principal amount of the Bridge Notes was not less than $8.8 million. The Bridge Notes matured on March 2, 2018.

iii. Convertible Notes

On July 7, 2014, Fallbrook, as issuer, entered into a Note Purchase Agreement for the issuance and sale of $8,595,000 of senior subordinated convertible notes due July 2019 (the "**Convertible Notes**"). On August 3, 2016, Fallbrook entered into a Note Purchase Agreement for the issuance and sale of $3,400,000 of additional Convertible Notes. The Convertible Notes are general unsecured obligations of ~~the Debtors~~Fallbrook.

Interest on the Convertible Notes ceased accruing on May 10, 2017. As of the Petition Date, the outstanding balance of the Convertible Notes was approximately $15.3 million. The Convertible Notes are scheduled to mature on July 7, 2019.

F. Unsecured Trade Obligations

In addition to the funded debt listed above, the Debtors estimate that, based on a review of their books and records as well as those claims filed before the Bar Date, they have ~~at least~~ approximately $ 6.3 million in General Unsecured Claims owed to trade creditors as of the Petition Date.

This amount does not reflect any analysis by the Debtors as to whether the amounts asserted are valid and this amount would not include any amounts attributable to a claim that asserts unliquidated or unknown amounts.

ARTICLE V

EVENTS LEADING UP TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

While the Debtors have successfully commercialized the *NuVinci* Technology in the bicycle industry, the revenues and EBITDA for Enviolo fell short of the financial covenants that were contained in the Existing Notes Purchase Agreement. As such, the Debtors were in default of such covenants as of December 31, 2016. As a result of the default, the Debtors and the Existing Noteholders renegotiated certain terms of the Existing Notes Purchase Agreement and entered into the Waiver, which amended, among other terms, the maturity date, which was changed from January 7, 2019 to January 31, 2018.

Revenue from the Debtors' lines of business was not sufficient to pay the debt incurred under the Existing Notes Purchase Agreement, or to fund the Debtors' continuing operations. Commercialization of the *NuVinci* Technology through licensee products has been slower to market than originally anticipated, with large-scale commercialization yet to occur. The reason for this is that the *NuVinci* Technology was licensed for one of the most difficult applications first: the primary drivetrain transmission. The extremely long development time for such application caused royalties to be pushed out and sublicensing opportunities to be limited. As a result, upfront license payments, engineering services revenue, and Enviolo revenue have been unable to provide a bridge to the period when royalty payments are anticipated to generate sufficient liquidity for debt service and operational expenses.

The Debtors, in consultation with their advisors, diligently evaluated a range of strategic alternatives to address their liquidity challenges, and determined that the best way to maximize value for their stakeholders would be to either (i) market their assets for sale as a going concern, or (ii) obtain the necessary incremental capital to maintain sufficient liquidity to continue operations outside of the context of the Chapter 11 Cases. Towards that end, in April 2017, the Debtors engaged Deutsche Bank Securities, Inc. ("**Deutsche Bank**") as an investment banker to conduct a marketing process for the sale of the Debtors. The Debtors also retained a financial advisory firm, Versari Private Capital Advisors ("**Versari**"), in July 2017, to pursue additional capital infusions and other strategic alternatives. To supplement the efforts of Deutsche Bank and Versari, in September 2017, the Debtors retained Ocean Tomo, a financial advisory and brokerage firm that specializes in intellectual property and intangible assets, to act as a placement agent in connection with the private placement of equity or debt-lined securities to certain investors.

A requirement of the Waiver and of the Bridge Notes was that Fallbrook undergo a sale process of its businesses pursuant to which a winning bidder would be selected no later than November 30, 2017. During much of 2017, the Debtors and their advisors reached out to numerous strategic and financial investors in an attempt to sell the Debtors or attract the necessary incremental capital to maintain sufficient liquidity to continue operations outside of the context of the Chapter 11 Cases. In particular, Deutsche Bank contacted approximately 85 potential investors, 10 of which executed a non-disclosure agreement ("**NDA**") to receive information about the Debtors. Versari contacted almost 200 potential investors, 25 of which executed an NDA, and Ocean Tomo contacted approximately 74 potential investors, 9 of which executed an NDA. Company management met in person and via phone with many of the parties who signed NDAs. Despite the Debtors' and their advisors' best efforts, this process did not result in any definitive bids, although one party proposed a confidential term sheet to recapitalize the company. Unfortunately, negotiations with that party did not advance beyond the term sheet phase. Accordingly, the Debtors and their advisors were unable to find any parties that would be willing to provide additional capital sufficient to make an out-of-court restructuring achievable.

On December 1, 2017, Fallbrook and the Existing Notes Collateral Agent agreed that certain events of default had occurred or would occur under the Waiver as a result of Fallbrook's failure to select a winning bidder for Fallbrook's businesses no later than November 30, 2017. Subsequently, the Existing Notes Collateral Agent and the Debtors negotiated a forbearance agreement that expired just prior to the Petition Date.

Against this backdrop, and after significant arms'-length negotiations, the Kayne Supporting Creditors agreed to provide the Debtors with the DIP Facility, and, along with the Supporting Creditors, to enter into the Restructuring Support Agreement. Pursuant to the terms of the Restructuring Support Agreement, the Plan Support Parties agreed to support the Debtors' efforts to confirm the Plan. As explained herein, the Plan will favorably restructure the Debtors' balance sheet. An executed copy of the Restructuring Support Agreement is attached to the *Declaration of Roy Messing in Support of ~~the Debtors'~~ Chapter 11 Petitions and ~~Requests for First Day Relief~~Motions* [Docket No. 13] as Exhibit B thereto. At this time, one hundred percent (100%) of the Existing Noteholders and Holders representing thirty-two percent (32%) of the outstanding Bridge Notes and seventy-three percent (73%) of the outstanding Convertible Notes,

along with a substantial portion of the Holders of General Unsecured Claims, have signed onto the Restructuring Support Agreement.

ARTICLE VI

THE CHAPTER 11 CASES

A. Significant "First Day" Motions

Upon the commencement of a case under chapter 11 of the Bankruptcy Code, the Bankruptcy Code imposes an automatic stay on creditors and others in dealing with the debtor, and also imposes strict limitations on actions that may be taken by the debtor absent authorization by the bankruptcy court. For that reason, a debtor typically files a number of so-called "first day" motions, either on the actual petition date itself or within the first few business days thereafter, seeking bankruptcy court approval to continue to operate its business and to facilitate its bankruptcy reorganization.

To facilitate a smooth and efficient administration of the Chapter 11 Cases and minimize the impact to daily business operations, the Bankruptcy Court entered certain procedural orders by which it: (i) approved the joint administration of the Chapter 11 Cases [Docket No. 28]; (ii) authorized the appointment of Epiq as claims and noticing agent [Docket No. 29]; and (iii) prohibited utilities from altering, refusing or discontinuing service on an interim basis [Docket No. 30].

Recognizing that any interruption to the Debtors' business, even for a brief period of time, would negatively impact their operations, customer relationships, revenue, and profits ~~while~~, and seeking to facilitate the stabilization of their business and effectuate a smooth transition into operating as debtors in possession, the Debtors sought and obtained orders authorizing them to:

- Continue prepetition insurance programs and pay all obligations in respect of those programs [Docket No. 31 (Interim), Docket No. 110 (Final)];
- Pay certain prepetition taxes and fees [Docket No. 32];
- Pay prepetition wages, salaries and other compensation, reimbursable employee expenses, and employee benefits and other obligations~~, as discussed in more detail below~~ [Docket No. 33 (Interim), Docket No. 112 (Final)];
- Maintain customer programs and honor their prepetition obligations arising under or in relation to those programs [Docket No. 34];
- Pay prepetition claims of certain critical vendors [Docket No. 35 (Interim), Docket No. 113 (Final)];
- Maintain their existing cash management systems [Docket No. 36 (Interim), Docket No. 111 (Final)]; and
- Pay prepetition claims of certain foreign vendors [Docket No. 37].

E. Claims Process

On March 5, 2018, the Debtors filed a motion (the "**Bar Date Motion**") [Docket No. 60] requesting that the Bankruptcy Court establish deadlines for the filing of proofs of claim against the Debtors in the Chapter 11 Cases (the "**Bar Dates**"). On March 23, 2018, the Bankruptcy Court entered an order, among other things, establishing the Bar Dates [Docket No. 119] (the "**Bar Date Order**"). The "General Bar Date" (as defined in the Bar Date Order) has been set as April 27, 2018 at 4:00 p.m. (ET). The Debtors notified known creditors of the Bar Dates by mailing a bar date notice to them on or before March 28, 2018 and published notice of the Bar Dates in the National Edition of *The New York Times* on March 29, 2018. Any person or entity (with certain exceptions, as further set forth in the Bar Date Order) that fails to timely file a Proof of Claim by the applicable Bar Date will not be permitted to vote to accept or reject the Plan, or any other plan filed in the Chapter 11 Cases, or to receive any ~~distribution~~Distribution in the Chapter 11 cases on account of such ~~claim~~Claim.

The Debtors filed their respective Schedules on March 26, ~~2018.~~2018 [Docket Nos. 126–133], which were amended in part on April 18, 2018 [Docket Nos. 160 and 161].

The Plan provides that, with certain exceptions, the Reorganized Debtors have until the later of (i) one hundred and eighty (180) days after the Effective Date, and (ii) such later date as may be fixed by the Bankruptcy Court upon a motion by the Reorganized Debtors to file objections to Claims.

F. Debtors' Key Employee Retention Program

On March 5, 2018, the Debtors filed a motion seeking the entry of an order approving the Debtors' key employee retention plan ("**KERP**"). Through this motion, the Debtors sought approval of the KERP to ensure that the certain key employees continue to deliver their best performance during this critical (and uncertain) time in the Debtors' history.

The KERP provides that participants will receive KERP payments in two installments. The first installment, equal to 20% of the total payment due to each participant, is to be paid out 60 days after the Petition Date, and the second installment, equal to 80% of the total payment due to each participant, is to be paid out within 14 days after the effective date of a chapter 11 plan of reorganization. The total aggregate amount of the KERP Payments is not to exceed $150,000.

The Bankruptcy Court entered its order approving the KERP on March 23, 2018 [Docket No. 120].

ARTICLE VII

SUMMARY OF THE PLAN

A. Introduction

The Debtors have proposed the Plan, consistent with the requirements described in Subsection B below, and in consultation with the Kayne Supporting Creditors. The Debtors

for determining whether or not a class of claims or equity interests is "impaired" or "unimpaired" for purposes of treatment and voting under the plan.

The classification, treatment, and question of impairment of, and the entitlement to vote, the Allowed Claims and Equity Interests in the Debtors were summarized briefly in Article II of this Disclosure Statement, and are described in greater detail below. As provided in the Plan, a Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class for the purpose of receiving Distributions only to the extent that such Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and such Claim or Equity Interest has not been paid, released, or otherwise settled prior to the Effective Date.

C. Grouping of the Debtors for Convenience

The Plan groups the Debtors together solely for the purposes of describing treatment under the Plan, confirmation of the Plan, and making Distributions. Unless set forth in the Plan, this grouping shall not affect any Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, or cause the transfer of any assets. The Plan is not premised upon and shall not cause the substantive consolidation of the Debtors or any non-Debtor affiliate, and, except as otherwise provided by or permitted under the Plan, all Debtors shall continue to exist as separate legal entities.

D. Treatment of Certain Unclassified Claims

Under section 1123(a)(1) of the Bankruptcy Code, certain categories of claims that must be addressed in the proposed reorganization plan need not be classified (that is, put into one of the specific classes established in that plan) for purposes of such plan. In connection with the Chapter 11 Cases, the Debtors have identified four (4) applicable categories of unclassified Claims.

1. Unclassified – Administrative Claims

Administrative Claims consist of any Claim for costs and expenses of administration of the Estates pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code other than DIP Facility Claims, including: (i) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving and operating the Estates; (ii) any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of their businesses after the Petition Date, including for wages, salaries, or commissions for services, and payments for goods and other services and leased premises to the extent such indebtedness or obligations provided a benefit to the Estates; (~~ii~~iii) all Claims for the value of goods received by the Debtors within twenty (20) days before the Petition Date and that were sold to the Debtors in the ordinary course of business pursuant to section 503(b)(9) of the Bankruptcy Code; and (iv) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

On the Effective Date, in full and final satisfaction, settlement, release, and discharge of and in exchange for the Senior Secured Claims, each Holder of a Senior Secured Claim shall receive its Pro Rata share of: (a) the New Second Lien Facility; (b) an amount of equity the determined by multiplying (x) fifty-seven percent (57%) of the New Common Stock, times (y) a fraction having a numerator equal to the New Second Lien Facility Amount and a denominator equal to the sum of the New First Lien Facility Amount and the New Second Lien Facility Amount; and (c) if Class 4 rejects the Plan, the Re-distributed New Common Stock.

Class 3 is impaired under the Plan. Holders of Allowed Class 3 Claims are entitled to vote to accept or reject the Plan.

4. Class 4 – General Unsecured Claims

General Unsecured Claims include any Claim against any of the Debtors that is not a DIP Facility Claim, Administrative Claim, Priority Tax Claim, Other Priority Claim, Other Secured Claim, Senior Secured Claim, Convenience Claim, Intercompany Claim, or Subordinated Claim, and shall include any Convertible Notes Claim and any Claim arising from existing or potential litigation against any of the Debtors that arose prior to the Petition Date.

Provided Class 4 votes to accept the Plan, on (i) the Initial Distribution Date if the General Unsecured Claim is Allowed as of the Effective Date, or (ii) the first Quarterly Distribution Date after the date such General Unsecured Claim becomes an Allowed Claim, each Holder of an Allowed General Unsecured Claim ~~that votes to accept the Plan~~ shall receive, on account of its Allowed General Unsecured Claims, its Pro Rata share of thirteen percent (13%) of the New Common Stock. If Class 4 does not vote to accept the Plan, no Distributions shall be made on account of Claims in Class 4 and the New Common Stock otherwise allocable to Class 4 shall be re-distributed to the Holders of Senior Secured Claims who shall receive their Pro Rata share of such Re-distributed New Common Stock

On its Ballot, each Holder of a General Unsecured Claim greater than five thousand dollars ($5,000) but less than or equal to twenty thousand dollars ($20,000) shall be permitted to make a Convenience Class Election and reduce its Allowed Claim to $5,000. If the Convenience Class Election is made, then such Holder shall receive, in lieu of the Distribution provided to Holders of Claims in Class 4, Distribution as if the Allowed Claim is a Class 5 Convenience Class Claim.

Class 4 is Impaired under the Plan. Holders of Allowed General Unsecured Claims in Class 4 are entitled to vote to accept or reject the Plan.

5. Class 5 – Convenience Claims

Convenience Claims include any Claim that would otherwise be classified as a General Unsecured Claim that is (i) filed in an amount of five thousand dollars ($5,000) or less, or (ii) in an amount that has been reduced to five thousand dollars ($5,000) by a Convenience Class Election made by the Holder of such Claim.

Except to the extent that a Holder of a Convenience Claim agrees to a less favorable treatment, such Holder shall receive Cash equal to 100% of the amount of such Allowed

Convenience Claim on or as soon as practicable after the latest of (x) the Effective Date, (y) the date that such Convenience Claim becomes Allowed, and (z) a date agreed to by the Debtors, with the consent of the Kayne Supporting Creditors, and the Holder of such Convenience Claim.

Class 5 is Unimpaired under the Plan. Holders of Allowed Convenience Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan

6. Class 6 – Intercompany Claims

Intercompany Claims include any Claim or Cause of Action by a Debtor or any entity that is, or was as of the Petition Date, a direct or indirect subsidiary of a Debtor against a Debtor or any entity that is, or was as of the Petition Date, a direct or indirect subsidiary of a Debtor.

Intercompany Claims shall be cancelled, Reinstated, or compromised as determined by the Debtors, with the consent of the Kayne Supporting Creditors.

Class 6 is Unimpaired under the Plan. Holders of Intercompany Claims in Class 6 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

7. Class 7 – Subordinated Claims

Subordinated Claims include: (i) any non-compensatory penalty claim; (ii) any Claim that is subordinated by Final Order of the Bankruptcy Court pursuant to section 510(b) or 510(c) of the Bankruptcy Code or pursuant to any other applicable law; and (iii) any Claim against the Debtors arising from the rescission of a purchase or sale of a security of the Debtors for damages arising from the purchase or sale of such security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claim.

The Plan provides that the Holders of Subordinated Claims shall neither receive Distributions nor retain any property under the Plan for or on account of such Subordinated Claims.

Class 7 is Impaired under the Plan. Holders of Subordinated Claims in Class 7 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

8. Class 8 – Parent Interests

Parent Interests include Equity Interests in Fallbrook immediately prior to the Effective Date, including all options, warrants, and ordinary shares.

The Plan provides that Parent Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date and Holders of Parent Interests shall neither receive any Distributions nor retain any property under the Plan for or on account of such Equity Interests.

H. Nonconsensual Confirmation

If less than all Impaired Classes accept the Plan, but at least one (1) Class of Claims Impaired under the Plan has accepted the Plan (and which Class's acceptance is determined without inclusion of Claims of insiders (as defined in section 101(31) of the Bankruptcy Code)), the Debtors will seek to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

I. Subordinated Claims

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

J. Means for Implementation of Plan

1. Compromise of Controversies

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good -faith compromise and settlement of Claims and Equity Interests and controversies resolved pursuant to the Plan. Distributions made to Holders of Allowed Claims in any Class are intended to be final.

2. Sources of Cash for Plan Distribution

Except as otherwise provided in the Plan or Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Debtors' and the Reorganized Debtors' operations and Cash balances and, if necessary, proceeds of the New First Lien Facility.

3. Continued Corporate Existence; Dissolution of Certain Debtors

Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal entity with all of the powers available to such legal entity under applicable law and pursuant to the Reorganized Debtors Constituent Documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On or after the Effective Date, without prejudice to the rights of any party to a contract or other agreement with any Reorganized Debtor, each Reorganized Debtor may, in its sole discretion, take such action as permitted by applicable law, and such Reorganized Debtor's Constituent Documents,

8. Issuance of New Common Stock

Shares of New Common Stock shall be authorized under the Reorganized Fallbrook Certificate of Incorporation, and shares of New Common Stock shall be issued on the Effective Date and distributed as soon as practicable thereafter in accordance with the Plan. All of the New Common Stock issuable in accordance with the Plan, when so issued, shall be duly authorized, validly issued, fully paid, and non-assessable. The issuance of the New Common Stock is authorized without the need for any further corporate action and without any further action by any Holder of a Claim or Equity Interest.

The New Common Stock will not be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, and the Reorganized Debtors shall not be required to and will not file reports with the SEC or any other governmental entity after the Effective Date. To prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the Reorganized Debtors Constituent Documents may impose certain trading restrictions, and the New Common Stock will be subject to certain transfer and other restrictions pursuant to the Reorganized Debtors Constituent Documents designed to maintain the Reorganized Debtors as private, non-reporting companies.

9. Section 1145 Exemption from Registration

Pursuant to section 1145 of the Bankruptcy Code, the issuance of the New Common Stock is exempt from the registration requirements of the Securities Act ~~of 1933, as amended~~, and any State or local law requiring registration for offer or sale of a security.

10. Reorganized Debtors Constituent Documents

On, or as soon as practicable after, the Effective Date, the Reorganized Debtors shall (i) make any and all filings that may be required in connection with the Reorganized Debtors Constituent Documents with the appropriate governmental offices and or agencies and (ii) take any and all other actions that may be required to render the Reorganized Debtors Constituent Documents effective.

11. Directors and Officers of the Reorganized Debtors

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of the Reorganized Fallbrook Board shall be disclosed in the Plan Supplement. On the Effective Date, the Reorganized Fallbrook Board shall consist of five (5) members: the chief executive officer and four (4) individuals designated by the Kayne Supporting Creditors. Each member of the Reorganized Fallbrook Board shall assume such position upon the Effective Date. Any subsequent Reorganized Fallbrook Board shall be elected, classified, and composed in a manner consistent with the Reorganized Debtors Constituent Documents and applicable non-bankruptcy law.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each of the officers of Reorganized Fallbrook identifiable as of the Effective Date, as well as the

nature of any compensation for such individuals, shall be disclosed in the Plan Supplement. Such officers shall serve in accordance with applicable non-bankruptcy law and, as applicable, existing officer employment agreements, which subject to the diligence of the Kayne Supporting Creditors, shall be assumed under the Plan to be effective as of the Effective Date; *provided*, *however*, that any stock options set forth in such agreements shall be replaced with shares under the Management Incentive Plan.

The existing officers and directors of the Debtors other than Fallbrook shall initially serve in their respective capacities as officers and directors of the applicable Reorganized Debtors unless otherwise provided in the Plan Supplement.

12. Exit Facility Credit Agreements

On the Effective Date, the Reorganized Debtors shall be authorized to enter into the Exit Facility Credit Agreements without the need for any further corporate action. The entry of the Confirmation Order shall be deemed approval of the Exit Facility Credit Agreements (including the transactions contemplated thereby, 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 for the Reorganized Debtors to enter into and execute the Exit Facility Credit Agreements, and such other Exit Facility Documents as the lenders under the Exit Facilities may reasonably require, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate the Exit Facility Credit Agreements. The Reorganized Debtors may use the Exit Facility Credit Agreements for any purpose permitted thereunder, including the funding of obligations under the Plan.

Upon the date the Exit Facility Credit Agreements become effective: (i) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Documents and perform their obligations thereunder, including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages, or indemnities~~, and~~; (ii) the Exit Facility Documents shall constitute the legal, valid, and binding obligations of the Reorganized Debtors that are parties thereto, enforceable in accordance with their respective terms; and (iii) no obligation, payment, transfer, or grant of security under the Exit Facility Documents shall be stayed, restrained, voidable, or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff, or counterclaim. The Debtors and the Reorganized Debtors, as applicable, and the other persons granting any Liens and security interests to secure the obligations under the Exit Facility Documents are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such Liens and security interests under the provisions of any applicable federal, state, provincial, or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the occurrence of the Effective Date, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

13. Management Incentive Plan

On and after the Effective Date, the Management Incentive Plan shall be adopted by the Reorganized Fallbrook Board. Nothing in the Plan (including Section V.D) or the Confirmation Order shall constitute the Bankruptcy Court's approval or endorsement of the Management Incentive Plan.

14. ~~Tri-Star~~TSI Settlement

The Plan shall constitute a good-faith compromise and settlement of Claims that TSI has against the Debtors. On the Effective Date, Reorganized Fallbrook and TSI shall enter into an amended Manufacturing and Supply Agreement, which shall be satisfactory to Reorganized Fallbrook, TSI, and the Kayne Supporting Creditors. In full and final satisfaction of TSI's unpaid prepetition Claims, the Debtors agree that TSI shall have an Allowed General Unsecured Claim against Fallbrook in the amount of $5,800,000. In addition, TSI shall have an Allowed Administrative Claim for goods and services TSI provided to, and that are received by, the Debtors or their indicated final shipping destination after the Petition Date. The Claims identified in this paragraph shall be TSI's only Claims against the Debtors in the Chapter 11 Cases.

15. Separability

Notwithstanding the combination of separate plans of reorganization for the Debtors set forth in the Plan for purposes of economy and efficiency, the Plan constitutes a separate chapter 11 plan for each Debtor. Accordingly, if the Bankruptcy Court does not confirm the Plan with respect to one or more Debtors, it may still confirm the Plan with respect to any other Debtor that satisfies the confirmation requirements of section 1129 of the Bankruptcy Code with the consent of the Kayne Supporting Creditors.

16. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, and record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, and without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

17. Preservation of Causes of Action

Except as expressly set forth in the Plan, the Reorganized Debtors shall retain all Litigation Rights. Except as expressly provided in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Litigation Rights. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Litigation Rights that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any Claim that are not

4. Unclaimed Distributions of Cash

Any Distribution of Cash under the Plan that is unclaimed after one hundred eighty (180) days after it has been delivered (or attempted to be delivered) shall become the property of the Reorganized Debtor against which such Claim was Allowed notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the Holder of such unclaimed Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

5. Unclaimed Distributions of New Common Stock

Any Distribution of New Common Stock under the Plan on account of an Allowed Senior Secured Claim or Allowed General Unsecured Claim that is unclaimed after ninety (90) days after it has been delivered (or attempted to be delivered) shall be deemed forfeited and such shares of New Common Stock shall be cancelled notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the Holder of such unclaimed Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

6. Saturdays, Sundays, or Legal Holidays

If any payment, Distribution, or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

7. Fractional New Common Stock and De Minimis Distributions_

Notwithstanding any other provision in the Plan to the contrary, no fractional interests of New Common Stock shall be issued or distributed pursuant to the Plan. Whenever any Distribution of a fraction of a share of New Common Stock would otherwise be required under the Plan, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole share (up or down), with half shares or less being rounded down and fractions in excess of a half of a share being rounded up. If two or more Holders are entitled to equal fractional entitlements and the number of Holders so entitled exceeds the number of whole shares, as the case may be, which remain to be allocated, the Reorganized Debtors shall allocate the remaining whole shares to such Holders by random lot or such other impartial method as the Reorganized Debtors deem fair, in the Reorganized Debtors' sole discretion. Upon the allocation of all of the whole New Common Stock authorized under the Plan, all remaining fractional portions of the entitlements shall be canceled and shall be of no further force and effect.

The Debtors or the Reorganized Debtors, as the case may be, shall not be required to, but may in their sole and absolute discretion, make Distributions to any Holder of a Claim of Cash in amount less than $25. In addition, the Debtors and the Reorganized Debtors shall not be required to, but may in their sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

Unless an order of the Bankruptcy Court specifically provides for a later date, any Proof of Claim filed after the applicable ~~bar date~~Bar Date relating to any Claim shall be automatically disallowed as a late filed Claim, without any action by the Reorganized Debtors, unless and until the party filing such Claim obtains the written consent of the Reorganized Debtors to file such Proof of Claim late or obtains an order of the Bankruptcy Court upon written motion on notice to the Reorganized Debtors that permits the filing of the Proof of Claim. In the event any Proof of Claim is permitted to be filed after the Claims Objection Deadline, the Reorganized Debtors shall have one hundred eighty (180) days from the date of such order or agreement to object to such Claim, which deadline may be extended by the Bankruptcy Court on motion of the Reorganized Debtors without a hearing or notice to any party. Amendments to previously filed Proofs of Claim shall not be permitted after the Confirmation Date unless the Holder of such Proof of Claim has obtained authorization pursuant to a prior order of the Bankruptcy Court.

EXCEPT AS PROVIDED IN THE PLAN OR OTHERWISE AGREED TO BY THE DEBTORS OR THE REORGANIZED DEBTORS, AS APPLICABLE, ANY AND ALL HOLDERS OF PROOFS OF CLAIM FILED AFTER THE APPLICABLE BAR DATE SHALL NOT BE TREATED AS CREDITORS FOR PURPOSES OF VOTING AND DISTRIBUTION PURSUANT TO BANKRUPTCY RULE 3003(c)(2) UNLESS ON OR BEFORE THE VOTING DEADLINE OR THE CONFIRMATION DATE, AS THE CASE MAY BE, SUCH LATE PROOFS OF CLAIM ARE DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

12. Claims Estimation

The Debtors, prior to the Effective Date, or the Reorganized Debtors, following the Effective Date, may request that the Bankruptcy Court estimate any disputed, contingent, or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Debtors (prior to the Effective Date) or the Reorganized Debtors (following the Effective Date) have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. Except as set forth below with respect to reconsideration under section 502(j) of the Bankruptcy Code, in the event the Bankruptcy Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of Distributions. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate Distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

13. Updates to Claims Register Without Objection

Any Claim that has been paid or satisfied, in whole or in part, or any Claim that has been amended or superseded, may be marked as satisfied, in whole or in part, or amended (as applicable) on the Claims Register by the Claims Agent at the direction of the Debtors or Reorganized Debtors, as applicable, without a Claims ~~Objection~~objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court; provided that the Debtors or the Reorganized Debtors, as applicable, shall provide 30 days' notice of any of the foregoing modifications to the Claims Register to the Holder of any affected Claims during which period the Holder may object thereto.

14. Administrative Claims Incurred After the Confirmation Date

Administrative Claims incurred by the Debtors after the Confirmation Date (except for Professional Fee Claims) may be paid by the Reorganized Debtors in the ordinary course of business and without application for Bankruptcy Court approval, subject to any agreements with any Claim Holders.

15. Special Provisions Regarding Insured Claims

Distributions to each Holder of an Insured Claim shall be in accordance with the treatment provided under the Plan for General Unsecured Claims; *provided, however,* that the maximum amount of any Distribution on account of an Allowed Insured Claim shall be limited to an amount equal to the applicable self-insured retention or deductible under the relevant insurance policy; *provided further, however,* that, to the extent a Holder has an Allowed Insured Claim, the amount of which exceeds the total coverage available from the relevant insurance policies of the Debtors or Reorganized Debtors, such Holder shall have an Allowed General Unsecured Claim in the amount by which such Allowed Insured Claim exceeds the coverage available from the relevant Debtors' or Reorganized Debtors' or Reorganized Debtors' insurance policies. Nothing in this section shall constitute a waiver of any Litigation Rights the Debtors or Reorganized Debtors may hold against any Person, including the Debtors' or Reorganized Debtors' insurance carriers. Nothing in this section is intended to, shall, or shall be deemed to preclude any Holder of an Allowed Insured Claim from seeking and/or obtaining a Distribution or other recovery from any insurer of the Debtors in addition to (but not in duplication of) any Distribution such Holder may receive under the Plan; *provided, however,* that the Debtors and the Reorganized Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' or Reorganized Debtors' insurers under their policies, and the Debtors' and Reorganized Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors and the Reorganized Debtors, the existence, primacy, and/or scope of available coverage under any alleged applicable policy. The Plan shall ~~not~~neither operate as a waiver of any other Claims ~~of~~that the Debtors' or Reorganized Debtors' insurers have asserted or may assert in any ~~proof~~Proof of ~~claim~~Claim filed in the Chapter 11 cases ~~or~~nor the Debtors' or Reorganized Debtors' rights and defenses with respect to any such ~~proofs~~Proof of ~~claim~~Claim.

16. Establishment of Reserve Amounts for Disputed Unsecured Claims

To effect Distributions to Holders of Allowed General Unsecured Claims in a timely manner, within twenty-one (21) days after the Effective Date, the Reorganized Debtors shall file a motion for order establishing a reserve with respect to unliquidated and/or Disputed General Unsecured Claims for Distribution purposes; *provided*, *however*, that the Reorganized Debtors shall not be required to establish any reserve for any unliquidated or Disputed Claims that the Reorganized Debtors believe, in their reasonable discretion, would receive a Distribution of Cash under the Plan once such Claim is Allowed. No later than ten (10) days after entry of an order approving the motion, Reorganized Fallbrook shall establish the Unsecured Claims Reserve.

New Common Stock held in the Unsecured Claims Reserve shall be held by the Reorganized Debtors in trust for the benefit of Holders of Allowed General Unsecured Claims. New Common Stock held in the Unsecured Claims Reserve shall not constitute property of the Reorganized Debtors or any of them, subject to the provisions of this Article. The Reorganized Debtors shall pay, or cause to be paid, out of any dividends paid on account of New Common Stock held in the Unsecured Claims Reserve, any tax imposed on the Unsecured Claims Reserve by any Governmental Unit with respect to income generated by New Common Stock held in the Unsecured Claims Reserve and any costs associated with maintaining the Unsecured Claims Reserve. Any New Common Stock held in the Unsecured Claims Reserve after all General Unsecured Claims have been Allowed or disallowed shall be transferred by the Reorganized Debtors (as applicable), in a supplemental Distribution, Pro Rata, to the Holders of Allowed General Unsecured Claims, *provided*, *however*, that to the extent such Pro Rata allocation results in a Distribution of less than one share of New Common Stock to over fifty ~~per cent~~percent (50%) of Holders of Allowed Unsecured Claims otherwise entitled to such Distribution, the Reorganized Debtors shall have no obligation to make such Distribution and all then-undistributed New Common Stock shall be canceled and the entitlement of any Person thereto shall be extinguished and forever barred.

17. Allowance of Disputed Unsecured Claims

Each Holder of a Disputed General Unsecured Claim that becomes an Allowed General Unsecured Claim subsequent to the Initial Distribution Date shall receive a Pro Rata share of the Unsecured Claims Reserve on the next Quarterly Distribution Date.

18. Allocation of Consideration

The aggregate consideration to be distributed to the Holders of Allowed Claims in each Class under the Plan shall be treated as first satisfying an amount equal to the stated principal amount of the Allowed Claim for such Holders, and any remaining consideration as satisfying accrued, but unpaid, interest and costs, if any, and attorneys' fees, where applicable.

M. Release, Injunction, and Related Provisions

1. Discharge of Claims and Termination of Equity Interests; Compromise and Settlement of Claims, Equity Interests, and Controversies

Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the Distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Equity Interests and Claims of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against the Debtors, the Reorganized Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest is Allowed; or (iii) the Holder of such Claim or Equity Interest has accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Equity Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. For the avoidance of doubt, nothing in Section VIII.A of the Plan shall affect the rights of Holders of Claims and Equity Interests to seek to enforce the Plan, including the Distributions to which Holders of Allowed Claims are entitled under the Plan.

Pursuant to Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good -faith compromise of all Claims, Equity Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Equity Interest, or any Distribution to be made on account of such Allowed Claim or Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Equity Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, the Estates, and Holders of Claims and Equity Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against the Debtors and the Estates and Causes of Action against other entities.

2. Releases By The Debtors

NOTWITHSTANDING ANYTHING CONTAINED IN THE PLAN TO THE CONTRARY, AS OF THE EFFECTIVE DATE, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE RELEASED PARTIES ARE DEEMED RELEASED AND DISCHARGED BY THE DEBTORS, THE REORGANIZED DEBTORS, AND THE DEBTORS' ESTATES FROM

CLAIM AGAINST THE DEBTORS PURSUANT TO THE PLAN, (4) ANY ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT, OR (5) ANY ACT OR OMISSION THAT OCCURS ON OR AFTER THE EFFECTIVE DATE.

4. Exculpation

UPON AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE DEBTORS AND THEIR REPRESENTATIVES WILL BE DEEMED TO HAVE SOLICITED ACCEPTANCES OF THE PLAN IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING SECTION 1125(e) OF THE BANKRUPTCY CODE.

EXCEPT WITH RESPECT TO ANY ACTS OR OMISSIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS, THE EXCULPATED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO FORMULATING, NEGOTIATING, PREPARING, DISSEMINATING, IMPLEMENTING, ADMINISTERING, CONFIRMING, OR EFFECTING THE PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTORS; *PROVIDED* THAT THE FOREGOING "EXCULPATION" SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT; PROVIDED, FURTHER, THAT TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT.

THE EXCULPATED PARTIES HAVE, AND UPON CONFIRMATION SHALL BE DEEMED TO HAVE, PARTICIPATED IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING WITH REGARD TO THE DISTRIBUTIONS OF NEW COMMON STOCK PURSUANT TO THE PLAN AND, THEREFORE, ARE NOT AND SHALL NOT BE LIABLE AT ANY TIME FOR THE VIOLATIONS OF ANY APPLICABLE LAW, RULE, OR REGULATION GOVERNING THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OR SUCH DISTRIBUTIONS MADE PURSUANT TO THE PLAN.

Entry of the Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

4. Entire Agreement

On the Effective Date, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

5. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and corporate governance matters; provided that corporate governance matters relating to Debtors or Reorganized Debtors, as applicable, not incorporated in Delaware shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

6. Filing or Execution of Additional Documents

On or before the Effective Date, the Debtors, with the consent of the Kayne Supporting Creditors, may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims receiving Distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

7. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and Distributions thereon, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all Distributions hereunder shall be subject to any such withholding and reporting requirements. Any Holder of an Allowed Claim shall provide the Reorganized Debtors with information and forms required to satisfy its obligations under this section, as determined within the reasonable discretion of the Reorganized Debtors ("**Required Tax Forms**"); any ~~holder~~Holder of an Allowed Claim that fails to provide the Reorganized Debtors with Required Tax Forms within forty-five (45) days (or any longer period consented to by the Reorganized Debtors in writing) after a written request from the Reorganized Debtors for Required Tax Forms shall have all Distributions on account of

such Allowed Claims deemed an Unclaimed Distribution as of the expiration of such period and shall have its Allowed Claim treated in accordance with Sections VII.D and VII.E of the Plan.

8. Exemption From Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, (i) the issuance, transfer, or exchange under the Plan of New Common Stock, and the security interests in favor of the lenders under the Exit Facilities, (ii) the making or assignment of any lease or sublease under the Plan, or (iii) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan shall not be subject to any stamp, real estate transfer, recording, or other similar tax.

9. Reservation of Rights

The Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. None of the filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by any Debtor with respect to the Plan, this Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

10. Notices

After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall also be served on:

Debtors	Counsel to the Debtors
Fallbrook Technologies Inc. 505 Cypress Creek Road Suite L Cedar Park, Texas 78613 Attn: ~~Sheryl Kinlaw~~Jeffrey A. Birchak, Esq.	Shearman & Sterling LLP 599 Lexington Avenue New York, New York 10022 Attn: Ned S. Schodek, Esq. Jordan A. Wishnew, Esq. and Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn: Pauline K. Morgan, Esq. Kenneth J. Enos, Esq. Jaime Luton Chapman, Esq.
United States Trustee	**Counsel to the Kayne Supporting Creditors**
Office of the United States Trustee for the District of Delaware	Willkie Farr & Gallagher LLP 787 Seventh Avenue

Wilmington, Delaware 19801 Attn.: Benjamin A. Hackman, Esq.	Attn: Rachel C. Strickland, Esq. Paul V. Shalhoub, Esq. Richard Choi, Esq. and Richards, Layton & Finger, P.A. One Rodney Square 920 North King Street Wilmington, DE 19801 Attn: Mark D. Collins, Esq. Michael J. Merchant, Esq. Joseph C. Barsalona II, Esq.

Entities that would like to continue to receive documents pursuant to Bankruptcy Rule ~~2002~~2002, after the Effective Date, must file a renewed request with the Bankruptcy Court. After the Effective Date, the Reorganized Debtors are authorized to limit the list of entities receiving documents pursuant to Bankruptcy Rule 2002 to (a) those entities who have filed such renewed requests and (b) those entities whose rights are affected by such documents.

11. Exhibits/Schedules

All exhibits and schedules to the Plan and the Plan Supplement are incorporated into and constitute a part of the Plan as if set forth therein.

12. Nonseverability of Plan Provisions upon Confirmation

If, prior to confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted; *provided* that any such alteration or interpretation shall be reasonably satisfactory to the Debtors and the Kayne Supporting Creditors. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (i) valid and enforceable pursuant to its terms; (ii) integral to the Plan and may not be deleted or modified without the consent of the Debtors; and (iii) nonseverable and mutually dependent.

13. Closing of Chapter 11 Cases; Caption Change

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases, *provided*, as of the Effective Date, the Reorganized Debtors may submit separate orders to the Bankruptcy Court

under certification of counsel closing each of the Closing Cases and changing the caption of the Chapter 11 Cases accordingly, *provided further* that matters concerning Claims may be heard and adjudicated in a Remaining Case regardless of whether the Claims are against a Debtor in a Closing Case. Nothing in the Plan shall authorize the closing of any case *nunc pro tunc* to date that precedes the date any such order is entered. Any request for *nunc pro tunc* relief shall be made on motion served on the United States Trustee, and the Bankruptcy Court shall rule on such request after notice and a hearing. Upon the filing of a motion to close the last Remaining Case, the Reorganized Debtors shall file a final report with respect to all of the Chapter 11 Cases pursuant to Local Rule 3022-1(c).

14. Conflict

To the extent that any provision of this Disclosure Statement, the Plan Supplement, or any other order (other than the DIP Financing Orders and the Confirmation Order) referenced in the Plan (or any exhibits, appendices, supplements, or amendments to any of the foregoing)~~,~~ conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control. To the extent that any provision in the Plan conflicts with or is in any way inconsistent with any provision of the Confirmation Order, the Confirmation Order shall govern and control.

15. Further Assurances

The Debtors, Reorganized Debtors, all Holders of Claims or Equity Interests receiving Distributions pursuant to the Plan, and all other parties-in-interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

P. Effectiveness of the Plan

1. Conditions Precedent to Confirmation

It shall be a condition to confirmation of the Plan that the following conditions shall have been satisfied in full or waived pursuant to Section XI.C of the Plan:

a. The Bankruptcy Court shall have approved this Disclosure Statement as containing adequate information with respect to the Plan within the meaning of section 1125 of the Bankruptcy Code on date that is no more than 64 days after the Petition Date.

b. Each of the DIP Financing Orders shall have been entered, shall be in full force and effect, and, with respect to the Final DIP Order, shall be a Final Order.

c. The Confirmation Order shall have been entered by the Bankruptcy Court no more than 106 days after the Confirmation Date.

d. The Plan Supplement and any related documentation shall be acceptable to the Debtors and the Kayne Supporting Creditors.

5. Effect of Failure of Conditions

In the event that the Effective Date does not occur on or before ninety (90) days after the Confirmation Date, upon notification submitted by the Debtors (with the consent of the Kayne Supporting Creditors so long as the Restructuring Support Agreement has not been terminated) to the Bankruptcy Court: (i) the Confirmation Order shall be vacated, (ii) no Distributions shall be made, (iii) the Debtors and all Holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (iv) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Bankruptcy Court order.

6. Vacatur of Confirmation Order

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (i) constitute a waiver or release of any Claims against or Equity Interests in the Debtors; (ii) prejudice in any manner the rights of the Holder of any Claim against, or Equity Interest in, the Debtors; (iii) prejudice in any manner any right, remedy or claim of the Debtors; or (iv) be deemed an admission against interest by the Debtors.

7. Revocation of Plan

Subject to the conditions to the Effective Date, the Debtors reserve the right, with the consent of the Kayne Supporting Creditors (only so long as the Restructuring Support Agreement has not been terminated), to revoke or withdraw the Plan prior to the entry of the Confirmation Order and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if entry of the Confirmation Order or the Effective Date does not occur, or if the Restructuring Support Agreement terminates as to all parties thereto in accordance with its terms, then: (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or unexpired leases effected under the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (iii) nothing contained in the Plan, this Disclosure Statement, or any Confirmation Order shall: (a) constitute a waiver or release of any claims by or against, or any Equity Interests in, such Debtor or any other entity; (b) prejudice in any manner the rights of the Debtors or any other entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other entity.

ARTICLE VIII

FINANCIAL PROJECTIONS

In connection with the planning and development of the Plan and the implementation of their restructuring and turn-around initiatives, the Debtors prepared projections for the fiscal years 2018 through 2022 to present the anticipated impact of the Debtors' restructuring, which are attached hereto as **Exhibit C**. The projections assume that the Plan will be implemented in

B. Projected Financial Information

The Financial Projections attached to this Disclosure Statement are dependent upon the successful implementation of the Reorganized Debtors' business plan and the validity of the assumptions contained therein. Those projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, the Reorganized Debtors' anticipated future performance, the future commercialization of the *NuVinci* Technology by the Debtors' licensees, the continued growth of Enviolo, ~~and~~ general business and economic conditions, and other matters. Many or most of those matters are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Reorganized Debtors' actual financial results. Although the ~~Reorganized~~ Debtors believe that the Financial Projections are reasonably attainable, variations between the actual financial results and those projected may occur and, if they do occur, they may be material and adverse.

C. Risks Related to the Debtors' Business and Operations

1. The Debtors' primary revenue source has been Enviolo's sale of bicycle products, which are manufactured by contract manufacturers. If these manufacturers do not timely build and deliver product, Enviolo will be adversely affected. The loss of key customers would also negatively affect Enviolo, and, thus, its ability to generate revenue.

2. The Debtors' licensing revenue consists of up-front licensing fees and royalties from licensees. If the Debtors do not enter into new licenses, they may not receive additional up-front licensing fees to generate working capital. Further, if the Debtors' licensees do not successfully commercialize products that utilize the *NuVinci* Technology, the Debtors may not receive sufficient Cash royalties to meet their minimum liquidity needs. Moreover, if the Debtors do enter into new licenses, they cannot predict the amount of up-front licensing fees, royalty fees, engineering services fees, or other revenue that might be generated.

3. Revenue that the Debtors generate from engineering services is dependent upon the engineering needs of their licensees, which is beyond the Debtors' control.

4. The Debtors may not be successful in developing and benefiting from their strategic relationships with licensees. The Debtors and their licensees have not yet fully commercialized products utilizing the *NuVinci* Technology, and, thus, it is difficult to evaluate the likelihood of future success. The Debtors cannot be assured that they will be successful in the commercialization of the NuVinci Technology or otherwise in implementing their business strategy.

5. If the applications that the Debtors develop for the *NuVinci* Technology fail to gain market acceptance and adequate market share, their business will be adversely affected.

6. The Debtors may be unable to achieve or sustain profitability, which may necessitate the need for additional capital, which in turn, the Debtors may be unable to raise.

7. The Debtors use single suppliers for several components that are specifically qualified for use in the Debtors' products. If any of these suppliers become unable or unwilling to provide their respective components, the Debtors would be forced to source a different

component from another manufacturer, which would adversely impact the Debtors or their licensees' ability to deliver products to customers.

8. If the Debtors do not continue to form and maintain economic arrangements with ~~original equipment manufacturers~~OEMs to incorporate the *NuVinci* Technology into their products so that they can derive revenue from licensing and royalties on product sales, the Debtors' profitability will be impaired.

9. The Debtors' patents and other protective measures may not adequately protect their proprietary intellectual property, one or more of the Debtors' patents may be found to be invalid or unenforceable, or the Debtors' patent applications may not result in issued patents, all of which may have a material adverse effect on the Debtors' ability to prevent others from commercially exploiting products similar to those designed by the Debtors.

10. The Debtors' ability to sell products to their direct customers, original ~~equipment manufacturer~~OEM customers, and tier one supplier customers, and to license their intellectual property rights to new licensees, depends in part on the quality of the Debtors' engineering and customization capabilities. If the Debtors fail to offer high-quality engineering support and services, their sales and operating results may be materially adversely affected.

11. Parties may bring intellectual property infringement claims against the Debtors that would be time-consuming and expensive to defend, and if any of the Debtors' products or processes are found to be infringing, the Debtors will be required to attempt to license the necessary patents or redesign their products or processes, failing which they will be unable to manufacture, use or sell those respective products or processes that were found to be infringing. Challenges to the Debtors' patent rights can result in costly and time-consuming legal proceedings that may prevent or limit development of the Debtors' products.

12. The Debtors may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

13. The state of the economy affects each of the Debtors' target end markets and a material downturn in the economy will have a materially adverse effect on these markets.

14. The Debtors' principal competitors have, and any future competitors may have, greater financial and marketing resources than the Debtors, and they may therefore develop products or other technologies similar or superior to the Debtors or otherwise compete more successfully than Debtors, or generate intellectual property rights related to the *NuVinci* Technology that may materially adversely impact the Debtors' product sales or the sales of the Debtors' licensees.

15. The Debtors' working capital requirements involve estimates based on demand expectations, and may decrease or increase beyond those currently anticipated, which could harm the Debtors' operating results and financial condition.

16. The Debtors may not be able to successfully recruit and retain skilled employees, particularly scientific, technical, and management professionals.

17. Declines in product prices or increases in the cost of materials may adversely affect the Debtors' financial results.

18. The Debtors' international operations subject the Debtors to a number of risks, including unfavorable political, regulatory, labor and tax conditions. The Debtors are subject to

recoveries of Holders of Claims and Equity Interests and a summary of the liquidation value of the Debtors' assets in a chapter 7 liquidation are set forth in the Liquidation Analysis. The Debtors believe that liquidation under chapter 7 of the Bankruptcy Code would result in, among other things, smaller distributions to Holders of Claims and Equity Interests 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, that would be generated during the cessation and liquidation of the Debtors' operations, including as a result of the rejection of leases and other executory contracts.

2. Risk of Objection to Claim or Equity 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 Equity Interest under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim or Equity Interest where such Claim or Equity Interest is subject to an objection. Any Holder of a Claim or Equity Interest that is subject to an objection thus may not receive its expected share of the estimated Distributions described in this Disclosure Statement.

3. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date will occur prior to June 27, 2018, there can be no assurance as to such timing or that the conditions to the Effective Date, as contained in the Plan, will occur on a timely basis or at all. Moreover, both the Restructuring Support Agreement and the DIP Facility contain milestones relating to, among other things, the timely occurrence of the Effective Date; and there can be no assurance that the timely occurrence of the Effective Date will occur within the respective time frames set forth in the Restructuring Support Agreement and the DIP Facility, if at all. Failure to meet the milestones with respect to the occurrence of the Effective Date constitutes an event of default under both the Restructuring Support Agreement and the DIP Facility.

4. Contingencies May Affect Distributions

The Distributions available to Holders of Allowed Claims 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 to Holders of Claims.

5. Risk of Amendment, Waiver, Modification, or Withdrawal of Plan

The Debtors, or the Reorganized Debtors, as applicable, 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 that such amendments or waivers are consistent with the terms of the

was an "insider" as such term is defined in section 101(31) of the Bankruptcy Code. If any transfer were challenged in the Bankruptcy Court and found to have occurred with regard to any of the Debtors' material transactions, the Bankruptcy Court could order the recovery of all amounts received by the recipient of the transfer.

10. Availability of the DIP Facility

Upon commencing the Chapter 11 Cases, the Debtors asked the Bankruptcy Court to authorize the Debtors to enter into the DIP Credit Agreement and use ~~cash collateral~~Cash Collateral to fund the Chapter 11 Cases and to provide customary adequate protection to the DIP Lenders and Senior Noteholders, which requests were granted. Such access to postpetition financing and ~~cash collateral~~Cash Collateral will provide liquidity during the pendency of the Chapter 11 Cases. However, if the Chapter 11 Cases take longer than expected to conclude, the Debtors may exhaust their available financing or their obligations under the DIP Facility may mature. There is no assurance that the Debtors will be able to obtain an extension of the right to obtain further postpetition financing or use ~~cash collateral~~Cash Collateral, in which case, the liquidity necessary for the orderly functioning of the Debtors' business may be impaired materially.

11. The Debtors' Estimates and Assumptions Regarding's Secured, Administrative, and Priority Claims May Be Understated

In preparing their business plan and the Financial Projections, the Debtors made certain estimates and assumptions regarding obligations that will need to be paid in full, in ~~cash~~Cash as of the Effective Date. Among the obligations that will be paid in full, in Cash as of the Effective Date are Administrative Claims, Priority Tax Claims, Other Priority Claims, Convenience Claims, and, at the Debtors' election, Other Secured Claims. The Cash requirements of the Reorganized Debtors as of the Effective Date are derived from, among other things, the Debtors' estimates and assumptions about the Cash required to pay these Claims. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks of uncertainties materialize or should the underlying assumptions of the Debtors prove incorrect, the Debtors' estimates may understate the actual Allowed amounts of such Claims and may have material and adverse effects.

12. The Debtors' Estimations and Assumptions Regarding General Unsecured Claims May be Understated

The estimated amount of Claims in this Disclosure Statement are based on the Debtors' books and records, and certain reasonable assumptions. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or should the underlying assumptions of the Debtors prove incorrect, the actual Allowed amounts of Claims may vary from the estimated amounts herein.

Distributions to Holders of Allowed General Unsecured Claims will be affected by the pool of Allowed General Unsecured Claims. Upon completion of further analysis of ~~Filed~~filed Claims, which will likely lead to Claims objection litigation, the total amount of General Unsecured Claims that ultimately become Allowed General Unsecured Claims may differ from

creditors of the Debtors whose Claims (i) are not listed on the Schedules or (ii) are listed on the Schedules as disputed, contingent, and/or unliquidated, but who in either case have timely filed Proofs of Claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors, will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will only have their Ballots counted in the amount of $1.00 toward satisfying the aggregate claim amount requirements of that section.

B. The Confirmation Hearing

The Bankruptcy Code requires that a bankruptcy court, after notice, hold a confirmation hearing prior to determining whether to confirm the proposed plan of reorganization. The Confirmation Hearing is scheduled for ~~[~~ ~~]~~10:30 a.m., prevailing Eastern Time, on ~~[~~ ~~]~~, June 8, 2018, but may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or notice filed with the Bankruptcy Court. 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 of the Plan. The Bankruptcy Court has established ~~[~~ ~~]~~, June 1, 2018 at 4:00 p.m., prevailing Eastern Time, as the deadline for parties in interest to file Plan objections (the "**Objection Deadline**"). All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest so that they are received on or before the Objection Deadline.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among those requirements are that the Plan is (i) accepted by all Impaired Classes of Claims and Equity Interests (or, if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class), (ii) feasible, and (iii) in the "best interests" of Holders of Claims and Equity Interests that are Impaired under the Plan. These three concepts are described below.

1. Acceptance

Under the Bankruptcy Code, certain classes are not entitled to vote to accept or reject a proposed plan because those classes are conclusively presumed to have voted to accept that plan or are deemed to have rejected that plan. In the case of Class 1 (Other Priority Claims), Class 2 (Other Secured Claims), Class 5 (Convenience Claims), Class 6 (Intercompany Claims), and Class 9 (Intercompany Interests), those Classes are Unimpaired under the Plan and, therefore, are conclusively presumed to have accepted the Plan. In the case of Class 7 (Subordinated Claims) and Class 8 (Parent Interests), those Classes are deemed to reject the Plan because, under the Plan, those Classes are Impaired and the members of those Classes will not receive any

Distribution or be entitled to retain any property on account of those Claims or Equity Interests. Consequently, only Holders of Allowed Claims in Class 3 (Senior Secured Claims) and Class 4 (General Unsecured Claims) are entitled to vote to accept or reject the Plan.

Because Classes 7 and 8 are Impaired and also are deemed to reject the Plan, the Debtors will seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code, with respect to such Classes; *provided* that the Debtors will only seek the nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code if at least one (1) Class Impaired under the Plan has accepted the Plan (and which Class's acceptance is determined without inclusion of Claims of insiders).

2. Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the plan. The "cramdown" provisions of the Bankruptcy Code are set forth in section 1129(b) of the Bankruptcy Code. Under the "cramdown" provisions, upon the request of a plan proponent, the bankruptcy court will confirm a plan despite the lack of acceptance by all impaired classes if the bankruptcy court finds that (i) the plan does not discriminate unfairly with respect to each non-accepting impaired class, (ii) the plan is fair and equitable with respect to each non-accepting impaired class, and (iii) at least one impaired class has accepted the plan. These standards ensure that holders of junior interests cannot retain any interest in the debtor under a plan that has been rejected by a senior class of impaired claims or interests unless holders of such senior impaired claims or interests are paid in full.

As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of similar value under a plan. By establishing separate Classes for the ~~holders~~Holders of each type of Claim and by treating each ~~holder~~Holder of a Claim in each Class identically, the Plan has been structured so as to satisfy the "no unfair discrimination" test of section 1129(b) of the Bankruptcy Code.

The Bankruptcy Code sets forth different standards for establishing that a plan is "fair and equitable" with respect to a dissenting class, depending on whether the class is comprised of secured or unsecured claims or interests. In general, section 1129(b) of the Bankruptcy Code permits confirmation, notwithstanding non-acceptance by an impaired class, if that class and all junior classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting class be paid in full before a junior class may receive anything under the plan. Case law surrounding section 1129(b) of the Bankruptcy Code requires that no class senior to a non-accepting impaired class receives more than payment in full on its claims. This will not occur here. Although the Intercompany Interests are preserved, this is done for administrative convenience only for the purpose of preserving the Debtors' corporate structure.

3. Feasibility

For a reorganization plan to be confirmed, section 1129(a)(11) of the Bankruptcy Code requires that confirmation of that plan is not likely to be followed by the liquidation of the debtor, or by the need for further financial reorganization of that debtor. The Debtors believe the Plan satisfies this confirmation requirement. The Debtors have analyzed their ability to meet their obligations under the Plan and, based upon the Financial Projections attached as **Exhibit C** to this Disclosure Statement and the assumptions set forth therein, including (among other things) the anticipated liquidity to be provided under the Exit Facilities, the Debtors believe they will be able to make all Distributions required by the Plan and also will be able to fund their corporate and working capital needs going forward.

4. Best Interests Test

For a reorganization plan to be confirmed, section 1129(a)(7) of the Bankruptcy Code requires, in general, with respect to each impaired class of claims and equity interests, that each holder of an allowed claim or equity interest either (i) accept the plan or (ii) receive or retain under the plan, on account of such claim or equity interest, property of a value, as of the plan's effective date, that is not less than the value such holder would so receive or retain if the debtors instead were liquidated under chapter 7 of the Bankruptcy Code.

To determine what each Holder of an Allowed Claim or Equity Interest in an Impaired Class would receive if the Debtors were to be liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets in the context of a chapter 7 liquidation case. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors (if any), plus the unencumbered Cash (if any) held by the Debtors at the time of the commencement of the liquidation case and litigation recoveries. That aggregate amount then would be reduced by the amount of the costs and expenses of liquidation, plus any additional administrative and priority Claims that might result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation.

The costs and expenses of any liquidation under chapter 7 would include, among other things, the fees payable to a chapter 7 trustee, as well as the fees and expenses that might be payable to attorneys and other professionals that such a chapter 7 trustee might engage. In addition, additional Claims would arise in a chapter 7 that would not arise if the Plan was confirmed by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases. All of these Claims, as well as other Claims that might arise in a liquidation case or result from the Chapter 11 Cases, including any unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as compensation for legal and financial advisors and accountants), would need to be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Allowed General Unsecured Claims. In addition, the pool of unsecured ~~claims~~Claims will likely increase substantially in a chapter 7 because the Debtors

Additionally, any alternative plan of reorganization would need to provide for payment of DIP Facility Claims in Cash, because the agreement to roll those Claims into the New First Lien Facility is contingent upon confirmation of the Plan, as agreed to in the Restructuring Support Agreement. Moreover, the proposal of any alternative plan is a Termination Event under the Restructuring Support Agreement, and would relieve the Plan Support Parties from their obligations thereunder. Additionally, termination of the Restructuring Support Agreement is an event of default under the DIP Credit Agreement.

B. Liquidation Under Chapter 7 or Chapter 11

If no plan of reorganization is confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee or trustees would be appointed to liquidate the Debtors' assets. It is impossible to predict precisely how the proceeds of the liquidation, if any, would be distributed to the respective Holders of Claims against the Debtors.

The Debtors believe, however, that creditors would lose the substantially higher going -concern value if the Debtors were forced to liquidate. In addition, the Debtors believe that in a liquidation under chapter 7, before creditors would receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants, and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going -concern value of the Debtors' assets.

The Debtors may also be liquidated pursuant to a liquidation plan under chapter 11 of the Bankruptcy Code. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion, a process that may be conducted over a more extended period of time than a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than a chapter 7 liquidation, but still would be subject to the potential delay in distributions that could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to Holders of Claims or Equity Interests under a chapter 11 liquidation plan may be delayed substantially.

The Liquidation Analysis is premised upon a hypothetical liquidation in a chapter 7 case. As described in Article X above, the Debtors believe that a liquidation under chapter 7 is a substantially less attractive alternative to the Debtors and their creditors.

or Equity Interest should seek advice based on its particular facts and circumstances from an independent tax advisor.

A. Tax Consequences to the Debtors

The Debtors have reported consolidated U.S. net operating loss ("**NOL**") carryovers for U.S. federal income tax purposes of approximately $155.3 million as of December 31, 2016. The Debtors expect to incur further operating losses for the 2017 taxable year.[9] The amount of any such NOL carryovers and other losses, and the extent to which any limitations may apply, remains subject to audit and adjustment by the IRS. In general, for taxable years beginning after December 31, 2017, NOLs from prior years may be carried forward to offset up to 80% of taxable income in each subsequent taxable year until such NOLs are exhausted.

As discussed below, the amount of the Debtors' NOL carryovers, and possibly certain other tax attributes, may be significantly reduced upon implementation of the Plan. In addition, the Reorganized Debtors' subsequent use of their remaining NOL carryovers, any net built-in losses with respect to their assets and possibly certain other tax attributes, may be restricted as a result of and upon the implementation of the Plan.

1. Cancellation of Debt and Reduction of Tax Attributes

It is anticipated that the Plan will result in a cancellation of a portion of the Debtors' outstanding indebtedness. In general, absent an exception, a debtor will recognize cancellation of debt income ("**COD Income**") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (i) the adjusted issue price of the indebtedness satisfied, over (ii) the sum of the amount of ~~cash~~Cash and the fair market value of any other consideration given in satisfaction of such indebtedness. No COD Income would be realized to the extent that the payment of the debt being discharged would have given rise to a deduction, such as the cancellation of interest that has accrued but has not yet been taken into account for tax purposes by the applicable debtor under its method of accounting.

A debtor will not, however, be required to include any amount of COD Income in 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 (the "**Bankruptcy Exception**"). Instead, as a consequence of such exclusion, a debtor must reduce certain of its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (i) NOL carryovers; (ii) certain tax credit carryovers; (iii) net capital losses and capital loss carryovers; (iv) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers. A debtor with COD Income may elect first to reduce the basis of its depreciable assets. The Debtors presently do not intend to make this election for any member of their consolidated group. If this decision were to change, the deadline for making such election is the due date (including extensions) of their consolidated

[9] For federal income tax purposes, Fallbrook is the parent company of a consolidated group that includes FTI International, Hodyon, and Hodyon Finance.

U.S. federal income tax return for the taxable year in which the COD Income arises under the Plan and is excludible under the Bankruptcy Exception.

The Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations filing a consolidated return for U.S. federal income tax purposes. Under the Regulations, the tax attributes of each member of an affiliated group that is excluding COD Income is first subject to reduction. To the extent that the debtor member's tax basis in stock of a lower-tier member of an affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group.

As a result of the exclusion of COD Income realized from the discharge of indebtedness pursuant to the Plan, the Debtors expect that, subject to the limitations discussed herein, they will be required to make material reductions in their tax attributes. Because the Plan provides that ~~holders~~Holders of Senior Secured Claims and General Unsecured Claims will receive the New Common Stock, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the New Common Stock distributed to such Holders with respect to their Claims. These values cannot be known with certainty as of the date hereof.

2. Limitation of NOL Carryovers and Other Tax Attributes

The Debtors had significant NOLs as of December 31, ~~2016~~2016, and expect to generate operating losses through the Effective Date. The Debtors expect that, as a consequence of COD Income arising as a result of the Plan, any current year operating losses will be eliminated and their NOLs from prior years available for carry forward to subsequent taxable years will be substantially reduced. The amount of tax attributes, if any, that will be available to the Reorganized Debtors following such reduction is based on a number of factors and is impossible to calculate at this time. Some of the factors that could reduce the amount of available tax attributes include: the amount of taxable income or loss incurred by the Debtors in ~~2017~~2017, and the amount of COD Income realized by the Debtors in connection with the consummation of the Plan.

Under section 382 of the IRC, if a corporation undergoes an "ownership change," the amount of its pre-ownership change NOLs (collectively, "**Pre-Change Losses**") that may be utilized to offset future taxable income generally is subject to an annual limitation. Corresponding rules may reduce a corporation's ability to use losses if it has built-in losses in its assets at the time of an ownership change. Capital loss carryovers and certain tax credit carryovers are also generally limited after an ownership change under section 383 of the IRC. As discussed in greater detail herein, the Debtors anticipate that the issuance of the New Common Stock pursuant to the Plan will result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Reorganized Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the IRC applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income.

exchange for and bearing the same terms (other than interest rate) as securities should also be classified as securities for this purpose, since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Because of the inherently factual nature of this determination, each U.S. ~~holder~~Holder is urged to consult its own tax advisor regarding whether the Existing Notes, the Bridge Notes, and the Convertible Notes constitute securities for U.S. federal income tax purposes.

2. Exchange of Claims

a. The Existing Notes, Bridge Notes, and Convertibles Notes Are Not Securities

If an Existing Note, Bridge Note, or Convertible Note is not treated as a "security" for U.S. federal income tax purposes, the exchange of a Senior Secured Claim or Convertible Note Claim should be treated as a fully taxable transaction under Section 1001 of the IRC. A U.S. Holder generally should recognize gain or loss on the exchange of Senior Secured Claims or Convertible Note Claims pursuant to the Plan equal to the difference between (i) the fair market value of the New Common Stock (excluding New Common Stock treated as attributable to accrued interest on such Claims and possibly accrued original issue discount ("**OID**"), which is taxable as described below under ("**Accrued But Unpaid Interest**")), and (ii) the U.S. Holder's adjusted tax basis in such Claims (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the nature of the Claim in such U.S. Holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussion below under "Market Discount." The deductibility of capital losses is subject to certain limitations discussed under "Limitations of the Use of Capital Losses." The U.S. Holder's tax basis in such New Common Stock, including New Common Stock treated as received in satisfaction of accrued interest, generally should be the fair market value of the New Common Stock, and the U.S. Holder's holding period in such New Common Stock, if any, should generally begin on the day following the day of receipt.

U.S. Holders should consult their own tax advisors regarding the tax consequences of the exchange, including: the tax consequences of any distributions that may be made after the Effective Date on account of the disallowance of any Disputed Claim and possible alternative characterizations of the exchange.

b. The Existing Notes, Bridge Notes, and Convertibles Notes Are Securities for U.S. Federal Income Tax Purposes

If an Existing Note, Bridge Note, or Convertible Note is treated as a security for U.S. federal income tax purposes, the exchange of such Existing Note, Bridge Note, or Convertible Note pursuant to the Plan would be treated as a recapitalization, and, therefore, as a reorganization, under the IRC. In general, if an Existing Note, Bridge Note, or Convertible Note is treated as a security for U.S. federal income tax purposes, a U.S. Holder should not recognize gain upon the exchange of such Existing Note, Bridge Note, or Convertible Note pursuant to the Plan and will not be permitted to recognize a loss. In addition, even within an otherwise tax-free exchange, a U.S. Holder will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See "Accrued But Unpaid Interest" below.

A U.S. Holder's adjusted tax basis in the shares of New Common Stock received in exchange for Existing Notes, Bridge Notes, or Convertible Notes would equal the adjusted tax basis of the Existing Notes, Bridge Notes, or Convertible Notes exchanged. A U.S. Holder would have a holding period for the New Common Stock that includes the holding period for the Existing Notes, Bridge Notes, or Convertible Notes exchanged therefor. The adjusted tax basis of any share of New Common Stock as received in satisfaction of accrued interest would equal the fair market value of such New Common Stock and the holding period for such share of New Common Stock would begin on the day following the day of receipt.

c. Accrued But Unpaid Interest

To the extent that any amount received by a U.S. Holder under the Plan is attributable to accrued but unpaid interest and such interest has not previously been included in the U.S. Holder's gross income for U.S. federal income tax purposes, such amount generally would be taxable to the U.S. Holder as ordinary interest income regardless of whether the U.S. Holder realizes an overall gain or loss as a result of the exchange. The tax basis of any property received in exchange for accrued but unpaid interest should be the fair market value of such property. The holding period for such property should begin the day after the exchange.

A U.S. Holder may be able to recognize a deductible loss to the extent that any accrued interest or accrued OID was previously so included in the U.S. Holder's gross income but was not paid in full by the Debtors. However, the IRS has privately ruled that a Holder of a "security" of a corporate issuer, in an otherwise tax-free exchange, could not claim a current deduction with respect to any accrued but unpaid OID. Accordingly, it is also unclear whether, by analogy, a U.S. ~~holder~~Holder of an Existing Note, Bridge Note, or Convertible Note that does not constitute a "security" would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full.

The extent to which any amount received by a U.S. Holder will be attributable to accrued but unpaid interest is unclear. Under the Plan, the aggregate consideration to be distributed to any Allowed Claim in full or partial satisfaction of such Claim will be treated as first satisfying the stated principal amount of the Allowed Claim for such U.S. Holders and any remaining consideration as satisfying accrued, but unpaid, interest, if any. Certain legislative history

indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Regulations treat payments as allocated first to any accrued but unpaid interest. However, there can be no assurance that the IRS or the courts will respect the Plan allocation for U.S. federal income tax purposes.

U.S. Holders should consult their own tax advisors concerning the allocation of consideration received by them in satisfaction of their ~~claims~~Claims under the Plan and the U.S. federal income tax treatment of accrued but unpaid interest.

3. Limitation on the Use of Capital Losses

A U.S. Holder who recognizes capital losses as a result of the distribution under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (i) $3,000 ($1,500 for married individuals filing separate returns) and (ii) the excess of all the U.S. Holder's capital losses over all the U.S. Holder's capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year. Holders are urged to consult their own tax advisors regarding such limitations.

4. New Common Stock

a. Distributions

The gross amount of any distribution of ~~cash~~Cash or property made to a U.S. Holder with respect to New Common Stock generally will be includible in gross income by a U.S. Holder as dividend income to the extent such distribution is paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. A distribution in excess of current and accumulated earnings and profits, as determined under U.S. federal income tax principles, will first be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in its New Common Stock and will be applied against and reduce such basis dollar-for-dollar (but not below zero). To the extent that such distribution exceeds the U.S. Holder's adjusted tax basis in its New Common Stock, the distribution will be treated as gain from the disposition of shares, the tax treatment of which is discussed below under "Sale, Exchange, or Other Taxable Disposition."

Dividends received by non-corporate U.S. Holders may qualify for reduced rates of taxation. Dividends paid to corporate U.S. Holders that are corporations generally will be eligible for the dividends-received deduction so long as the Reorganized Fallbrook has sufficient earnings and profits. However, the reduced rates of taxation and dividends-received deduction are only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of

U.S. Holder may be required to be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of the New Common Stock may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

C. Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders of Senior Secured and Convertible Note Claims

The rules governing U.S. federal income taxation of a non-U.S. ~~holder~~Holder are complex. The following discussion includes only certain U.S. federal income tax consequences of the Plan 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 treaties, with regard to their participation in the transactions contemplated by the Plan, their ownership of the Existing Notes, the Bridge Notes, and the Convertible Notes, and the ownership and disposition of the New Common Stock.

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.

1. Gain Recognition

Any gain realized by a non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year that includes the Effective Date and certain other conditions are met, (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (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) the non-U.S. Holder is subject to tax pursuant to the provisions of the IRC applicable to certain expatriates.

If the first exception applies, to the extent that any gain is taxable and does not qualify for deferral in a reorganization as described above, 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 in the same manner as a U.S. Holder. 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. In order to claim an exemption from withholding tax, a non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates) or IRS Form W-8BEN or W-8BEN-E (if a treaty exemption applies).

Holder's tax basis (but not below zero) in its shares, and any excess would then be treated as gain from the disposition of the shares, the tax treatment of which is discussed below under "Sale, Exchange, or Other Taxable Disposition."

b. Dividend Withholding

Except as described below, dividends paid with respect to New Common Stock held by a non-U.S. Holder that are 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, are 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 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. Dividends paid with respect to New Common Stock held by a Non- U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, are 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).

c. Sale, Exchange, or Other Taxable Disposition

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~~Cash redemption) of New Common Stock, 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 or who is subject to special rules applicable to former citizens and residents of the U.S.;

(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 U.S.);

(iii) Reorganized Fallbrook is or has been a "United States real property holding corporation" for U.S. federal income tax purposes (a "**USRPHC**") at any time during the shorter of the non-U.S. Holder's holding period for the New Common Stock and the five year period ending on the date of disposition (the "**Applicable Period**");

(iv) the non-U.S. Holder is subject to tax pursuant to the provisions of the IRC applicable to certain expatriates.

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 New Common Stock. 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).

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. Even if Reorganized Fallbrook is or becomes a USRPHC, so long as the New Common Stock remains regularly traded on an established securities market for U.S. federal income tax purposes, a non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain from the disposition of the New Common Stock by virtue of Reorganized Fallbrook being a USRPHC unless such non-U.S. Holder actually or constructively owned more than 5% of the outstanding New Common Stock at some time during the Applicable Period. There is no assurance that the New Common Stock will be traded on an established securities market for this purpose. Any gain that is taxable because Reorganized Fallbrook is a USRPHC generally will be taxable in the same manner as gain that is effectively connected income (as described above), except that the branch profits tax will not apply. The Debtors believe that based on current business plans and operations, Reorganized Fallbrook is not and should not become a USRPHC in the future.

d. FATCA

Pursuant to sections 1471 through 1474 of the IRC (commonly referred to as "**FATCA**"), foreign financial institutions (which term includes most foreign hedge funds, private equity funds, mutual funds, securitization vehicles, and other investment vehicles) and certain other foreign entities who do not comply with certain information reporting rules with respect to their U.S. account Holders, investors, or owners may be subject to a withholding tax on U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). A foreign financial institution or such other foreign entity that does not comply with the FATCA reporting requirements will generally be subject to a 30% withholding tax with respect to any "withholdable payments." For this purpose, "withholdable payments" are any U.S.-source payments of fixed or determinable, annual or periodic income (including payments of accrued but unpaid interest on the Senior Secured Claims and Convertible Note Claims and distributions, if any, on New Common Stock) and also include the entire gross proceeds from the sale or other disposition of any property of a type that can produce U.S.-source interest or dividends (which would include the Senior Secured Claims ~~and~~, the Convertible Note Claims, and New Common Stock) if such sale or disposition occurs after December 31, 2018. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding. Foreign financial institutions located in jurisdictions that have

an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Reorganized Fallbrook will not pay any additional amounts to non-U.S. Holders in respect of any amounts withheld pursuant to FATCA. Under certain circumstances, a non-U.S. Holder might be eligible for refunds or credits of such taxes. non-U.S. Holders are urged to consult with their own tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstances.

D. Information Reporting and Backup Withholding

Payments made pursuant to the Plan generally will be subject to any applicable U.S. federal income tax information reporting and backup withholding requirements. The IRC imposes backup withholding tax on certain payments, including payments of interest and dividends, if a taxpayer: (i) fails to furnish its correct taxpayer identification number (generally on IRS Form W-9 for a U.S. ~~holder~~Holder or applicable IRS Form W-8 for a non-U.S. ~~holder~~Holder); (ii) furnishes an incorrect taxpayer identification number; (iii) is notified by the IRS that it has previously failed to report properly certain items subject to backup withholding tax; or (iv) fails to certify, under penalty of perjury, that such taxpayer has furnished its correct taxpayer identification number and that the IRS has not notified such taxpayer that it is subject to backup withholding tax. However, taxpayers that are C corporations for federal income tax purposes generally are excluded from these information reporting and backup withholding tax rules provided that evidence of such corporate status is furnished to the payor. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the backup withholding tax rules generally will be allowed as a credit against a taxpayer's U.S. federal income tax liability, if any, or will be refunded to the extent the amounts withheld exceed the taxpayer's actual tax liability, if such taxpayer timely furnishes required information to the IRS. Each ~~holder~~Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules as they relate to distributions under the Plan.

From an information reporting perspective, the 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 specified thresholds. Holders are urged to consult their own tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

E. Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain U.S. federal income tax consequences of the Plan, does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Holder of a Claim in light of such Holder's circumstances and tax situation and is not a substitute for consultation with a Holder's own tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences of the Plan are complex and are in many cases uncertain and may vary depending on a claimant's particular circumstances. Accordingly, all Holders of Senior Secured Claims and Convertible

IN WITNESS WHEREOF, each Debtor has executed this Disclosure Statement this ~~__th~~1st day of ~~April~~May, 2018.

Dated: ~~April __~~,May 1, 2018

FALLBROOK TECHNOLOGIES INC.

By:_____
Name: Roy Messing
Title: Chief Restructuring Officer

FALLBROOK TECHNOLOGIES INTERNATIONAL CO.

By:_____
Name: Roy Messing
Title: Chief Restructuring Officer

HODYON, INC.

By:_____
Name: Roy Messing
Title: Chief Restructuring Officer

HODYON FINANCE, INC.

By: __
Name: Roy Messing
Title: Chief Restructuring Officer

EXHIBIT A

Debtors' Joint Plan of Reorganization

~~**[FILED AT DOCKET NO. 167]**~~

EXHIBIT C

Financial Projections

~~**[FILED AT DOCKET NO. 154]**~~

EXHIBIT D

Liquidation Analysis

~~**[FILED AT DOCKET NO. 154]**~~